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 Comm. on Public Accounts,
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HOUSE OF COMMONS
Financial Statement
1951
(Second Session)

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHELIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

NO. 1

1951

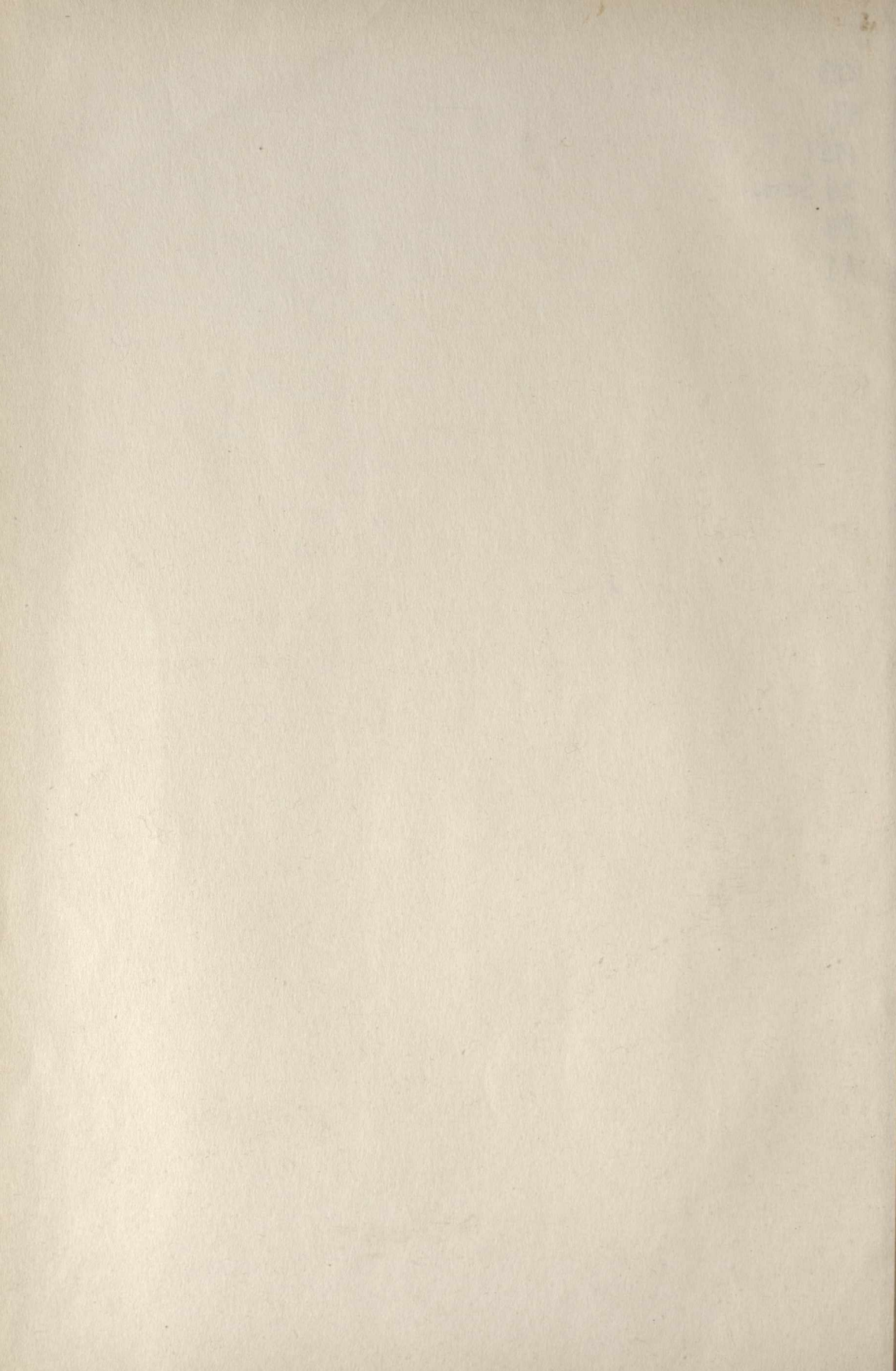
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WEDNESDAY, DECEMBER 3, 1951
FRIDAY, DECEMBER 4, 1951
MONDAY, DECEMBER 10, 1951

WITNESSES

- Mr. William Gordon, Auditor General
- Mr. J. G. Macdonald, Deputy Minister of Finance
- Mr. L. B. St. Laurent, Assistant Deputy Minister of Finance
- Mr. J. D. McLaughlin, Comptroller of the Treasury
- Mr. A. B. Davis, Special Assistant (Accounts), Department of Finance
- Mr. H. W. Henry, Solicitor to the Treasury

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HOUSE OF COMMONS

Fifth Session—Twenty-first Parliament

1951

(Second Session)

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—Mr. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

BILL 25

An Act to Provide for the Financial Administration of the Government of Canada, the Audit of the Public Accounts and the Financial Control of Crown Corporations.

WEDNESDAY, DECEMBER 5, 1951

FRIDAY, DECEMBER 7, 1951

MONDAY, DECEMBER 10, 1951

WITNESSES:

Mr. Watson Sellar, Auditor General.
Dr. W. C. Clark, Deputy Minister of Finance.
Mr. R. B. Bryce, Assistant Deputy Minister of Finance.
Mr. B. G. McIntyre, Comptroller of the Treasury.
Mr. H. R. Balls, Special Assistant (Accounting), Department of Finance.
Mr. D. H. W. Henry, Solicitor to the Treasury.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

Chairman: Mr. L. Philippe Picard.

Vice-Chairman: Mr. D. A. Croll

and MESSRS.

Anderson	Cloutier	Kirk (<i>Digby-Yarmouth</i>)
Ashbourne	Decore	Larson
Argue	Denis	Macdonnell (<i>Greenwood</i>)
Balcer	Fleming	Major
Beaudry	Fournier (<i>Maisonneuve-</i>	Maltais
Benidickson	<i>Rosemont</i>)	Noseworthy
Beyerstein	Fraser	Nowlan
Blue	Fulford	Pearkes
Boisvert	Fulton	Pinard
Boivin	Gauthier (<i>Portneuf</i>)	Richard (<i>Gloucester</i>)
Brisson	Gibson	Richard (<i>Ottawa East</i>)
Browne (<i>St. John's</i>	Harkness	Riley
<i>West</i>)	Helme	Robinson
Campney	Low	Sinclair
Cauchon	Jutras	Warren
Cavers	Kirk (<i>Antigonish-</i>	Wright—50
Churchill	<i>Guysborough</i>)	
Cleaver		

(Quorum 15)

R. J. GRATRIX,
Clerk of the Committee.

FRIDAY, 19th October, 1951.

ORDERS OF REFERENCE

Resolved,—That the following Members do compose the Standing Committee on Public Accounts:—

Messrs.

Anderson,	Croll,	Larson,
Ashbourne,	Decore,	Macdonnell (<i>Greenwood</i>),
Balcer,	Denis,	Major,
Beaudry,	Fleming,	Maltais,
Benidickson,	Fournier (<i>Maisonneuve-</i>	Nowlan,
Beyerstein,	<i>Rosemont</i>),	Pearkes,
Blue,	Fraser,	Picard,
Boisvert,	Fulford,	Pinard,
Boivin,	Fulton,	Richard (<i>Gloucester</i>),
Brisson,	Gauthier (<i>Portneuf</i>),	Richard (<i>Ottawa East</i>),
Brown (<i>St. John's</i>	Gibson,	Riley,
<i>West</i>),	Harkness,	Robinson,
Campney,	Helme,	Sinclair,
Cauchon,	Johnston,	Stewart (<i>Winnipeg</i>
Cavers,	Jutras,	<i>North</i>),
Churchill,	Kirk (<i>Antigonish-Guys-</i>	Thatcher,
Cleaver,	<i>borough</i>),	Warren,
Cloutier,	Kirk (<i>Digby-Yarmouth</i>),	Wright—50.

(Quorum 15)

Ordered,—That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

TUESDAY, 27th November, 1951.

Ordered,—That the following Bill be referred to the said Committee:—

Bill No. 25, An Act to Provide for the Financial Administration of the Government of Canada, the Audit of the Public Accounts and the Financial Control of Crown Corporations.

THURSDAY, November 29, 1951.

Ordered,—That the name of Mr. Low be substituted for that of Mr. Johnston on the said Committee.

WEDNESDAY, December 5, 1951.

Ordered,—That the said Committee be authorized to sit while the House is sitting.

Ordered,—That the said Committee be empowered to print, from day to day, 800 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

Ordered,—That the name of Mr. Argue be substituted for that of Mr. Thatcher on the said Committee.

Ordered,—That the name of Mr. Noseworthy be substituted for that of Mr. Stewart (*Winnipeg North*) on the said Committee.

MONDAY, December 10th, 1951.

Ordered,—That the Public Accounts of Canada and the Report of the Auditor General for the fiscal year ended March 31, 1951, which were tabled in the House on Wednesday, October 31, 1951, be referred to the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

WEDNESDAY, December 5, 1951.

The Standing Committee on Public Accounts begs leave to present the following as a

FIRST REPORT

Your Committee recommends:

1. That it be authorized to sit while the House is sitting.
2. That it be empowered to print, from day to day, 800 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, December 5, 1951.

The Standing Committee on Public Accounts met at 10.30 o'clock a.m. this day. Mr. Picard, Chairman, presided.

Members present: Messrs. Ashbourne, Beaudry, Beyerstein, Boisvert, Boivin, Browne (*St. John's West*), Campney, Croll, Fleming, Fraser, Fulford, Helme, Jutras, Kirk (*Antigonish-Yarmouth*), Major, Riley, Robinson, Sinclair, Thatcher, Wright.

On motion of Mr. Browne (*St. John's West*):

Resolved,—That Mr. Croll be Vice-Chairman of the Committee.

On motion of Mr. Sinclair:

Resolved,—That the Committee recommend to the House that it be authorized to sit while the House is sitting.

On motion of Mr. Riley:

Resolved,—That the Committee recommend to the House that it be empowered to print, from day to day, 800 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence.

The time at which the Committee would next meet was discussed and, having regard to the number of members of the Committee who are also members of other Committees sitting at the present time, it was agreed to meet again at 3.30 o'clock p.m., Friday, December 7, 1951, at which time the Committee would consider Bill No. 25, An Act to Provide for the Financial Administration of the Government of Canada, the Audit of the Public Accounts and the Financial Control of Crown Corporations.

The question of the witnesses to be called and heard on the said bill was then discussed and the Clerk was instructed to call the Auditor General, Mr. Watson Sellar; The Deputy Minister of Finance Dr. W. C. Clark; the Assistant Deputy Minister of Finance, Mr. R. B. Bryce; and the Comptroller of the Treasury, Mr. B. G. McIntyre. All of the said witnesses to be present at the next meeting of the Committee.

At 10.55 o'clock a.m. the Committee adjourned to meet again at 3.30 o'clock p.m., Friday, December 7, 1951.

FRIDAY, December 7, 1951.

The Standing Committee on Public Accounts having been called for 3.30 o'clock p.m., at 3.45 o'clock p.m. the following members were present: Messrs. Balcer, Boisvert, Cavers, Cloutier, Decore, Fulford, Gibson, Helme, Low, Jutras, Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Noseworthy, Picard.

There being no quorum present, the Chairman, at the suggestion of several members of the Committee, postponed the meeting until Monday, December 10, at 3.30 o'clock p.m.

MONDAY, December 10, 1951

The Standing Committee on Public Accounts met at 3.30 o'clock p.m. this day. Mr. Picard, Chairman, presided.

Members present: Messrs. Anderson, Argue, Ashbourne, Benidickson, Boisvert, Brisson, Campney, Cavers, Croll, Fleming, Fournier, (Maisonneuve-Rosemont), Fraser, Fulford, Fulton, Gauthier (Portneuf), Gibson, Harkness, Helme, Kirk (Digby-Yarmouth), Macdonnell (Greenwood), Major, Maltais, Noseworthy, Nowlan, Richard (Ottawa East), Riley, Robinson, Sinclair, Wright.

In attendance: Mr. Watson Sellar, Auditor General; Dr. W. C. Clark, Deputy Minister of Finance; Mr. R. B. Bryce, Assistant Deputy Minister of Finance; Mr. B. G. McIntyre, Comptroller of the Treasury; Mr. H. R. Balls, Special Assistant (Accounting), Department of Finance, and Mr. D. H. W. Henry, Solicitor to the Treasury.

The Committee commenced consideration of Bill No. 25, An Act to Provide for the Financial Administration of the Government of Canada, the Audit of the Public Accounts and the Financial Control of Crown Corporations.

Mr. Sinclair raised the question as to the propriety of having Mr. Seller give evidence on all phases of the bill before the Committee and it was agreed that he would be heard on only that part of the bill relating to The Auditor General.

Dr. Clark was called, outlined the need for the proposed legislation before the Committee and made a statement in explanation of Parts I, II and III of the bill.

At 4.20 o'clock p.m. Mr. Croll, Vice-Chairman, took the chair.

Mr. Bryce was called and made a statement on that part of the bill relating to the Treasury Board (*Part I*).

Mr. McIntyre was called and made a statement on that part of the bill relating to Public Disbursements (*Part III*).

Mr. Sellar was called, made a statement on that part of the bill relating to The Auditor General (*Part VII*) and was questioned thereon.

The Committee then commenced a clause by clause consideration of the bill.

Clauses 1 and 2 were called, considered and adopted.

At 5.00 o'clock p.m. Mr. Picard, Chairman, resumed the Chair.

That part of Part I of the bill relating to the *Treasury Board*, being clauses 3 to 7 inclusive, was called, considered and adopted.

That part of Part I of the bill relating to the *Department of Finance*, being clauses 8 to 15 inclusive, was called, considered and adopted.

During the consideration of Part I of the bill the witnesses answered questions specifically referred to them.

At 5.50 o'clock p.m. the Committee adjourned to meet again at 11.00 o'clock a.m., Tuesday, December 11, 1951.

R. J. GRATRIX,
Clerk of the Committee.

EVIDENCE

December 10, 1951.

3.30 p.m.

The CHAIRMAN: Order, gentlemen.

We are here today to start consideration and study of bill number 25, an Act to Provide for the Financial Administration of the Government of Canada, the Audit of the Public Accounts and the Financial Control of Crown Corporations. We have with us as witnesses, Dr. W. C. Clark, Deputy Minister of Finance, who will be the first witness; we also have in attendance, I understand, Mr. Watson Sellar, Auditor General, Mr. R. B. Bryce, Assistant Deputy Minister of Finance, Mr. B. G. McIntyre, Comptroller of the Treasury, Mr. H. R. Balls, Special Assistant, Department of Finance and Mr. D. H. W. Henry, solicitor to the Treasury. I think it will be in order if Mr. Clark would start by giving us a general statement.

Mr. SINCLAIR: Mr. Chairman, I would like to raise one point of order before we start. I have before me a letter from Mr. Watson Sellar, the Auditor General, and I spoke to Mr. Macdonnell and yourself about this; he states that he thinks probably it would be better for all concerned if he were not asked to be in attendance during consideration of the early part of this bill. He feels that he should not be placed in a position where he has to comment on government legislation other than such parts of it as might relate strictly to audit matters. He points out that as far as his independence as an officer of parliament goes that he should be kept free from any commitment with respect to any part of the administration of this Act and that his official administrative position should be safe-guarded. The position is this: supposing we are discussing sections of this bill and he expresses an opinion favourable to the views of the opposition, he might be left open to a charge of favouring them; and, conversely, if he opposes certain sections he might be considered as being favourable to the opposition. I submit, Mr. Chairman, that that is not a desirable position for an officer of the House of Commons to be in, and I must confess that it had not occurred to me before. I do agree with him that he should not be placed in a position of expressing opinions either favourable to government legislation or opposed to it. Particularly, I doubt very much if we should ask him to give evidence on administration, except with respect to that part of the legislation which relates directly to the work of his organization. I would like to ask Mr. Macdonnell whether or not he agrees with me on that.

Mr. MACDONNELL: I think no, perhaps because I was away on Saturday. I do, however, see the point Mr. Sellar raises and it seems to me, indeed, I would feel that if the Auditor General thought he should not be heard, then that would settle it.

Mr. SINCLAIR: He is here. It is not that he thinks he should not be here. Perhaps Mr. Sellar can speak for himself, and perhaps, if the committee approves, he could speak for himself very quickly.

The CHAIRMAN: Would you care to comment, Mr. Sellar?

Mr. WATSON SELLAR (Auditor General): As Mr. Sinclair says, I brought up the question with him over the weekend; and Mr. Macdonnell complimented me by asking me my opinion on various matters in the Act, and I pointed out that I was in an awkward position, as Mr. Sinclair said—if I criticized the bill I

would be considered the chore boy of the opposition, and if I approved the bill I would be considered as carrying the ball for the government. I am not in that difficult position so far as the audit sections are concerned, as the Department of Finance consulted me with regard to that particular part. I am wholly in sympathy with it, and the pre-audit was eliminated at my request because if my staff pre-audited, then when we came to the final audit we passed up our errors, we were not going to show up our inefficiency, and for that reason I wanted the pre-audit sections out. There is only one other part concerning the audit, and that is the companies' part. That is a matter for the House to decide, but I did point out the other day to Mr. Sinclair that you do leave suspended in mid-air the audit of various companies now covered by the Defence Production Act when that Act expires in 1956.

The CHAIRMAN: Before we proceed I might point out that the Auditor General wrote to me from Paris that he was busy at the time as one of the auditors of the United Nations but was willing to report here on one day's notice, stating that his duty was to the Canadian Public Accounts Committee first. I wanted that put on the record because he said that he was willing to report and, if necessary, would take a plane to return here on time.

Mr. MACDONNELL: He was lucky that you were there, too, Mr. Chairman.

The CHAIRMAN: You know, I always take any remark favourably, rather than antagonistically. I have a good nature.

Mr. FULTON: On that point, I would certainly gather that we are in agreement with the Auditor General that the Auditor General should not be asked to comment on anything he thinks would be embarrassing—

The CHAIRMAN: He did not say "embarrassing".

Mr. FLEMING: To put him in an embarrassing position.

Mr. FULTON: Yes, but I would just want to be clear that this does not mean that by agreeing to that proposition that we are through with him on the question of the pre-audit, because I wanted to ask him several questions on that.

Mr. MACDONNELL: Mr. Chairman, do you think it would be better that we hear from Mr. Clark completely before asking him any questions?

The CHAIRMAN: I was going to suggest that we should give the deputy minister a free hand to complete what he has to say—not interrupt him—and then the question period may come after. That will be the ruling for the time being.

Dr. W. C. Clark, Deputy Minister of Finance, called:

The WITNESS: Mr. Chairman and gentlemen. This bill, as Mr. Abbott and Mr. Sinclair explained in the House, is a revision and a consolidation of all the essential measures relating to the financial administration of the government of Canada. I think we all agree that it was time that there should be an overhaul of these various measures and that they should be put together into one comprehensive statute. You are all familiar with the tremendous growth of the financial activities of government in the last few years. You can see it on the expenditures and revenue side, the number of employees, and so on. You may not have seen how far it extends in certain other directions. I was reading the other night an article I had to write for my sins back in 1938 on the financial administration of the government of Canada, and I saw that I started that article by giving some idea of the size and complexity of government operations. I will just call attention to one or two factors that indicate the growth since that time.

For instance, in cheques cashed, I pointed out at that time that 3.5 to 4 million cheques, involving a total expenditure of \$1.5 million a year, were

processed through the government machinery in the course of a year. This machinery in the last twelve months processed almost 35 million cheques, for a total of \$4,800,000,000, and next year there will be another nearly 700,000 cheques every month issued because of the old age pension program. Those of you who know something about the life history of cheques will realize there is a tremendous amount of work involved in all that. Bank drafts received and deposited have increased from 700 million to 4 billion in that time. The number of cancelled coupons on government bonds that have to be cashed has increased from 4,300,000 in 1938 to over 21,006,000,000 now. All this indicates a tremendous growth. The increased complexity is obvious from the fact that you have in the appendices to this bill not only 21 departments named, but you have also 10 departmental corporations, 11 agency corporations, and 12 proprietary corporations.

As someone pointed out, those are not all of the Crown corporations or the corporations that we have something to do with, but the fact that they are divided into these three groups or these three categories indicates the great complexity in the pattern. The titles themselves indicate the great diversity in the kind of business they do, the kind of operation they carry on.

There has been tremendous growth and increased complexity in the last few years and, more than that, the basic law in regard to our financial administration—the old Consolidated Revenue and Audit Act—goes back without any revision at all to the statute of 1931. While there was a substantial revision at that time, most of that bill goes back to the earlier Act of 1878, and a good deal of it in identical language. This Act in turn was closely modelled on the earlier British Act of 1866.

I think we have all for quite a long while realized that a thorough job should be done in revising the legislation and that we should try to bring it together in a consolidated statute. We, in the Department of Finance, have been working on it for several years but it was very difficult for the senior officials of the department to get down to it and get the job done.

Perhaps there was some advantage in that, as we look back on it, now because in the last two or three years we have had a tremendous amount of assistance from suggestions made in this Public Accounts Committee, of the House of Commons, and by the Auditor General.

Well, the bill is before you now and we believe it represents a tremendous improvement over the existing situation. We have simplified the old legislation; we have clarified it; we have tried to bring it up to date. We have filled in the gaps—at least those of the gaps we felt should be filled in, and made a great many other improvements all of which I think are designed to make the legislation a more effective instrument to carry out the will of parliament in regard to the collection, custody, and use of government funds.

I would like, Mr. Chairman, to illustrate what I have been saying about this improvement in the situation by referring to some of the specific changes that you will find in the bill and the reasons which have led to the changes. If I may make a suggestion, it would be that at this time we should confine ourselves to Parts I, II, III, and VII of the bill. Part I is on organization, Part II is on public moneys, Part III on disbursement and Part VII is on the Auditor General's section. I think those four parts will give you the heart of the bill or the guts of it, if I may use that expression. Most of the essentials are there and they are pretty complicated.

If we go through those parts first and postpone for later time discussion on public stores and Crown corporation, public debt, and others of more specialized provisions of the bill, I think we can avoid a good deal of confusion. Even what I have to say in the parts I have mentioned will involve a good deal of technical material.

First you will notice that the bill itself is entitled "The Financial Administration Act". We studied a good many alternatives to the present title "Consolidated Revenue and Audit Act" which we felt was not at all revealing to a student or member trying to find out where the law exists in regard to the financial operations of government. We finally decided that "The Financial Administration Act" was as descriptive a title as we could think of, one which would tell the story fairly clearly.

The definitions in Section 2, the interpretation section, are, I think you will find, a good deal clearer and more precise than the older definitions or the definitions in the old Act. I won't go into them now but I will have occasion to call attention a little later on to some of the more fundamental of the concepts there.

Coming to Part I. Part I deals with organization matters—that is to say with the status and function of the various officials and entities which comprise the administrative set-up of the government of Canada in so far as financial matters are concerned—apart from the Auditor General who is covered in a separate section.

You will note that Part I really takes the place of the Department of Finance and the Treasury Board Act, and of the old sections of the Consolidated Revenue Act which dealt with the Comptroller of the Treasury. We have brought together all of those sections dealing with organization in this first part of the Act. I think the reason for doing so is perfectly obvious.

First of the entities to be dealt with in Part I is the Treasury Board because that board is at the top of the hierarchy of the administrative agencies in the financial field. As you all know, the board is a committee of cabinet or council consisting of the Minister of Finance as chairman and five other ministers appointed from time to time by the Governor in Council.

The bill provides also for the continuation of a practice which has been followed by the Governor in Council recently of appointing alternates to the regular members. That is a tribute to the amount of work which has been performed by the board and the difficulty of having an adequate number of ministers at all times.

In subsection 1 of section 5 you will note that the board is to act as a committee of the King's Privy Council for Canada on all matters relating to finance, revenues, estimates, expenditures, financial commitments, accounts, establishments, the terms and conditions of employment of persons in the public service, and general administrative policy in the public service either referred to the board by the Governor in Council or which the board considers it desirable to act on, or on which it should act under other statutes.

Certain of the phrases in that enumeration such as "estimates, financial commitments," and so on are new, and in a later section of this bill there are other provisions which also extend the powers of the Treasury Board. I think we can satisfy you that all these extensions are justified. However, if you will look at section 4, you will find that there is a departure from the present Act in that while in the past the Deputy Minister of Finance has been *ex officio* secretary of the Treasury Board, the minister will henceforth designate an officer of the department to act as secretary. So this merely recognizes a situation which already exists.

The fact is that the volume and complexity of the work of the department have grown so rapidly in recent years that it has been impossible for the deputy minister to act as secretary. That is a full time job in itself and perhaps even more.

For some time Mr. Bryce with the assistance of Mr. Taylor, (another assistant deputy minister), on salary and establishment matters, has been spending most of his days and, I feel, many of his nights, in fact, too many of his nights, on Treasury Board matters.

I therefore thought, Mr. Chairman, that it would be best if Mr. Bryce should be the one to explain in more detail, in the statement which he will make in a few minutes, the changes in the Treasury Board section and why the minister has thought them desirable.

The CHAIRMAN: If I may say so, we have had Mr. Bryce before us as a witness before and we have been delighted with his cooperation with our committee. So it would be quite in order later on to have Mr. Bryce and he could explain first what he intends to do with the provisions of the act dealing with Treasury Board.

Mr. MACDONNELL: He has treated us very kindly.

The WITNESS: The following 3 sections deal with the Department of Finance, the Minister of Finance, and the Deputy Minister of Finance in substantially the same term as in existing legislation except that certain provisions relating to the duties of the deputy minister in regard to the keeping of an appropriation book, and receiving certain reports from financial institutions and so on have been deleted because they are now obsolete and no longer necessary.

The remaining section of this part deals with the status and some of the functions of the Comptroller of the Treasury. His main specified powers and duties will be found spelled out in other Sections of the bill particularly in part III of the bill.

Apart from dropping the subsection providing for his retirement at age 70, and thereby leaving his retirement to be determined, subject to good conduct, in the usual way under the provisions of the Civil Service Superannuation Act, as in the case of any other permanent civil servant, sections 11 and 12 are in practically the same terms as section 21 of the 1931 Act which, as you will recall, provided for the first appointment of a comptroller of the treasury.

That was the big and radical innovation introduced by the 1931 revision of the Audit Act, the setting up of an officer of the Department of Finance who, with his accounting representatives in every department, would act to provide centralized control or pre-audit of all expenditures of government and also perform certain expert accounting services required by the government.

I think I may say this: that thanks to their ability and character, the two officials who have held this office since 1931, Mr. Sellar and Mr. McIntyre, the innovation introduced in 1931 has, in our opinion, proved to be amply justified. But sometimes I wonder, now that we are getting so far away from the old system now which existed prior to 1931, whether we appreciate as fully as we should the tremendous load of work that has been thrown on the comptroller of the treasury and his staff and the tremendous contribution they are making to sound financial administration in this country.

In this bill it has not been found necessary to make any substantial modifications of the original conception of the comptroller's duties and responsibilities. Given in the 1931 Act, but you may have noticed from your examination of Part III that the bill does propose in certain respects to extend the Comptroller's powers and in other respects to strengthen his hands by giving legislative sanction to certain practices he has already adopted. There is also a section, section 15, it is the last section in that part, which authorizes him, on request of the minister of the department and with the approval of the Minister of Finance, to provide accounting services for a department in connection with the collection of the revenues, and to examine and report to the minister of the department on departmental collection and accounting practices and procedure. This section will give statutory sanction to what

is now done by informal arrangement in a number of cases. Mr. McIntyre in his statement will, I am sure, be willing to elaborate on any changes that affect him.

Now, I would like to make a few comments in regard to Part II of the bill, which deals with public money. Right at the start of this part, we run into the cardinal statutory requirement on the revenue side of government finance, namely, the creation of a single consolidated revenue fund into which all public money is required to be deposited to the credit of the Receiver General. That, I think, is the most important single principle on the revenue side, the greatest protection of the rights of parliament in the control of the public purse. This goes back to section 102 of the British North America Act.

Now, subsection 1 of section 16 should be read in conjunction with some of the definitions. Section 16 says, "all public money shall be deposited to the credit of the Receiver General." Well, what is public money? If you go back to section 2 (m) and you will find "public money" means all money belonging to Canada received or collected by the Receiver General or any other public officer in his official capacity or any person authorized to receive or collect such money, and includes

- (i) duties and revenues of Canada,
- (ii) money borrowed by Canada or received through the issue or sale of securities,
- (iii) money received or collected for or on behalf of Canada, and
- (iv) money paid to Canada for a special purpose.

That is public money.

Perhaps you should also look at the three preceding paragraphs, (j), (k) and (l). "money" includes negotiable instruments, in (j); (l) says that "negotiable instrument" includes any cheque, draft, traveller's cheque, bill of exchange, postal note, money order, postal remittance and any other similar instrument; and then (k) states that, "money paid to Canada for a special purpose" includes all money that is paid to a public officer under or pursuant to a statute, trust, treaty, undertaking, or contract, and is to be disbursed for a purpose specified in or pursuant to such statute, trust, treaty, undertaking or contract. That is public money.

Those four paragraphs give you the connotation, the whole meaning of public money, and I would call your attention, at the same time, to paragraph (e), a little further up on the page: "Consolidated Revenue Fund" means the aggregate of all public moneys that are on deposit at the credit of the Receiver General. Now, those concepts, I think, are stated in very precise and clear terms.

Mr. WRIGHT: Would that include—

The CHAIRMAN: I beg your pardon, Mr. Wright. It has been agreed that we would allow Dr. Clark to go on and make his statement without any interruptions. You were not here when we agreed to that, but after the statement has been made questions will be asked. In the meantime, we will continue to hear from Dr. Clark.

The WITNESS: As I said, I think the definitions are clear and precise now. I perhaps might also call attention, in passing, to the fact that "public money" and "consolidated revenue fund" speak in terms of cash receipts and a cash fund, and that, I think, is basic to effective parliamentary control of the public purse.

Subsection 2 of section 16—coming back to Part II again—authorizes the Minister of Finance to establish, in the name of the Receiver General, accounts with such banks and fiscal agents as he designates for the deposit of public money. This subsection is new, but it is just what we are doing now; it is in accord with the present practice. Subsections 3 and 4 are in accord with existing provisions, but are a little more flexible. Section 17 is a new provision designed to regulate a practice which for a long time has been followed by the Finance Minister in the purchase and sale of government securities, when he deems it advisable for the sound and efficient management of public money or the public debt to purchase, acquire and hold securities and pay therefor out of the consolidated revenue fund. Clear direction is given for the first time in regard to the accounting treatment to be accorded profit and losses on such investment operations.

Passing over some of the new sections in this part, some sections of minor importance, I should perhaps call special attention to the last two sections in the part namely sections 22 and 23. The remission powers to be exercised by the Governor in Council under section 22 are somewhat broader than under the corresponding provisions of the present law. Thus, power is given to remit not only taxes, duties or tolls, but also part or all of fees—fees paid, for instance, with respect to applications under a statute, such as the Companies Act, which for various reasons are not proceeded with or are withdrawn after application or submission. That is one of the changes. Power is also given to the Governor in Council when he considers it to be in the public interest, to exempt in advance any case or class of case from taxation or fee. This is intended to deal with such circumstances as arise in connection with the importation of essential goods that would not be imported or some project which would not be proceeded with unless there were firm assurances in advance of importation that the goods would not be subject to the tax or duty. A new requirement, also, to report in the public accounts every remission of \$1,000 or more will give statutory recognition to the Auditor General's present practice in reporting remissions.

Finally, section 23 is a new section, designed to enable the Governor in Council on recommendation of the Treasury Board to (a) extinguish or (b) delete from the accounts, without extinguishing, small debts owing to the crown that have been outstanding for many years. At the present time there is no parliamentary authority to write off such debts, and considerable expense has been incurred by departments in maintaining records of claims that are, in effect, valueless. This section implements, in part, a recommendation made by this committee in its third report to the House of Commons on June 22nd, 1950. However, you will note that the authority asked for in this section is rather limited and the committee may wish to consider whether it is not too limited, whether we have been too restrictive in the powers we ask for there. I may add, incidentally, that in respect of the other part of the recommendation of the committee in the report just mentioned, relating to the writing off of certain uncollectible debts accumulated up to 1940 (you remember that was the main bulk of this report I was speaking of), it is intended to implement this recommendation by an item in the main estimates for 1952.

I now come to Part III, which deals with the control of expenditures and may be considered to include some of the most essential, most fundamental provisions of the bill as a whole. In this part, there have been quite a number of changes in arrangement and in drafting which are intended merely to simplify and clarify the law. There are also a number of more significant changes designed to improve control over expenditures and financial commitments.

Before referring to these more important changes, I should perhaps call attention to three of four sections where any changes made consist only of

wording, but which sections incorporate other cardinal principles of parliamentary control over the public purse. I mentioned one such cardinal principle on the revenue side. There are also three or four cardinal principles on the expenditure side. I refer particularly to section 23, which provides that no payments shall be made out of the consolidated revenue fund except with the authority of parliament. That is, perhaps, the most important of all. The phrase "Subject to the British North America Act" refers to charges under sections 103, 104 and 105 of the British North America Act which provide for priority of claims on the fund for expenses of collection and management of the revenue, the salary of the Governor General, salaries of judges, and so on.

Then we come to the second cardinal principle in section 25, which provides that all estimates of expenditures submitted to parliament shall be for the services coming in course of payment during the fiscal year. "Coming in course of payment during the fiscal year" are the essential words there. Then there is section 35, a little bit later, which provides for the lapsing of appropriations at the end of each fiscal year, with a provision permitting payment to be made in the following 30 days where the payments are properly attributable to the preceding fiscal year. And perhaps the fourth main principle that I would call attention to in that group is a less important section, section 26, which requires a warrant of the Governor General for the release of supply. No supply can be released without a warrant of the Governor General.

It will again be noted here that as in the case of public money and the consolidated revenue fund, these provisions also speak in terms of cash transactions.

Now I come to the sections which relate in part or wholly to the Comptroller of the Treasury and the safeguards given by the Comptroller of the Treasury in connection with expenditures. These sections are, first, Section 29 is changed in form but not in substance from the present law, which requires each department at the beginning of each fiscal year to divide its appropriations into allotments in the form detailed in the estimates or in another form approved by the Treasury Board, and to submit them to the board through the comptroller. The purpose of this is to facilitate the maintenance of commitment and other financial controls controlled by the comptroller.

The second one is section 30, the basic purpose of which is to provide that no contract shall be entered into or have any force or effect unless the comptroller certifies that there are sufficient unencumbered funds in the appropriation to discharge any commitments coming in course of payment during the fiscal year. Two additions have been made in the present version of this section: (a) one of which, designed to meet a problem which arises in connection with certain major contracts in the early months of nearly every fiscal year, would allow a contract to be entered into on the basis of an item included in the estimates before the House of Commons—thus making it possible to take advantage of the best building season; and (b) the other making quite clear what is not now free from doubt—that departments must submit to the comptroller every contract as soon as it is made, whether or not it involves payments in the current year or in future years. On this basis, the comptroller may establish and maintain commitment records for current year's appropriations as well as those of future fiscal years.

The third section dealing with the comptroller's duties is section 31, which has a number of important provisions, some new, some old; (a) subsection (1), which for the first time makes it clear that one of the fundamental principles in connection with the disbursement of public money is that no charge may be made against a parliamentary appropriation except under authority and on the requisition of the appropriate minister; (b) subsection (2), which as at

present requires every requisition for a payment out of the consolidated revenue fund to be in such form, accompanied by such documents and certified in such manner as the comptroller may require.

Then you have subsection (3), which defines the types of requisition the comptroller shall reject—that is to say, where he thinks it would not be a lawful charge against the appropriation, where it would result in an expenditure in excess of the appropriation, or where it would reduce the balance below the amount available in the appropriation not already committed. The next is subsection (4), which is a new section and permits the comptroller to obtain the direction of the Treasury Board concerning any requisition of a department which is submitted to him. Subsection (5) provides for certain cases where the Treasury Board may overrule or confirm an action of the comptroller disputed by the department. This is substantially the same as it is at present. And lastly (I do not need to call your attention to this, it is of minor significance), subsection (7), a new section, which provides that where a cost audit is required to be made under a contract to determine the amount payable to a contractor, and the cost audit indicates that charges are included which in the comptroller's opinion should not be accepted, such costs or charges shall not be allowed as costs to the contract unless the Treasury Board otherwise directs. That is another enlargement of the comptroller's powers. Now, so much for that particular section, section 31.

There is another one I would like to call your attention to, and that is section 33, which is substantially unchanged and which requires that payments made out of an appropriation shall be made under the direction and control of the Comptroller of the Treasury by cheque drawn on the Receiver General in such form and authenticated in such manner as the Treasury Board directs. The second subsection is new but merely gives statutory recognition to the present practice whereby the chartered banks, through which the comptroller's cheques are presented daily to the cheque adjustment branch of the Department of Finance for payment, are reimbursed by a cheque drawn by the Receiver General on one or more of his bank accounts. This is to facilitate the work of the Department of Finance in the control and management of Receiver General cash balances.

So much for the sections that govern the duties and responsibilities of the duties of the Comptroller of the Treasury.

Of the other provisions of this part, I think I need only make brief mention of two or three others. One is section 28, which re-enacts the provisions of the old Act relating to the use of Governor General's warrants for urgent and unforeseen expenditures. The language is clearer and there has been added a provision requiring that each such special warrant be published in the *Canada Gazette* within 30 days after it is used and that a statement of all such special warrants and the amounts thereof be laid before the House of Commons within 15 days after the commencement of each session, as well as another provision permitting the issuance of a special warrant if an urgent, unforeseen expenditure is required when parliament is adjourned *sine die* or to a day more than two weeks after the accident happened or the need arose, as well as when parliament is not in session. This provision is made necessary by the practice which has developed in recent years of long adjournments. Secondly, there is a new provision in section 32, which makes clear that advance or progress payments may be made before completion of the work or delivery of the goods, if such are in accordance with the terms of the contract. Many cases arise where such payments are absolutely necessary. One of the things that has arisen in the last year or so was for purchases in the United States where down payments had to be made to purchase some government military or defence equipment. Thirdly, section 34, which places on the Minister of Finance responsibility for the administrative duty of receiving, examining and

adjusting paid cheques, etc., with the statement of cheques, etc., issued, and relieves the Auditor General of any such responsibility. The Auditor General, however, will under section 66(1) continue to have access to the cheque files for the purposes of his audit and he will also under section 34 continue to have the sole responsibility for making recommendations to the Treasury Board in respect of regulations governing the destruction of the paid cheques and other instruments.

(The Vice-Chairman assumed the chair).

Section 36, amongst other things authorizes the Treasury Board to make regulations in regard to accountable advances, and section 39, which is new and the purpose of which is to ensure that the Governor in Council has power to make regulations prescribing the conditions which shall govern the making of contracts involving an expenditure of public funds.

In addition to making such regulations that may be of general application, providing they are not inconsistent with any other Act, Council may, notwithstanding the provisions of any other Act, make regulations (a) fixing the amounts within which various types of contracts may be entered into without the approval of the Governor in Council or Treasury Board; and (b) prescribing the security to be given to secure due performance of contracts.

Now, Mr. Chairman, I have covered very inadequately and very technically, I am afraid, the main features of these first three parts of the Act, calling attention to the more significant sections and the more significant changes that have been made in the bill as compared with existing law, and indicating the reasons which the minister had in mind for recommending the changes. There remains to be referred to later today, according to my suggestions, only the provisions of Part VII relating to the reresponsibilities of the Auditor General, who is an officer of parliament and who would generally be called in contradistinction to the Comptroller of the Treasury, an outside or independent auditor, that is to say, an auditor independent of the administration. I would suggest, Mr. Chairman, that after Mr. Bryce has spoken on the Treasury Board sections, and after Mr. McIntyre has spoken on the sections relating to his work, that perhaps Mr. Balls, who is very familiar with these matters, could be asked to make a statement from the point of view of the Finance Minister on the provisions of Part VII of the bill. I think that is all.

The VICE-CHAIRMAN: Is it the desire of the committee that we should now proceed to hear Mr. Bryce, or do you want to question Dr. Clark?

The WITNESS: I think you should hear us all and then you will have the whole matter before you.

The VICE-CHAIRMAN: Is that satisfactory to the committee?

Agreed.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, called:

The WITNESS: Mr. Chairman, I think I can be relatively brief in regard to the Treasury Board aspects of this because I think Dr. Clark has already covered most of the points of any substance, and I would be prepared to answer any questions in regard to detail. On those few sections relating directly to the Treasury Board, broadly speaking, the intent of the minister here has been to bring the statute more clearly in line with the practice as it has developed over the past 25 years. That is the reason that specific mention is made in section 3 of alternate members of the board. That is, as Dr. Clark has mentioned, the reason for section 4 recognizing the necessity of a full-time secretary and the reason why various items were added to the advisory duties of the board. The field of duties of the board is in section 5. The thing that

is perhaps of most interest is subsection 2 of section 5, which is intended to streamline in some measure our central administrative procedure on routine administration matters. These four Acts that are mentioned here combine many sections that authorize the Governor in Council to take certain types of action. In effect, what happens on these matters is that the Treasury Board deals with them each week and following the Treasury Board meetings I will send up to the Clerk of the Privy Council a file of minutes of the board, perhaps a file an inch or so thick, to be approved by the Governor in Council, and while I am not aware of what takes place there in any detail, the ministers inform me that rarely do they have an opportunity to scrutinize this file of minutes in a useful way, unless there is some particular item that has previously been drawn to their attention.

What we are proposing to do here is to permit the Treasury Board to deal finally with those things with which they now deal and, in substance, that will save us a considerable amount of time and paper and work on the part of the secretarial staff. Of course, it is subject to subsection 4 which follows and which makes quite clear that the Treasury Board is subject to any direction of the Governor in Council. The Governor in Council must, of course, remain supreme as it always has been.

There is nothing new in Section 6 of any consequence.

Section 7 gives the board certain powers to make regulations in respect of collection, management, and accounting of public money, what one would expect, and it is in accordance with the spirit if not the detail of the old Act.

Paragraph B regarding records of property really arose out of discussions of this committee two years ago when members of the committee felt that there should be some systematic provision for records of property. This is establishing statutory authority for such systematic provision for those records.

Section (c) is intended to cover, as you will note, "subject to any other Act, prescribing rates of compensation, hours of work and other conditions of employment of persons in the public service;".

That really is giving the Treasury Board sort of residual responsibilities for those matters which the government must deal with as an employer, where it is not altogether clear in other Acts just where the responsibility may lie. For example, there is provision in the Civil Service Act, Section 59, for exempting certain classes from the effect of that item. We exempt, and have for many years exempted from it, what are called 'prevailing rate' employees who are paid prevailing rates in the localities for that trade. This will make quite clear, by statute, that the Board may make regulations covering the terms of employment of such employees—which it already does in default of action by any other central body, the Civil Service Commission for instance. So, this is not new in substance although it is a new statutory provision.

Subsection (d) is intended to deal with two types of payment to employees where it is considered—we considered it and the minister considered it—a sensible simplification to recognize that these payments had to be made to civil servants under certain conditions, in addition to the salaries that they are receiving. There is a section in the Civil Service Act which says—I have forgotten the actual wording—that a civil servant shall not receive any payment in addition to their regular salaries.

That section, as I recall the meaning of its origin, was to prevent duplicate salaries, allowances, and such payments growing up, so that you could not tell what individuals were in fact being paid. It had a very sensible purpose when it was introduced but it does not mean that when we pay allowances to persons in the public service, for example for travelling and that sort of

thing, that it is necessary to get exemptions under Section 59 of the Civil Service Act, the terms of which seem to us rather cumbrous and not intended to carry out what has been recognized by parliament and the government for many years as necessary procedures.

Paragraph (d) is intended to do that.

Mr. BENIDICKSON: I do not want to interrupt but I find this a very unsatisfactory way to carry on. I have no quarrel with the witnesses, but I have with our decision on procedure. It seems to me that if we have questions to ask while we are reading a section through and while we have the explanation in front of us, we should ask the questions and not wait until later when we probably will not even have Hansard before us to recall what the expert witnesses have had to say.

In addition, you are going through the bill section by section but we are not going to have time, if you do not take advantage of the time spent now, to read it.

The VICE-CHAIRMAN: It seemed, Mr. Benidickson, that if they gave us a bird's eye view of the bill it would be so much easier at the end when we went through it.

Mr. BENIDICKSON: I am not too familiar with future intentions but we certainly will not have the Hansard—

Mr. SINCLAIR: I am just putting entries on the page right across from the section and I am going to ask questions when we come back. I think the bird's eye view is most helpful and that all members have to do is make notations across from any section on which they wish to ask questions.

Mr. MACDONNELL: I am trying to do that.

Mr. BENIDICKSON: I hope we do not have to go back on these sections until we have a copy of Hansard.

The VICE-CHAIRMAN: Well we certainly will, Mr. Benidickson. We are not going to have Hansard when we deal with this bill.

Mr. SINCLAIR: Why can Mr. Benidickson not just put a mark on the opposite page to clause 7?

Mr. BENIDICKSON: I have not any questions on clause 7 but Dr. Clark went through the second section which had 25 paragraphs. He indicated that he was only going to speak about a few but he spoke about every one but three.

The VICE-CHAIRMAN: What they are trying to do is to hit the highlights on things that may appear to be important to you. Let us try it for a little while longer and see how we get along.

The WITNESS: I am just about through, as far as I am concerned, and I presume you will then want to go ahead with questions.

The VICE-CHAIRMAN: Mr. Benidickson, ask your question if you wish.

Mr. BENIDICKSON: I have not a question on that section.

The VICE-CHAIRMAN: Have you finished, Mr. Bryce?

The WITNESS: One thing I might add is that in this subsection, paragraph (d) (i) we have made specific reference, for the first time that I know of in legislation, authorizing payment to persons in the public service of compensation or other rewards for inventions or practical suggestions for improvements.

Mr. Knowles spoke about this matter in the House at some length, and from our point of view quite helpfully, in giving information on it. I might say we have been making some study of suggestion plans, but we do not have regulations drafted or anything of that sort yet. It is a subject which is here recognized for the first time in statutory form, and we are, as far as

the indications the minister has given me are concerned, informed that it would be his intention to bring forward to the Treasury Board, if and when the Act is put through in this form, certain regulations on the subject.

Mr. HARKNESS: Was that not recognized in the National Defence bill which we passed last year?

The WITNESS: It may have been, sir, in regard to members of the forces.

Mr. HARKNESS: Mr. Campney will recall it. I believe there was a similar clause put in regarding payment for inventions and so forth to service personnel.

Mr. CAMPNEY: That is right.

The VICE-CHAIRMAN: Have you anything more Mr. Bryce? If not, let us hear from Mr. McIntyre?

Mr. B. G. McINTYRE (*Comptroller of Treasury*): I do not know there is very much I can add. Dr. Clark has covered the parts of the Act that are of direct concern to my office pretty thoroughly, and has, as a matter of fact, stolen most of my thunder.

The part that deals particularly with the office of the Comptroller of the Treasury, his duties and responsibilities, is Part III, public disbursements, embracing Sections 24 to 40. They cover all the ground of commitment control, control over payments to people within the limits of appropriations, and general requirements with respect to economy. As Dr. Clark stated, they are substantially the same as contained in the present Act. There are a few new sections and subsections which have been added to this part principally to confirm by legislation what has in practice been followed for a great many years. You will find the same type of introduction that has a bearing on my office in the public monies section, Section 19 I think it is, which is new, and really serves exactly the same purpose—to confirm by statute what has been followed in practice for a great many years.

We have an organization of a central office, and branch offices located with the various departments to provide the required service, not only in Ottawa but across Canada and outside Canada. We have one office in London and one office in New York. That briefly is our organization. It is built to give departments what we feel is the best direct service they can receive from us. It is therefore necessary that the staff be located in close proximity to the offices of the department they are required to serve.

I do not think I have anything more than that.

The VICE-CHAIRMAN: Thank you, Mr. McIntyre. We could now hear from Mr. Balls.

Mr. SINCLAIR: Mr. Balls has been in both the Auditor General's department and the Finance Department—he is now in the Finance Department but I think as we have the Auditor General that he could speak on the sections referring to him and we could relieve him of waiting in attendance here.

Watson Sellar, Auditor-General, called:

The WITNESS: Well, Mr. Chairman, there are no material changes in the audit section that have been made except at my suggestion. Earlier, Dr. Clark referred to the fact that I was no longer required to keep record of the redeemed cheques. I suggested the deletion of that because it was a duplication of work and a cost to the taxpayer which I did not think was necessary. I have already told you about the pre-audit thing, and on Part VII there is only one section—and I mentioned it to Mr. Macdonnell the other day and in fairness to other members I should point it out to them now. I was very anxious that subsection 3 of Section 65 should in due course be given an elastic interpretation.

It reads: "The provisions of the Civil Service Superannuation Act, except those relating to tenure of office, apply to the Auditor General."

In subsection (1) above, the retirement age is fixed at 65. Under the Civil Service Superannuation Act a civil servant can get out at 60 and I do not want to stay until 65. I claim that the Civil Service Superannuation Act applies but the Act reads that I cannot stay after 65. I hope I am right, sir. That is the only change.

The VICE CHAIRMAN: It is a new kind of argument to present to us but we are willing to listen.

The WITNESS: I do not think there are any material changes here whatsoever. I would be very glad to answer questions that you may wish to put to me.

I argued against Section 74 being continued as we never use the Inquiries Act—we never have. It has been there since the start and it is still there.

Section 75 is brand new. That was also suggested by me because I did not think that I should audit my own accounts and I suggested someone else should do it. We copied the English practice in that regard and, as far as I am concerned, that section is quite workable—as far as the audit office is concerned.

Mr. SINCLAIR: As far as Section 74 is concerned, it does not limit you—but in case you wanted the power—

The WITNESS: We never used it—never—that was used as an argument to introduce Part I of the Inquiries Act. The Auditor General was given it years ago. We had a very high class Auditor General named Mr. MacDougall who got into a conflict in the 1890's and the government gave him the power to inquiries. Later on they extended it to all others on the ground that he had it and all ministers had it. Actually, it is never used. If you wanted to kill off some dead lumber you could cut it out.

The VICE CHAIRMAN: But it does not take up much paper. Incidentally, when you refer to high class auditors, we do not think that Sellar is bad either.

Mr. SINCLAIR: I do not think that Mr. Sellar wants to remain in attendance—

The WITNESS: If you have no objection I will hang around because I am interested in this Act.

The VICE CHAIRMAN: He said the changes were made at his suggestion, so the committee has that information.

Mr. HARKNESS: What is the meaning of Section 68 and these words: ". . . make such examination of the accounts and records of each registrar . . ." what registrars are they?

The WITNESS: That is the registrar of the public debt. You have the registrar with the Bank of Canada, with the Bank of Montreal in New York, with the Bank of Montreal in London, England. They are registrars of the public debt. It is provided under that section that we shall audit those accounts.

Mr. MACDONNELL: Is the word "registrar" defined anywhere in the Act?

The VICE CHAIRMAN: Yes, at the bottom of page 2.

The WITNESS: And in the debt section it is repeated again.

The VICE CHAIRMAN: We have now had a quick résumé of the bill.

The WITNESS: Pardon me if I just add to that answer. If you look at Section 47, Mr. Macdonnell, you will see that the Governor in Council may appoint one or more registrars—

The VICE CHAIRMAN: Well, you sit right here, Mr. Sellar, we might need you.

Mr. BENEDICKSON: Before Mr. Sellar leaves—he is quite independent. We have the department officials and other witnesses here who are associated with the Department of Finance, but I appreciate Mr. Sellar's original statement that we are in this position. This is a bill advanced by the Minister of Finance and I do not think we should ask Mr. Sellar to say whether the provisions are good or bad—the provisions that do not relate to his own work—but he is familiar with the Act.

Everyone who has spoken to us so far has said in summary that this bill is pretty well just bringing into statute form practices that have been carried on for some time. Now, with respect to the sections that we have had explained to us up to now, are there any notable exceptions in that they have not been just because of giving legislative authority to past practices?

Mr. SINCLAIR: Surely that is the very point I first brought up.

Mr. BENEDICKSON: I am not asking if it is a good or bad thing, but he knows the Act and he does not come from the Department of Finance. I am simply asking what sections in it are not just giving legislative authority to present practices.

The WITNESS: I would have to go through them section by section before I could give you an honest answer.

Mr. BENEDICKSON: You will be here?

The WITNESS: The way I look at it is this. Let me illustrate where I might be of some use to you, because I want to be of help. When you come to a section which Dr. Clark did not refer to, and quite properly did not refer to, where there was no change, and where it is a section which says estimates submitted shall be for the year—and that has been in for a long time—in view of the discussions before this committee, I would like to suggest that you consider adding “and that they shall be presented in such form as the House of Commons may from time to time direct.” After all, the Governor in Council is the suppliant for money and the House has some say in what form estimates should be submitted. I am not suggesting any change except that you could just add language to dictate the form of the estimates.

The VICE-CHAIRMAN: To assert our authority?

The WITNESS: That is all.

The VICE-CHAIRMAN: We will get it just the way the government wants to give it to us.

Mr. SINCLAIR: Mr. Croll, that is not either fair or right. When this committee sat a year ago one of the many good jobs it did was to change the form of the estimates to give more detailed information to members and also to have the sheet at the back giving a functional breakdown of the estimates.

The VICE-CHAIRMAN: Don't get too serious.

Mr. SINCLAIR: That is all right for you to say that but the record does not show that big smile on your face.

The VICE-CHAIRMAN: You can point to it.

May I suggest, gentlemen, that we now have a better idea of what this bill is all about.

Mr. BENEDICKSON: I will repeat my question later on, after I have some idea.

The VICE-CHAIRMAN: Well, let us start with section one and see how far we can get. I will call Section 1.

Carried.

Section 2.

2. In this Act

- (a) "appropriate Minister" means
- (i) with respect to a department mentioned in subparagraph (i) of paragraph (f), the Minister presiding over the department,
 - (ii) with respect to any other department, the Minister designated by the Governor in Council as the appropriate Minister,
 - (iii) with respect to the Senate and the House of Commons the respective Speaker, and with respect to the Library of Parliament the Speakers of the Senate and the House of Commons, and
 - (iv) with respect to a corporation to which Part VIII applies, the Minister designated by the Governor in Council as the appropriate Minister;
- (b) "appropriation" means any authority of Parliament to pay money out of the Consolidated Revenue Fund;
- (c) "authorized agent" means any person authorized by the Minister to accept subscriptions for or make sales of securities;
- (d) "Comptroller" means the Comptroller of the Treasury appointed under this Act;
- (e) "Consolidated Revenue Fund" means the aggregate of all public moneys that are on deposit at the credit of the Receiver General;
- (f) "department" means
- (i) any of the departments named in Schedule A,
 - (ii) any other division or branch of the public service of Canada, including a commission appointed under the *Inquiries Act*, designated by the Governor in Council as a department for the purposes of this Act,
 - (iii) the staffs of the Senate, the House of Commons and the Library of Parliament, and
 - (iv) any corporation named in Schedule B;
- (g) "fiscal agent" means the Bank of Canada and a fiscal agent appointed under Part IV;
- (h) "fiscal year" means the period from the first day of April in one year to the thirty-first day of March in the next year;
- (i) "Minister" means the Minister of Finance and Receiver General;
- (j) "money" includes negotiable instruments;
- (k) "money paid to Canada for a special purpose" includes all money that is paid to a public officer under or pursuant to a statute, trust, treaty, undertaking, or contract, and is to be disbursed for a purpose specified in or pursuant to such statute, trust, treaty, undertaking or contract;
- (l) "negotiable instrument" includes any cheque, draft, traveller's cheque, bill of exchange, postal note, money order, postal remittance and any other similar instrument;
- (m) "public money" means all money belonging to Canada received or collected by the Receiver General or any other public officer in his official capacity or any person authorized to receive or collect such money, and includes
- (i) duties and revenues of Canada,
 - (ii) money borrowed by Canada or received through the issue or sale of securities,
 - (iii) money received or collected for or on behalf of Canada, and
 - (iv) money paid to Canada for a special purpose;

- (n) "public officer" includes a Minister and any person employed in the public service of Canada;
- (o) "registrar" means the Bank of Canada and a registrar appointed under Part IV;
- (p) "securities" means securities of Canada and includes bonds, notes, deposit certificates, non-interest bearing certificates, debentures, treasury bills, treasury notes and any other security representing part of the public debt of Canada.

Mr. MACDONNELL: I have a question on 2 (k): "Money paid to Canada for a special purpose". I suppose there is a case where money could be paid to Canada, such as by a foreign government purchasing munitions in this country, or anything of that kind, where the money would just go like, other money into the consolidated revenue fund, or is it conceivable that you might have a separate fund for moneys which were in no sense that of this government?

Mr. CLARK: If there was a contract or, let us say an agreement, under which that money would be paid to us to be used for the purchase of defence equipment for a foreign government, I think it would be money paid to Canada for a special purpose. It would be public money in that sense and it would go into the consolidated revenue fund but it could be disbursed for the specific purpose without further appropriation by parliament.

Mr. MACDONNELL: That seems to be good sense, but I am just wondering if we would get tangled up with anything which we did not expect once it got in there?

The VICE-CHAIRMAN: Are you clear there, Mr. Macdonnell?

Mr. BRYCE: Refer to Section 20 on page 7.

Mr. CLARK: "Money received by or on behalf of His Majesty for a special purpose and paid into the consolidated revenue fund may be paid out of the consolidated revenue fund for that purpose, subject to the provisions of any statute applicable thereto."

Mr. MACDONNELL: What are you reading?

Mr. CLARK: Section 20, page 7, subsection (1).

Mr. MACDONNELL: "Subject to the provisions of any statute applicable thereto."

Mr. CLARK: That relates to this kind of thing—say the Unemployment Insurance Fund or perhaps the Old Age Pensions Fund, which are covered by parliamentary statute. Moneys would be put into these funds and used for purposes specified. In the case you mentioned there would be a sort of contract or agreement between the foreign government and ourselves for the use of that money for certain purposes. There would not be any other expenditure out of it; it would be according to that contract or agreement with the foreign government and not according to any other statute.

Mr. MACDONNELL: I do not think there would be anything in it in substance, but there is just this one question. If it was a private business you would establish a separate trust fund and those moneys coming in and going out would not enter into your own business. You consider it convenient that the money go into the consolidated revenue fund and you see no difficulty in getting it out?

Mr. CLARK: No.

Mr. WRIGHT: I wanted to ask if included in that definition of 'public money' would be the surplus of Crown corporations? It seems to me that Crown corporations that have surplus funds have public money which would go into the consolidated revenue fund.

Mr. CLARK: It would not be public money. I am thinking of the proprietary or agency corporations—until the Corporation profit or surplus was turned over to the government it would not be public money.

I would think public money means all money belonging to Canada received or collected by the Receiver General or any other public officer in his official capacity or any person authorized to receive or collect such money—that is (*m*) of Section 2 and, down below you have “public officer” which includes a minister and any person employed in the public service of Canada.

Your question, Mr. Wright, would relate to who are included amongst “public officers”.

Mr. WRIGHT: Yes.

Mr. CLARK: I would think clearly that in the case of proprietary Crown corporations like say the Canadian National Railways—

Mr. WRIGHT: Or the Polymer Corporation?

Mr. CLARK: They would not be in the public service of Canada, so the money would not be public money. I think that would be true of practically all agency corporations although there may be one or two where the governing Act specifically states that the officers of the Corporation are public officers.

Mr. MACDONNELL: Does not Section 81, subsections (2) and (3) deal with that?

Mr. SINCLAIR: It is still in the name of the corporation—“to the credit of a special account—in the name of the corporation”.

Mr. WRIGHT: I raised the question because it seems to me that earnings of Crown corporations should be public money and should be paid into the consolidated revenue fund.

Mr. MACDONNELL: What about subsection 3?

Mr. SINCLAIR: Subsection (3) covers it.

The VICE-CHAIRMAN: It would be subject to the Act in each specific case. If the Act provided it it would be public money.

Mr. WRIGHT: I think it should be in the definition.

Mr. MACDONNELL: Look at 81(3) and see if it is covered?

Mr. GIBSON: Where does the King's Printer get the right to accept payment in his own name? Is that under his own Act? You can make a cheque out to the King's Printer—

Mr. CLARK: Where does he get the right?

Mr. GIBSON: Yes—rather than the Receiver General?

Mr. CLARK: Under the Public Printing and Stationery Act, I would think.

Mr. MCINTYRE: It must be deposited to the credit of the Receiver General.

Mr. CAMPNEY: What would be an example of non-public moneys which the government might receive? I cannot visualize it. We are saying what public money is, as receiving by the Department of Finance—but what other moneys might be received which might be non-public moneys?

Mr. CLARK: I would say one example would be what Mr. Wright was speaking about a moment ago—passenger fares collected by the Canadian National Railways are not public moneys, although they are moneys in the hands of a Crown corporation.

Mr. CAMPNEY: But they are not received by the government of Canada; they are collected and held by the government of Canada.

Mr. SINCLAIR: Deposit cheques on contracts?

Mr. CLARK: Yes, payments made by an estate, and I think also payments in excess of an amount of a fee levied against a man would not be public money.

(Mr. Picard resumed the chair.)

Mr. CAMPNEY: Would that not be put in the consolidated revenue fund?

Mr. CLARK: No, the extra amount would be passed back.

Mr. CAMPNEY: In the meantime where would it be? In the consolidated revenue fund?

Mr. FRASER: Tied up in red tape.

Mr. CLARK: It would be deposited to the credit of the Receiver General but not public money.

Mr. FULFORD: Crown assets receipts from disposals go into the consolidated revenue account?

Mr. CLARK: Yes, receipts are transferred into the consolidated revenue account.

Mr. FULFORD: It seems a very loose way of accounting. Crown assets might sell something for \$1 million that cost the department \$10 million a few years before.

Mr. FULFORD: It is a loose way of keeping track of losses.

Mr. SINCLAIR: They are not necessarily losses. For instance, in military stores, when an aircraft is obsolete it is obsolete and all you are doing is carrying out salvage operations which you in your own business do on stock that is no longer useful. You cannot talk of a loss for things turned over to crown assets, because then it is only a matter of salvaging what you can. My understanding of section 81 is that it authorizes payments to be made out of surplus of these companies. All these companies must keep some surplus the same way as any other company keeps a surplus in hand, and just the same as the surplus of an ordinary company is paid out to stockholders there is provision in section 81 (2) and (3) to pay this money back to the people of Canada on approval of the Minister of Finance and the appropriate minister.

Mr. NOWLAN: Mr. Chairman, I think at this point maybe the Auditor General would have a word of explanation just as to what Mr. Fulford inquired about.

Mr. SELLAR (*Auditor General*): Mr. Fulford's question was with regard to War Assets. The law stipulates that the company shall turn over to the Receiver General at the end of each month the proceeds of sales which are made during the month, less the commissions which they are authorized to retain, which currently is 10 per cent. They are entitled to 10 per cent for their services. They now have a surplus arising out of that 10 per cent because their costs are not 10 per cent; for instance, if they made a sale of a million dollars they would have to turn over \$900,000 at the end of the month to the Receiver General and then it goes into the consolidated revenue fund. It does not cost the corporation \$100,000 for administrative purposes. In their report this year they say that it costs around 3 per cent. Notwithstanding that they collect 10 per cent, but that is due to a special reason this year, it is because of the sale of ships. A good example is the estate of a deceased serviceman, or the proceeds from Canadians which are received by the Commander in Chief, who has prerogative powers which are not part of those of the civil powers, and those are, by the National Defence Act, described as non-public moneys. Proceeds from sale of garbage is another one that goes to the credit of the welfare activities.

Mr. MACDONNELL: Are we satisfied on that point? I call attention to section 24, which says that:

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.

It seems to me that Mr. Sinclair, in particular, brought up or made reference to funds which can get into the public accounts, namely, deposits by contractors.

Mr. SINCLAIR: They are not public moneys, so they are not in the consolidated revenue fund.

Mr. MACDONNELL: Wait a minute, they are paid to Canada for a special purpose.

The CHAIRMAN: Would they be in the consolidated revenue fund?

Mr. FLEMING: It seems to me you would have difficulty keeping them out of it, however.

The CHAIRMAN: Perhaps Mr. Henry would advise us on that.

Mr. HENRY: Deposits by contractors are covered by a special section of the Act, section 19. Another example, perhaps, of a general kind, is general purpose moneys, referred to a moment ago. Whenever you find in this Act that certain expenditure can be made, that is a general appropriation as if it was in another Act, so you have got the authority of parliament. What the section means, section 24 where it says no payments shall be made without the authority of parliament relates to other expenditures which are not already covered.

Mr. HARKNESS: In section 2 (f), where "department" is defined for purposes of this Act, it appears to me that any part of the public service at all can be declared a department for the purpose of this Act. To what extent is that used, or how many of these departments do we have?

Mr. BALLS: The first part of our definition of "department" represents those departments which have been formally established by statute and over which a designated minister has been named to preside.

Mr. HARKNESS: My question does not refer to that.

Mr. BALLS: No, quite, but in addition to that there are a number of other bodies which have all the attributes of departments but there are no designated ministers, and this is a device which we have introduced to bring into the scope of the operation of this Act, first of all, the operations of these bodies and, also, if you will notice under our provision 2 (a), we provide for the designation of a minister with respect to these other bodies. Now, the sort of organization that we have in mind would be, for instance, the Public Archives, the Privy Council. There are quite a few other bodies of that nature which are not formally established by statute and which it will be necessary for the Governor in Council to designate as departments for the purpose of this Act, and, secondly, to designate a minister as presiding over them. That is the reason for the definition in the way it is in that part (ii) of (f).

Mr. HARKNESS: Does not part (iv) read "department" means any corporation named in Schedule B? Now, Schedule B does not contain any corporations. Corporations are all in Schedules C and D.

Mr. BALLS: Schedule B lists, as designated in the bill, departmental corporations, and you will note in section 76 of Part VIII that a "departmental corporation" means a crown corporation named in Schedule B, and, furthermore, in section 78 (2), this Part does not apply to departmental Corporations, that is, those in Schedule B, except as provided in section 76, which is achieved to bring them under the operation of the Act. In other words, those corporations in Schedule B fall under the general provisions of sections 1, 2 and 3, and so on.

Mr. HARKNESS: Those corporations named in Schedules C and D do not fall in there?

Mr. BALLS: B and D fall under Part VIII.

Mr. BENEDICKSON: Inasmuch as there is nothing to the contrary on the page of explanations, I take it that the staffs of the Senate and the House of Commons and the Library of Parliament have always been considered as a department in relation to these sections.

Mr. BALLS: Yes.

The CHAIRMAN: Shall we go on now to Part I, Organization, Treasury Board?

3. (1) There shall be a board to be called the Treasury Board, consisting of the Minister of Finance, who is the Chairman, and any five members of the King's Privy Council for Canada, who may be nominated from time to time by the Governor in Council.

(2) The Governor in Council may nominate such additional members of the King's Privy Council for Canada as he sees fit to be alternates to serve in the place of members of the Board.

(3) Subject to the terms of this Act and any directions of the Governor in Council, the Treasury Board may determine its own rules and methods of procedure.

4. The Minister may designate an officer of the Department of Finance to be Secretary of the Treasury Board, and shall from among the persons employed in the Department of Finance provide the Board with such other employees as are necessary for the proper conduct of the business of the Board.

5. (1) The Treasury Board shall act as a committee of the King's Privy Council for Canada on all matters relating to finance, revenues, estimates, expenditures and financial commitments, accounts, establishments, the terms and conditions of employment of persons in the public service, and general administrative policy in the public service referred to the Board by the Governor in Council or on which the Board considers it desirable to report to the Governor in Council, or on which the Board considers it necessary to act under powers conferred by this or any other Act.

(2) The Governor in Council may authorize the Treasury Board to exercise all or any of the powers, other than powers of appointment, of the Governor in Council under the *Civil Service Act*, the *Civil Service Superannuation Act*, the *Defence Services Pension Act*, and Parts II to VI of the *Royal Canadian Mounted Police Act*.

(3) The Treasury Board may prescribe from time to time the manner and form in which the accounts of Canada and the accounts of the several departments shall be kept, and may direct any person receiving, managing or disbursing public money to keep any books, records or accounts that the Board considers necessary.

(4) The Treasury Board in the exercise of its powers under this or any other statute is subject to any direction given to it by the Governor in Council, and the Governor in Council may by Order amend or revoke any action of the Board.

6. The Treasury Board may require from any public officer or any agent of His Majesty any account, return, statement, document, report or information that the Board considers necessary for the due performance of its duties.

7. The Treasury Board may make regulations

- (a) respecting the collection, management and administration of, and the accounting for, public money;
- (b) respecting the keeping of records of property of His Majesty;
- (c) subject to any other Act, prescribing rates of compensation, hours of work and other conditions of employment of persons in the public service;

- (d) notwithstanding the *Civil Service Act*,
- (i) authorizing the payment to persons in the public service of compensation or other rewards for inventions or practical suggestions for improvements,
 - (ii) governing payments to persons in the public service by way of re-imbusement for travelling or other expenses and allowances to meet special expenses arising out of their duties; and
- (e) subject to any other Act, for any other purpose necessary for the efficient administration of the public service.

Mr. MACDONNELL: I do not want to ask a lot of details, but might we have an idea as to who are the Treasury Board and its work. I notice it says in 3(3) "Subject to the terms of this Act and any directions of the Governor in Council, the Treasury Board may determine its own rules and methods of procedure."

The CHAIRMAN: We will ask the secretary of the Treasury Board to answer that question.

Mr. MACDONNELL: I notice someone spoke of the provision for the rotation of ministers.

The CHAIRMAN: Alternates.

Mr. MACDONNELL: Yes, but I am anxious to know just how many alternates there are, because I thought, quite candidly, that unless a man was able to attend with some regularity, he might not be as useful as he would otherwise be, and I speak with deference on a subject of this kind.

Mr. BRYCE: I do not know what details you would like me to give you.

Mr. MACDONNELL: What is a quorum? How many ministers form a quorum?

Mr. BRYCE: Three members of the board constitute a quorum. This is provided in the latest order in council establishing the board.

Mr. MACDONNELL: Is that three out of the five?

Mr. BRYCE: No, three out of the six. The ministers who are regular members in addition to the Minister of Finance are the Minister of Agriculture, the Minister of Public Works, the Minister of National Revenue, the Minister of Labour, and the Minister of Justice.

Mr. MACDONNELL: Does the Comptroller of the Treasury have to be there?

Mr. BRYCE: No, sir.

Mr. MACDONNELL: Is he there?

Mr. BRYCE: No, not normally. These ministers are the formal members, and in addition there are five others named as alternate or substitute members. Normally, what happens is, each week when I call a meeting of the board I try and arrange with the Minister of Finance the time that will be suitable, and that is often quite a difficult thing to do—I have to reconcile it with the cabinet, with different cabinet committees and the business of the House, and I will then normally notify the regular members. If I do not find that the regular members will be able to attend, I then call on substitute members to notify them, and what happens is they will meet at the hour designated. There will normally be anywhere from 3 to 6 ministers present, depending on circumstances, and myself as secretary, and probably Mr. Taylor, at least during the period when we are considering matters relating to salaries and related subjects. They meet with a very large agenda of items which have been prepared by our staff in advance so that they can consider the subjects as fully and yet as quickly as possible, and they go through the various matters and I record decisions notify the staff of the decisions and they prepare the various minutes.

Mr. MACDONNELL: There must be a very good answer to this question I am going to ask: can someone tell me why the Comptroller of the Treasury is not at those meetings of the Treasury Board? It seems like having a meeting of the directors without the general manager, which would never be allowed in a private concern.

Mr. BRYCE: The comptroller is bound by the minutes of the board in regard to expenditures that are authorized, but he works entirely from the minutes of the decisions of the board.

Mr. MAJOR: Mr. Bryce, you said in your report previously that the ministers do not have time to read your minutes right through. How do they get around that?

Mr. BRYCE: I was speaking of the minutes that were sent up to the Governor in Council for approval.

Mr. BENIDICKSON: How many of that type were there in 1950?

Mr. BRYCE: Going up to the Governor in Council for approval?

Mr. BENIDICKSON: Yes.

Mr. BRYCE: I would say normally there would be anywhere from 100 to 250 a week, which would run a good many thousand a year.

Mr. FULFORD: They would be more in the form of vouchers, would they not?

Mr. BRYCE: No, they would be anything from authorizing the Department of Agriculture to hire an additional 20 persons to staff a new laboratory at London, to an order authorizing the remission of customs duties on an article being brought into Canada for temporary use, to be sent back out of Canada again. There are a variety of routine transactions, some of which are quite large and important and some more or less trivial but which by statute must be authorized by the Governor in Council.

Mr. BENIDICKSON: Every month the Clerk of the Privy Council submits a list of orders in council to some official in the House of Commons and on those that I have looked up, I find that instead of having a P.C. number they have a T.B. number so-and-so. Now, if they are no longer things that go to the Privy Council and they are called orders in council, are they going to be items that will not be referred to in the monthly report to the House of Commons?

Mr. BRYCE: I am sorry, sir, I should be able to answer that, but I am afraid I cannot. I have understood that there was a convention now whereby they did not notify the House of Commons of all the Treasury Board minutes, because the House did not wish to be bothered with those thousands and thousands of internal administrative items. The Regulations Act does not require their publication.

Mr. ASHBOURNE: The Minister of Finance and the other five ministers are the members who make up the Treasury Board. Who are the alternates? Is there a panel?

Mr. BRYCE: There is a panel, sir: the Minister of National Defence, Minister of Transport, Minister of Fisheries, Minister of Veterans Affairs, and Minister of Citizenship and Immigration.

Mr. ASHBOURNE: When one of the regular ministers is away, does another take his place?

Mr. BRYCE: No, the system is simple.

Mr. ASHBOURNE: By rotation?

Mr. BRYCE: No, our office calls them, normally, in a certain order till we get enough acceptances.

Mr. ASHBOURNE: Who acts as chairman if the Minister of Finance is not present?

Mr. BRYCE: Normally the Minister of National Revenue, but there is no legal requirement that that be so, it is only a matter of custom.

Mr. BENEDICKSON: We can appreciate that cabinet council is not likely to have time to look at 10,000 of these documents at their sittings. Is there much more likelihood that a group of five cabinet ministers is going to scrutinize these Treasury Board minutes? Are they read to them?

Mr. BRYCE: They are all put before them. They are summarized in large loose leaf notebooks. Now, what happens is that they will go there and ask me whether this one is purely routine, conforming to their previous decisions, policies, and such, and I will inform them whether or not that is the case, and they will decide what ones are worthy of their attention. This is the only practical way.

Mr. HARKNESS: In other words, you do most of the work of the Treasury Board.

Mr. BRYCE: By no means, sir. The job of the secretary, I think it is only fair to say, is essentially one of scanning to see what things do conform with the policies and directives of the Board, and what things do not, and those which do not are then drawn to the attention of the board.

Mr. WRIGHT: Is there any written regulation which governs you in your screening?

Mr. BRYCE: There may be hosts of regulations and practices. The things that fall easily within the regulations normally do not come to the board, but there will be statements of policy that we have informed the departments of from time to time by letter, and of course in screening other items to see what needs attention of the board we have regard to those. This screening work requires a staff of twenty officers. I would not pretend that I do it all myself. I cannot read those thousands of documents.

Mr. WRIGHT: I realize the complexity of the thing but it is not only yourself; it is twenty other officials, and you must have some regulations in governing them when making their decisions on recommendations to you and from you to the Treasury Board?

Mr. BRYCE: Unfortunately things that come to the board are usually things that do not fit the ordinary regulations. So often it is not a thing you can lay down in regulations.

For example, the law requires that every retirement on pension has to be approved by the Treasury Board and then the Governor in Council. Now, obviously, 98 per cent or 99 per cent of those are completely routine. The circumstances fit exactly within the intention of the Act and all that is necessary is that some officer on our staff ensures that in fact everything is in order, that there is no question that should be raised regarding this case. Consequently, such cases are put through as routine, and in practice it is necessary that I accept the assurance of the officers working for me that in fact it is a routine case.

Now what happens is, of course, that most of these cases have already been worked over by the department concerned and by our superannuation branch. So, we get some of the screening process through seeing whether the Department of Finance agrees with the department concerned. The ones which engage my attention are nearly always those where the Department of Finance and the department concerned did not agree.

Mr. FULFORD: There is quite a large backlog in those cases, a backlog on pension cheques and cheques for amounts paid into the pension fund where a man is retired from service?

Mr. BRYCE: We try very hard not to create the backlog at the Treasury Board end.

Mr. FULFORD: I think it is remarkable that you get through them as quickly as you do.

Mr. ASHBOURNE: I presume that Mr. Bryce is the full time secretary of the Treasury Board? And also assistant deputy minister of Finance?

The CHAIRMAN: That is right.

Are there any other questions on paragraphs 3 to 7? Then, we will go on to the Department of Finance.

Mr. MACDONNELL: We are not up to that yet.

The CHAIRMAN: I said that we would go over them all together—from 3 to 7—so you are entitled to ask any questions you wish to ask.

Mr. MACDONNELL: I noticed when the deputy minister of Finance was going over number 5 he pointed out that there were some new phrases there. He mentioned particularly estimates and financial commitments, and I was not sure that I fully understood the significance of what he had in mind. I would like to hear just a little further about how exactly the Treasury Board does deal with estimates and financial commitments of the various departments when they come before them.

This, I take it, is a general reference to the preparation of the budget?

Mr. BRYCE: First, may I make it clear that this subsection is giving general terms of reference to the board. This particular section does not give any executive authority to the board and what we have tried to do is to extend the words that were in the old Act to bring in these terms, "estimates and financial commitments, establishments, the terms and conditions of employment, and general administrative policy..." to make clearer that it is that sort of field with which it is concerned.

In regard to the way in which the board deals with estimates, I think the Minister of Finance has mentioned from time to time in the House that it is relatively straightforward. The Minister of Finance writes to each of the other ministers, normally in November of each year, and asks them to submit their estimates to the Treasury Board for consideration—estimates for the following year. Those come in. They are then examined by our staff at some length. They are put together in a comparable, similar form, so that they can be gone over relatively quickly by the board with here and there an occasional comment from the Department of Finance's point of view.

In some cases the minister concerned will ask that the Department of Finance discuss the estimates for a particular department or a particular item before he submits them, and we will do that on occasion—so they will know the views of the Department of Finance or the Minister of Finance before they recommend them.

In the normal, routine cases, they simply come in and we go over them and we are in a position then to draw any particular notable point to the attention of the board. Then the board will have perhaps a dozen or two dozen meetings in which they will go through the estimates in quite considerable detail. They are then sent on to cabinet for final approval.

Mr. SINCLAIR: The minister of each department, his deputy, and his top people are brought in at the final meeting.

Mr. BRYCE: I should say when the Board goes over the estimates, the minister of the department concerned will confer with his deputy minister and senior officials—to answer questions and justify the estimates that he has submitted.

Mr. MACDONNELL: In what I am going to say I am not emphasizing any disrespect to yourself or to any minister but is it not a fact that, inevitable, with these busy men, and when we are talking about "the Treasury Board doing this", you and whatever staff you have pass these things up to the

Minister of Finance or other ministers from time to time. However, if I know anything about the way people work this surely comes back to the Finance Department and it raises a question in my mind, if that is so, and if that is a fair statement, then just what staff in the Department of Finance is taking the responsibility for this? When we talk about the Treasury Board, we are now going to allow the Treasury Board to take over an enormous number of things done by the cabinet. That seems to me to be quite good sense, but when we talk about the Treasury Board examining estimates and financial commitments, again, how real is that?

Mr. BRYCE: Well, from my experience I can say that on questions of real importance and substance there will be very thorough consideration by the minister. For example, when a new service is being introduced, and, just to go back to a recent example—we entered into forestry agreements with the provinces during the past year; and there were supplementary estimates introduced into parliament last June to provide for them. Those are the kind of things that would be discussed at some length between the ministers beforehand. Matters of real importance are by no means settled between officials.

Mr. MACDONNELL: What people, experts, and officials who have special knowledge of these things under discussion, would be present?

Mr. BRYCE: On the main estimates the important officials will be present with the minister. However, it depends on the minister. Some ministers prefer handling it themselves; others prefer to have one or two officials; and others prefer to have a good number of specialized officials. It is a matter for the minister concerned to decide what sort of support he should have.

Mr. MACDONNELL: Would you not agree that a clause should be put in here that departmental officials should be authorized to say what they can have and let them worry about what they are going to do with it. That is about the only way you will get economy.

Mr. SINCLAIR: That is about the way they do it. These are not professional witnesses, they are hard working officers of the finance department.

Mr. ASHBOURNE: Is it the general practice that the cabinet set a ceiling on certain amounts?

Mr. BRYCE: When the estimates are being considered—and I cannot speak with more than five or six years experience in this matter—but my general experience has been that the board has to work within a general policy that the cabinet has decided upon. Whether the particular figures are decided upon and then you fit into that is a matter that I am not certain I should speak on. I think it would probably be more appropriate for the minister to speak, but certainly the board is normally working within the pattern of policy laid down by cabinet.

Mr. ASHBOURNE: Then afterwards they all go back before cabinet again?

Mr. BRYCE: Normally, the board requests that any expenditures involving changes in policy or new policies should first be considered as policy questions by the cabinet before the board considers approval for them.

One has got to preserve a sense of proportion on that because, if you are making some small change in the nature of a service to be carried on by the wild life division of the Department of Resources and Development, it may not merit the attention of the whole cabinet—and the board will deal with the minor item in the estimates of \$5,000 or \$10,000 to provide for that; but on anything of real substance they will request that the cabinet clear the policy before going into it.

Mr. MACDONNELL: Then there is one other phrase here:

"The Treasury Board shall act as a committee . . . on all matters relating to . . . 'the terms and conditions of employment of persons in the public service'."

How far-reaching are those words?

Mr. BRYCE: 'Terms and conditions of employment'?

Mr. MACDONNELL: Yes.

Mr. HARKNESS: What section is that?

The CHAIRMAN: Section 5, page 3.

Mr. BRYCE: Yes, line 27 or 28. Well, sir, they will cover such things as leave—the amount and nature of leave to be provided; holidays; allowances that may be paid under various circumstances to persons in the public service—

Mr. SINCLAIR: Hours of work.

Mr. BRYCE: All those things with which the government is concerned as an employer.

Mr. MACDONNELL: Why does the Treasury Board concern itself with such a broad feature as "general administrative policy in the public service."

Mr. BRYCE: Well I agree that sounds very broad but it refers to, really, where perhaps we might wish to tell a department that by and large they should avoid the use of long distance telephone and instead use air mail or telegrams—or something of that sort. This may seem like a trifling example but it is that sort of thing. It might relate to the way in which they will handle publications and things of that sort which do not quite fit into the categories above; but they are administrative rather than regulatory functions.

Mr. HARKNESS: In this section, the last three or four lines include really three ways in which you can work.

First, some matter may be referred to the board by the Governor in Council presumably for settlement by the board; secondly, the board may report to the Governor in Council on some matter if they want direction and which they think the Governor in Council should settle; and thirdly, you might just decide on other matters, settle them yourself—in regard to any of the things listed above?

Mr. BRYCE: If the board has authority.

Mr. HARKNESS: You have got the three procedures, you might say.

Mr. BRYCE: Yes, but that paragraph does not confer powers for the board to act itself. The powers for the board to act on things are conferred in other statutes or other sections of this Act.

Mr. HARKNESS: It says ". . . on which the board considers it necessary to act. . .". In other words, you make up your own mind as to whether it is a matter you are empowered to act on?

Mr. BRYCE: Yes.

Mr. HARKNESS: There is no check on you from that point of view?

Mr. BRYCE: No.

Mr. HARKNESS: Would it be correct, as a general statement having regard to paragraph 5 and also to a number of paragraphs that Dr. Clark commented on when he was going over the thing before, to say that in so far as the Treasury Board is concerned this Act is designed to considerably increase its powers?

Mr. BRYCE: I would hesitate a little at your word "considerably"—because the board already deals with a good many of these items.

Mr. HARKNESS: If we leave out the word "considerable" and say that the general purpose of the Act as far as the Treasury Board is concerned is to increase its powers, would that be right?

Mr. BRYCE: Yes, it will increase its powers, or clarify its powers.

Mr. SINCLAIR: And transfer certain things now done by the Governor in Council to the Treasury Board—end them there. That is one of the main purposes?

Mr. BRYCE: Yes, sir.

Mr. WRIGHT: Does the Treasury Board in the ordinary run of its duty consider the annual statements of the corporations listed in Schedules C and D?

Mr. BRYCE: I would say, sir, that the board has not normally considered those unless there was some question arising out of them that required its action or attention. It has not been one of the normal routine duties, so to speak.

Mr. WRIGHT: What department of government normally checks on those annual statements? Do they go before cabinet?

Mr. BRYCE: It will be the appropriate minister in each case who will normally have the primary responsibility. I think I may say that the deputy minister of Finance normally looks at the reports. He can speak for himself on that, and the Department of Finance generally endeavours to keep itself informed on matters relating to Crown companies, as well as departments, so they can draw attention of the minister to any point.

Mr. WRIGHT: And it is the Department of Finance who are primarily responsible for checking?

Mr. BRYCE: I would not say that, sir. Each corporation is responsible to a minister and we would, I think, normally regard it primarily as the responsibility of that minister to consider any matters in the report of that corporation.

Mr. SINCLAIR: Of course, if the corporation should have a deficit then parliament—as in the case of the C.N.R., the C.B.C., the T.C.A.,—has an opportunity to move in?

Mr. BRYCE: Even in cases where it may not have a deficit, that is so if it requires a vote for capital expenditure.

Mr. SINCLAIR: Is it not true also that in the case of Crown corporations we now have a section requiring presentation by the appropriate minister to parliament of the annual reports of all corporations, henceforth?

Mr. WRIGHT: Will that mean that the annual reports of these corporations will necessarily come before a committee of the House?

Mr. SINCLAIR: I think Mr. Bryce better answer that because that is one I asked before.

Mr. WRIGHT: That is the point I wanted to find out. I am concerned with whether it is covered in Section 8 or not. It seems to me that every Crown corporation's annual report should come before some special committee of the House for consideration. They come in a general statement and we can question the minister on his estimates with regard to it, but we have not got the officials of the company there only indirectly and it is not very satisfactory to us to question through a second person, through the minister. It seems to me that Crown corporations' annual statements should come before some special committee of the House or some regular committee of the House, the same as C.N.R., the T.C.A., and the C.B.C. do at present. For instance, we never had the Polymer Corporation before a regular committee of the House.

We had it before this Public Accounts Committee a year ago and we had several of them before the War Expenditures Committee. I am sure that every member of that committee got a lot of information through having them here and it seems to me they should come normally before some committee of the House each year.

The CHAIRMAN: That was the subject of a recommendation from this committee, based on your suggestion.

Mr. WRIGHT: Is that provided for in the Act?

Mr. BRYCE: The Act provides that the report must be laid before parliament. As I understand the views of the minister, he has felt that it is up to parliament itself to decide the procedure it wants to adopt in handling the report, that it is a matter for the House rather than for the statute, that is, whether the House itself will refer the report to the committee or not is a matter for the House at the time to decide. Perhaps Mr. Sinclair could speak on that.

Mr. WRIGHT: I still am of the same opinion, and I have no opinion to the contrary, that these annual statements should come before some committee of the House each year where the officers in charge of the corporation can be questioned directly by the members and thereby get a lot of information which it is very difficult to get by indirect questioning.

The CHAIRMAN: We will later on deal with that part under Part VII, which more directly affects these corporations, and we might go at greater length into it at that part. I suggest you leave that till we get to that part. Are there any further questions on this part?

Mr. MACDONNELL: This may be academic, and I am referring to subsection 4 of section 5. In subsections 3, 4 and 5 the Treasury Board is put before us as a very important body. Now, under subsection 4, of course, we realize that the board is entirely the creature of the cabinet, and without it it has no substance of its own. Perhaps the fact that members of the cabinet are members of it makes it academic. I will read subsection 4:

"The Treasury Board in the exercise of its powers under this or any other statute is subject to any direction given to it by the Governor in Council, and the Governor in Council may by order amend or revoke any action of the Board."

Now, that may be inevitable and necessary and maybe there is no substance in it but it does seem to me in one way that is giving the cabinet almost an overriding power of the substantive powers given to the Treasury Board.

The CHAIRMAN: The Treasury Board is a committee of the cabinet.

Mr. MACDONNELL: If I cannot get anyone excited about it I will forget it.

Mr. NOWLAN: It is a new section.

Mr. BRYCE: Yes, it is a new section, but while this was put in in statute form I think it has been part of the general cabinet doctrine.

Mr. NOWLAN: A codification of the practice.

The CHAIRMAN: Shall we say that sections 3 to 7, the Treasury Board, are carried and then we will go on the Department of Finance, covered by sections 8 to 15, inclusive?

Carried.

Are there any questions on items 8 to 15?

8. There shall be a department of the Government of Canada which shall be called the Department of Finance over which the Minister of Finance and Receiver General for the time being appointed by commission under the Great Seal of Canada shall preside.

9. The Minister shall have the management and direction of the Department of Finance, the management of the Consolidated Revenue Fund and the supervision, control and direction of all matters relating to the financial affairs of Canada not by law assigned to any other Minister.

10. (1) The Governor in Council may appoint an officer, who shall be called the Deputy Minister of Finance and Receiver General, to be the deputy head of the Department of Finance and to hold office during pleasure.

(2) Subject to section eleven, such other officers and employees as are necessary for the proper conduct of the business of the Department shall be appointed in accordance with the provisions of the *Civil Service Act*.

11. (1) The Governor in Council shall appoint as an officer of the Department of Finance an officer to be called the Comptroller of the Treasury.

(2) The salary of the Comptroller shall be fixed by the Governor in Council.

(3) The Comptroller shall be appointed to hold office during good behaviour, but he is removable by the Governor in Council for misbehaviour or for incapacity, inability or failure to perform his duties properly, or for other cause.

(4) Where the Comptroller is removed from office, the Order in Council providing for his removal and the documents relating thereto shall be laid before Parliament within fifteen days after it is made, or if Parliament is not then in session, within fifteen days after the commencement of the next ensuing session thereof.

(5) The Governor in Council may appoint a person to act as Comptroller during the illness, incapacity or other absence of the Comptroller, or during a vacancy in the office of Comptroller.

12. Notwithstanding any Act, the Comptroller is entitled to free access at all convenient times to all files, documents and other records relating to the accounts of every department, and he is also entitled to require and receive from members of the public service such information, reports and explanations as he may deem necessary for the proper performance of his duties.

13. The Comptroller may station in any department any person employed in his office to enable him more effectively to carry out his duties, and the department shall provide the necessary office accommodation for any person so stationed.

14. (1) The Comptroller shall require every person employed in his office who is to examine the accounts of a department pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by persons employed in that department.

(2) The Comptroller may suspend from the performance of his duties any person employed in his office.

15. On the request of the appropriate Minister and with the approval of the Minister of Finance, the Comptroller may

- (a) provide accounting and other services in connection with the collection and accounting of public money for a department, and
- (b) examine the collecting and accounting practices applied in a department, and report thereon to the appropriate Minister.

Mr. MACDONNELL: I was hoping to get some support for the idea that the salary of the comptroller should be fixed by parliament, but I find the salaries of the deputy ministers are fixed by cabinet, so I am not able to get any further on that.

Mr. FRASER: May I ask a question on 15 (b):

On the request of the appropriate minister and with the approval of the Minister of Finance, the comptroller may

(b) examine the collecting and accounting practices applied in a department, and report thereon to the appropriate minister.

Did the business efficiency firm that looked after the National Film Board bring in any recommendations that your office carried out, or did it make any difference?

The CHAIRMAN: What is the question again?

Mr. FRASER: Did Woods and Gordon, who were the official advisers for the National Film Board, bring in any recommendations that were carried out by the accounting department?

Mr. MCINTYRE: The firm of Woods and Gordon recommended in their report that certain of the accounting services that were carried on by us be transferred to the board. The chief part of the operation was the production accounting. By transferring it back to the Film Board it was possible to decentralize a certain amount of this work due to the production unit, and that was done a year ago last April. As a result of that we reduced our treasury office staff by ten people.

Mr. FRASER: In the treasury office?

Mr. MCINTYRE: Treasury officers' services in the National Film Board—we reduced that by ten persons, but I cannot tell what staff the Film Board was required to take on to do that work.

Mr. FRASER: But they would not have to take on ten?

Mr. MCINTYRE: I do not know. I cannot answer that.

The CHAIRMAN: Are there any further questions on Part I, which concludes with item 15?

Carried.

If not we might say that we can adjourn now, but I think it had been agreed last week when we postponed our first meeting to Friday and then to this afternoon that we would in the first days of this week sit three times a day. That was Mr. Fleming's suggestion in order to make up the delay up to Friday or today. Since the session is not to extend very, very long from now, by all appearances, and we have reached only item 16, may I ask if it will be agreeable to the members if we sit tonight at 8.30? Furthermore, I have in hand a document that appears to be the maximum of optimism: "The House of Commons has referred to this committee the public accounts and the report of the Auditor General for study at this session." I would call that the maximum of optimism. But even if we just take this as a notice for the next session we still are left with this bill 25, and there are 86 more sections of this bill to be dealt with. Under the circumstances would it be in order to accept what was proposed by Mr. Fleming?

Mr. MACDONNELL: Let me say a word on that before you condemn us to this galley slave existence. Mr. Fleming was under the impression when he made that suggestion that it was considered essential that we finish this business and report this bill back to the House. When I spoke on this in the House my understanding was that there is no great pressure on us to do this, and personally I find that there are so many other things to do I hope we won't have to meet tonight.

The CHAIRMAN: It was Mr. Fleming who suggested we could get through the whole bill by sitting for three times a day, but I think the parliamentary assistant might have a word on this.

Mr. SINCLAIR: The minister's instructions to me, as far as the Department of Finance is concerned, are that he would certainly like to have this in effect as soon as possible. Also, the Minister of Public Works is extremely anxious to get it into effect because he has a Public Works bill which revolves around Section 37. More than that, it has been drawn to my attention by the Minister of Justice, with the consolidation of the revised statutes under way, by agreement of the House the other day it will include bills passed this year. If this is not passed then we will have the unique situation of having the revised statutes without a key act of government in it. That is the place where there is the greatest urgency.

I am only following out the thought which was expressed here by Mr. Fleming that, having had talks from Dr. Clark, Mr. Bryce, Mr. Sellar and Mrs. McIntyre, we would actually find the bill is not a contentious one and that it carries out for the most part the recommendations of our own Public Accounts Committee. I think myself that in another couple of sessions we will get through this bill.

Mr. MACDONNELL: That is another reason for not holding a meeting tonight.

The CHAIRMAN: To say that we can conclude in two sessions might be a little optimistic.

Mr. SINCLAIR: We have considered 15 sections now, after having had a fair amount of discussion, and I am inclined to think that two sessions tomorrow will probably see the thing through.

The CHAIRMAN: It is in the hands of the committee. I have no personal axe to grind and if the committee is willing to sit tomorrow what time shall we meet?

Mr. SINCLAIR: We can have an evening sitting but the question is whether we will start in the morning or the afternoon.

The CHAIRMAN: I think it would be better to agree that we meet tomorrow morning?

Mr. MACDONNELL: What about 11 o'clock tomorrow morning?

Mr. FRASER: We sit tomorrow morning at 11 in the House.

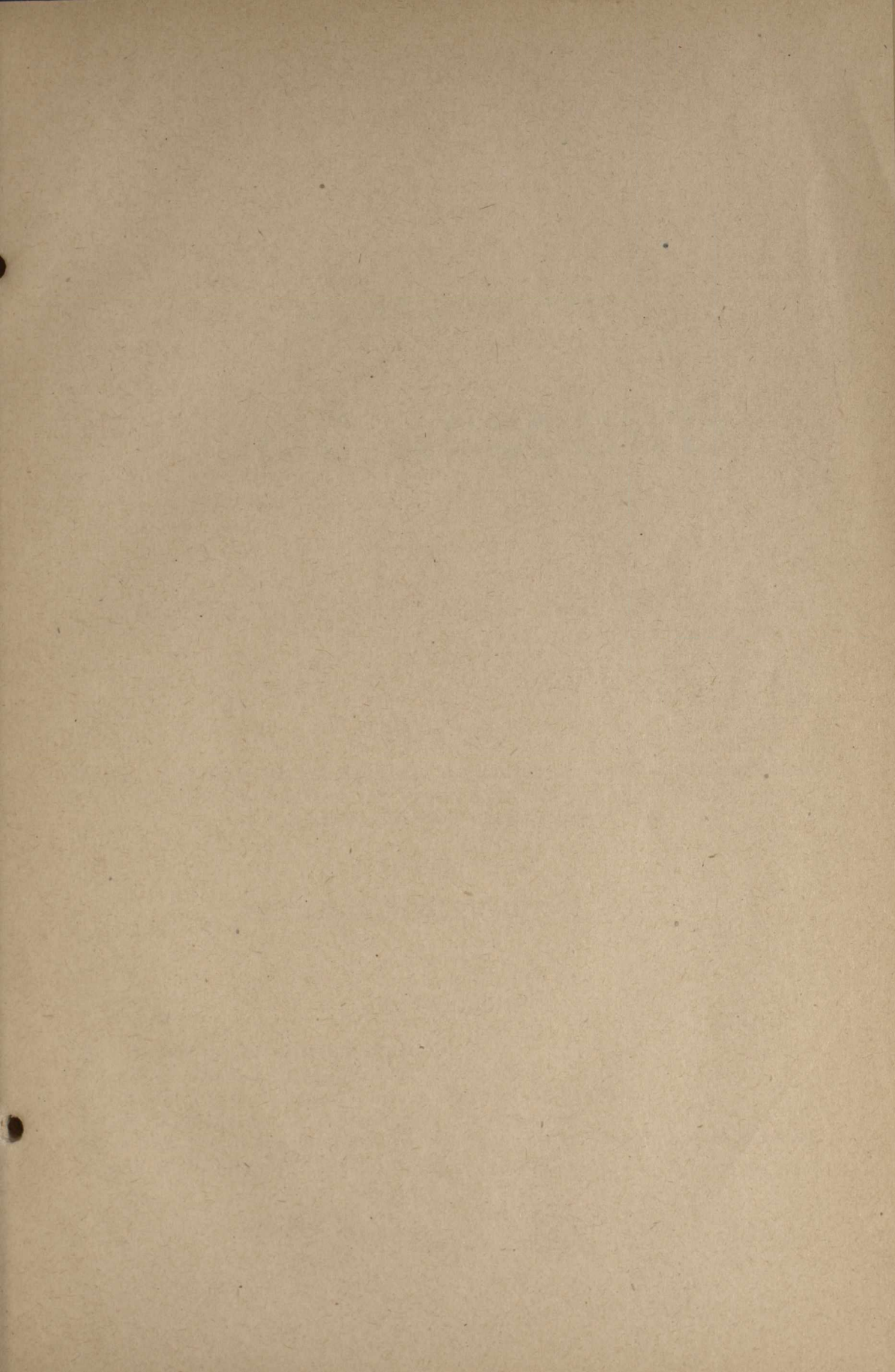
Mr. SINCLAIR: Not until Wednesday.

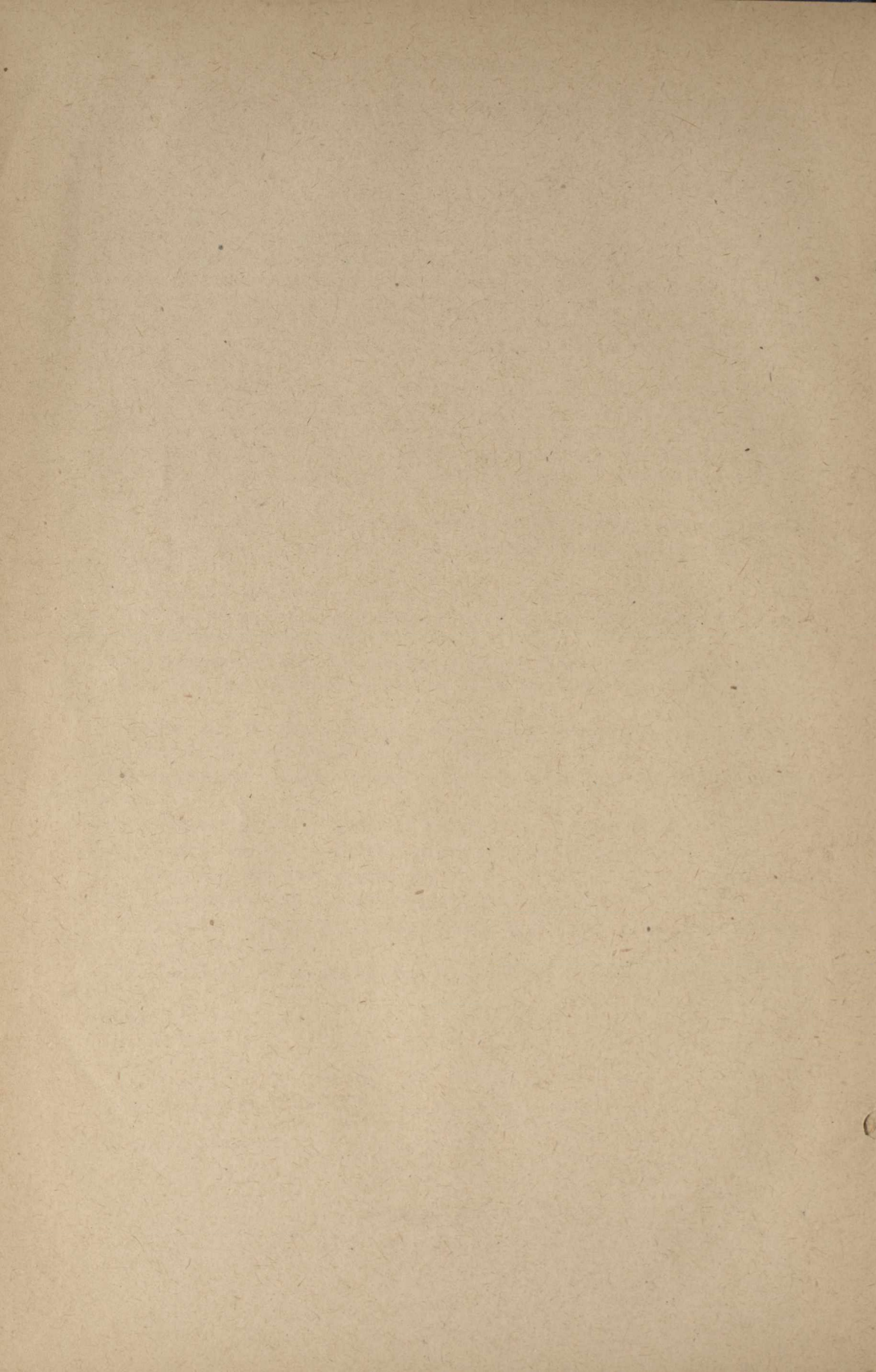
Mr. MACDONNELL: My suggestion would be 11.30.

Mr. SINCLAIR: That does not give us very much time. If we start at 11 it would give us two hours.

The CHAIRMAN: Is it agreed that we shall sit tomorrow morning at 11 o'clock.

Agreed.





HOUSE OF COMMONS
Fifth Session—Twenty-first Parliament
1951
(Second Session)

STANDING COMMITTEE
ON
PUBLIC ACCOUNTS
CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 2

BILL 25

An Act to Provide for the Financial Administration of the Government of
Canada, the Audit of the Public Accounts and the Financial
Control of Crown Corporations.

TUESDAY, DECEMBER 11, 1951

WITNESSES

Mr. Watson Sellar, Auditor General.
Dr. W. C. Clark, Deputy Minister of Finance.
Mr. R. B. Bryce, Assistant Deputy Minister of Finance.
Mr. B. G. McIntyre, Comptroller of the Treasury.
Mr. H. R. Balls, Special Assistant (Accounting), Department of Finance.
Mr. D. H. W. Henry, Solicitor to the Treasury.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

STANDING COMMITTEE

PUBLIC ACCOUNTS

COMMISSIONERS OF THE GENERAL LAND OFFICE

REPORT OF THE COMMISSIONERS OF THE GENERAL LAND OFFICE

1871

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Printed by RICHARD CLAY AND COMPANY, BUNGAY, SUFFOLK.

LONDON: HENRY COLVILLE AND COMPANY, PRINTERS, 1871.

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MINUTES OF PROCEEDINGS

TUESDAY, December 11, 1951.

The Standing Committee on Public Accounts met at 11 o'clock a.m. this day. Mr. Picard, Chairman, presided.

Members present: Messrs. Anderson, Argue, Ashbourne, Blue, Boisvert, Browne (*St. John's West*), Cavers, Croll, Fleming, Fraser, Fulford, Fulton, Gauthier (*Portneuf*), Gibson, Helme, Jutras, Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Major, Noseworthy, Riley, Robinson, Sinclair, Wright.

In attendance: Mr. Watson Sellar, Auditor General; Dr. W. C. Clark, Deputy Minister of Finance; Mr. R. B. Bryce, Assistant Deputy Minister of Finance; Mr. B. G. McIntyre, Comptroller of the Treasury; Mr. H. R. Balls, Special Assistant (Accounting), Department of Finance; Mr. D. H. W. Henry, Solicitor to the Treasury.

On motion of Mr. Boisvert.

Resolved: That the Committee recommend to the House that its quorum be reduced from 15 to 10 members.

The Committee resumed the clause by clause consideration of Bill 25, an Act to provide for the Financial Administration of the Government of Canada, the audit of the Public Accounts and the Financial Control of Crown Corporations.

Part II of the bill relating to *Public Money*, being clauses 16 to 23 inclusive, was called.

Clauses 16 and 17 were considered and adopted.

Clause 18, stand.

Clauses 19 to 22 inclusive were considered and adopted. ✓

On Clause 23:

After discussion it was agreed that the said clause be amended as follows:

in the third line of subclause (1) the words "extinguish" and "or" to be deleted;

In the fourth line of subclause (1) the words "without extinguishing" to be deleted;

In the first line of paragraph (a) of subclause (1) the word "one" to be deleted and the word *five* inserted therefor;

In the second line of subclause (2) the words "or extinguished" to be deleted; the word *Public* to be inserted before the word "accounts" and the words *during any year* to be inserted after the word "section".

In the third line of subclause (2) the words *for that year* to be inserted after the word "Accounts." The Clause now to read:

23 (1) The Governor in Council, on the recommendation of the Treasury Board, may, if he considers it in the public interest, delete from the accounts, in whole or in part, any obligation or debt due to His Majesty or any claim by His Majesty,

- (a) that does not exceed five hundred dollars and has been outstanding for ten years or more, or
- (b) that does not exceed one thousand dollars and has been outstanding for ten years or more.

(2) The obligations, debts and claims deleted from the Public Accounts under this section during any year shall be reported in the Public Accounts for that year.

Clause 23, as amended, was adopted.

Part III of the bill relating to *Public Disbursements*, being clauses 24 to 40 inclusive, was called.

Clauses 24 to 28 were considered and adopted.

During the proceedings the witnesses answered questions specifically referred to them.

At 1.05 o'clock p.m. the Committee adjourned to meet again at 3.30 o'clock p.m. this day.

AFTERNOON SITTING

The Committee resumed at 3.30 o'clock p.m. Mr. Picard, Chairman, presided.

Members present: Messrs. Anderson, Ashbourne, Blue, Boisvert, Campney, Cavers, Cloutier, Fleming, Fraser, Fulford, Fulton, Gauthier (*Portneuf*), Gibson, Harkness, Helme, Jutras, Major, Maltais, Noseworthy, Nowlan, Richard (*Ottawa East*), Robinson, Sinclair, Wright.

In attendance: As indicated for the morning session.

Clause 18 of Part II of the bill was called and after discussion it was agreed to amend the said clause by inserting after the word "service" in the sixth line thereof the words *by regulation*.

Clause 18, as amended, was adopted.

Clauses 29 to 40 of Part III relating to *Public Disbursements* were called.

Clauses 29 to 37 inclusive were considered and adopted.

Clauses 38 and 39, stand.

Clause 40 was considered and adopted.

Part IV of the bill relating to *Public Debt*, being clauses 41 to 56 inclusive, was called, considered and adopted.

Part V of the bill relating to *Public Stores*, being clauses 57 to 62 inclusive, was called.

Clauses 57, 58 and 59 were considered and adopted.

On Clause 60:

After discussion it was agreed that the clause be amended by inserting after the word "time" in the second line of subclause (1) the words *but not less frequently than once in every five years*.

Subclause (1) of Clause 60 now to read:

60 (1) The appropriate Minister may from time to time but not less frequently than once in every five years constitute a board of survey to enquire into the state of the stores under the management of a department.

Clause 60, as amended, was adopted.

Clauses 61 and 62 were considered and adopted.

It was agreed to allow Part VI in relation to *Public Accounts* to stand until the next meeting of the Committee.

Part VII of the bill relating to *The Auditor General*, being clauses 65 to 75 inclusive, was called.

Clauses 65 to 69 inclusive were considered and adopted.

On Clause 70:

Mr. Fleming moved that subclause (2) of clause 70 be amended by deleting the words "thirty-first day of December" in line 22 thereof, and inserting therefor the words "fifteenth day of October".

After discussion, and the question having been put, the said motion was resolved in the negative.

Clause 70 was adopted.

Clause 71, stand.

Clause 72 was considered and adopted.

On Clause 73:

After discussion it was agreed that the clause be amended by inserting the word "*forthwith*" after the word "shall" in the third line thereof. Clause 73, as amended, was adopted.

Clauses 74 and 75 were considered and adopted.

Part VIII of the bill relating to *Crown Corporations*, being clauses 76 to 88, was called.

Mr. Balls made an explanatory statement on the clauses comprising this Part of the bill and was questioned thereon.

Clause 76, stand.

Clauses 77, 78 and 79 were considered and adopted.

During the afternoon proceedings the witnesses answered questions specifically referred to them.

At 6.00 o'clock p.m. the Committee adjourned to meet again at 11.30 o'clock a.m., Wednesday, December 12, 1951.

R. J. GRATRICK,
Clerk of the Committee.

EVIDENCE

DECEMBER 11, 1951.

11:00 a.m.

The CHAIRMAN: Gentlemen, before we start with the witnesses this morning I wonder if it would not be in order, in view of the urgency of this measure, to make a motion that is regular in other committees. We have a practice of not making it in this committee, and I speak of reducing the quorum. In Public Accounts, usually, we have made it a rule not to reduce the quorum in view of the importance of the matters that come before our committee; when dealing with the accounts we should have as large a number of members as possible.

However, in view of the urgency of the present measure and for this special session, I wonder if we could follow the procedure of other committees and move a reduction of the quorum from 15 to 10. That leaves a good number of members and as many as are on other committees.

Mr. BOISVERT: Is there to be another meeting today?

The CHAIRMAN: There is, and as I said at the end of the meeting yesterday it is the maximum of optimism to think we will finish in two meetings. We also have the Public Accounts and the Auditor General's report but I do not think we will get into them in this session.

Mr. BOISVERT: I would move that we reduce the quorum.

Mr. MACDONNELL: I do not object to it.

The CHAIRMAN: It is due to the fact that many members are kept at meetings of other committees. I have been one who opposed this and I thought it not advisable in years when we were on the details of expenditures; I wanted as large a number of people as possible to be here. In view of the present short session and the urgency of getting this measure through I wonder if it might not be done?

Mr. BOISVERT: I think it is a good move.

Mr. FULFORD: I would second the motion.

Agreed.

The CHAIRMAN: We have with us the same witnesses that were here yesterday and we resume consideration of Bill 25, Part II, page 6, Section 16. This part goes from item 16 to item 23, inclusive.

16. (1) Subject to this Part, all public money shall be deposited to the credit of the Receiver General.

(2) The Minister shall establish, in the name of the Receiver General, accounts with such banks and fiscal agents as he designates for the deposit of public money.

(3) Every person who collects or receives public money shall keep a record of receipts and deposits thereof in such form and manner as the Treasury Board may prescribe by regulation.

(4) Every person employed in the collection or management or charged with the receipt of public money and every other person who collects or receives public money shall pay all public money coming into his hands to the credit of the Receiver General through such officers, banks or persons and in such manner as the Minister directs.

Are there any questions on the different items? We will take them together.

Mr. MACDONNELL: "Subject to this part", the very first phrase? What are the qualifications?

Mr. CLARK: That really refers, Mr. Macdonnell, to Section 19 (1) where money is deposited with a public officer by any person as a deposit to ensure the doing of any act or thing. In such case the public officer shall hold or dispose the money in accordance with regulations of the Treasury Board. Contractors' deposits would be a case in point.

Mr. MACDONNELL: Referring to Part 4 of Section 16, are government officials ever bonded?

Mr. CLARK: There is a bonding arrangement within the civil service itself. If you turn to Section 98 you will see provision for the setting up of a public officer's guarantee account to which will be transferred the balance of the present fund and amounts paid by departments by way of premiums each year, and amounts recovered out of claims. This is a scheme which has been in effect since back in the middle '30's but we are now setting it out into legislation for the first time. Actually I can give you figures on the fund. The fund has operated quite successfully and there is quite a balance in the fund now, I think something like \$600,000. It is \$637,000 to be exact.

Mr. BALLS: The premiums that have been deposited to the credit of this account since the inception of it amount to \$587,938; interest has been added amounting to \$100,473; and net payments out of the fund on defalcations have been \$50,613.

Mr. MACDONNELL: In how long?

Mr. BALLS: Since 1936.

Mr. FRASER: How does the department pay that? Does each department chip in?

Mr. CLARK: Each department pays a certain amount each year. The deputy minister of the department gives us a list of the particular officers he thinks should be bonded and the amounts for which they should be bonded. There is a premium rate that is charged on those amounts. The actual payments come out of the department's estimates for each year.

Mr. FRASER: From each department—and your treasury officers in that department would also be bonded?

Mr. CLARK: Oh, yes.

Mr. MACDONNELL: Does that mean that each department could in effect fix the amount of its own premium?

Mr. CLARK: No, it is a premium established by regulation.

Mr. MACDONNELL: They could state which officers they want to have bonded?

Mr. CLARK: Yes.

Mr. MACDONNELL: Supposing the man that they have not included is a man who should have been bonded, what happens then?

Mr. CLARK: I think the practice is to cover everybody who has custody of funds or who is in a position to cause a defalcation.

Mr. MACDONNELL: When you say the department picks out the men you mean that certain categories are included?

Mr. CLARK: That is right.

Mr. FRASER: A blanket policy?

Mr. CLARK: Not blanket in the sense of covering every person, but it covers every person who is in a position of custody over public funds.

Mr. BALLS reminds me that more recently we have changed and given blanket coverage in certain cases.

Mr. FRASER: That would be the only fair way I think you could cover them.

Mr. CLARK: In certain departments.

Mr. MACDONNELL: Your record is certainly enviable. Are there any slips of any kind, or are these things dealt with without publicity? You have not had many experiences, I realize, but I just wonder if there was a practice—

Mr. CLARK: I do not think there is any special publicity given to the defalcations.

Mr. MACDONNELL: But the other way around, are there any steps taken to avoid publicity?

Mr. CLARK: I would not say that. I do not think particular pains are taken to avoid publicity. Under the bill as it now stands, in subsection 3 of section 98:

Every payment out of the public officers guarantee account and the amount of every loss suffered by His Majesty by reason of defalcations or other fraudulent acts or omissions of a public officer, together with a statement of the circumstances, shall be reported annually in the public accounts.

That much will be given in the future.

Mr. CROLL: As a matter of fact, that has been given in the past, in the public accounts?

Mr. CLARK: That is right.

The CHAIRMAN: The Auditor General being here, might have something to say on this matter.

Mr. SELLAR: Mr. Chairman, ordinarily defalcations happen either in connection with the treasury or the revenue collection departments, that is where they are, and this fund is essentially to keep the account in balance, but the departments almost invariably prosecute. We take the people to court because that is the only way we can keep the fear of God in the whole staff, and we have urged repeatedly on the treasury and we hope in due course the Department of Finance will come to our terms and give us a blanket policy of \$50,000 on the whole of our staff. That is, the whole staff is insured, because you might miss the odd person who does go crooked on you, but, generally speaking, as soon as we have a defalcation it is reported to the mounted police and to the Justice Department and you have a prosecution. This account is not used to cover up any criminal.

The CHAIRMAN: Any further questions, gentlemen, on Public Money, Part II?

Mr. FRASER: On page 8, subsection 4. Mr. Chairman, do you want to jump that far ahead?

The CHAIRMAN: Well, anybody who is going to ask a question on items might call them.

Mr. SINCLAIR: I think it would be better to take them in order.

The CHAIRMAN: Section 16.

Carried.

Section 17.

17. (1) The Minister may, when he deems it advisable for the sound and efficient management of public money or the public debt, purchase, acquire and hold securities and pay therefor out of the Consolidated Revenue Fund.

(2) The Minister may sell any securities purchased, acquired or held pursuant to subsection one, and the proceeds of the sales shall be deposited to the credit of the Receiver General.

(3) Any net profit resulting in any fiscal year from the purchase, holding or sale of securities pursuant to this section shall be credited to the revenues of that fiscal year, and any net loss resulting in any fiscal year from such purchase, holding or sale shall be charged to an appropriation provided by Parliament for the purpose.

(4) For the purposes of subsection three, the net profit or loss in any fiscal year shall be determined by taking into account realized profits and losses on securities sold, the amortization applicable to the fiscal year of premiums and discounts on securities, and interest applicable to the fiscal year.

Mr. MACDONNELL: I would like to hear something about section 17, subsection (1):

The minister may, when he deems it advisable for the sound and efficient management of public money or the public debt, purchase, acquire and hold securities and pay therefor out of the consolidated revenue fund.

I would like to understand a little bit better just what is meant by "sound and efficient management". I take it this is something quite apart from the investment of idle funds.

Mr. CLARK: This relates to the investment of surplus funds. I think I can best illustrate it by pointing out when the practice arose and the times when it has been used.

Mr. MACDONNELL: Could you also make me understand, in connection with this investment, what is the nature of the investment when you pay interest to yourself? In other words, I think you can only invest in government bonds?

Mr. CLARK: Most transactions of this kind have occurred during war periods when the government was raising enormous sums of money by public issues of victory loan bonds, first world war bonds and second world war bonds. On those occasions, as you know, very intensive efforts would be put into the promotion of the sales campaign and very large sums were raised. Sometimes sales were probably in excess, if you like, of real investment demand, sales were made to people who did not intend to keep their bonds very long, and after most of these campaigns, certain people would get rid of their bonds and these bonds would have to be picked up. Well, now, at the same time we would have, after each of these issues, a very large cash balance in the treasury. It was therefore felt that prudent management by the Minister of Finance of public moneys in the consolidated revenue fund and of the public debt required him to be in a position to make purchases of bonds in such cases. The bonds would be held for a time depending, of course, on our requirements for cash, until further investment demand emerged for the issues in question and they would then be sold. The result was to give a greater degree of stability to the market and to further the sale of securities in future. I mean, it made it very much easier to go ahead and make a successful issue the next time, and so on. This then was the beginning of such operations, back towards the end of the first world war. The same practice was followed again in the second world war. Very large sums were invested. From about 1940 on, I think as much as \$2,700,000,000-odd were invested in the aggregate. All these bonds were disposed of two or three years ago when the last bond was sold. The result of that operation was an actual loss on principal of about \$8,000,000, but an earning of interest of \$53,000,000, which I think meant that the policy was a highly successful one. It really was an essential element in the successful financing of the war.

Mr. MACDONNELL: I think I can understand that when you are making these huge loans, as you say, some people would buy and then for various reasons

would want to sell, and this would be, in a sense, a market support. That amount of \$2,700,000,000, would that be the amount invested at one particular time or would you extend that operation over a period of years?

Mr. CLARK: That was the total amount purchased over a period of years.

Mr. MACDONNELL: When you say a loss of principal of \$8,000,000, I can understand that quite easily, that is in the ordinary market operations, but what puzzles me, though, is what is the exact effect when you say that a profit of \$53,000,000 was made on interest.

Mr. CLARK: The net effect of it would be to save that much interest, which otherwise would have had to be paid out to third parties. An account of these transactions was kept and the interest was credited to that account and the total amount of interest so credited was this amount of \$53,000,000. If those bonds had remained outstanding in the hands of the public, the government would have had to pay \$53,000,000 interest to third parties.

Mr. MACDONNELL: In other words, you say that your support operations, which were taken for the purpose of steadying the market, did in effect through your holding of these bonds save you that amount of interest which you otherwise would have paid.

Mr. CLARK: Yes, and I think that is the essential meaning of that phrase—"for the sound and efficient management of public money or the public debt".

Mr. MACDONNELL: Of course this question still remains. From one point of view, it might be argued that you marketed more bonds than you needed, because you then had to step back into the market and over a period you did actually invest a very large sum, \$2,700,000,000, but your answer to that, I take it, is that in the long run you needed that money and, therefore, it was worth your while to pay interest.

Mr. CLARK: Yes, the money was needed in each case.

Mr. GIBSON: What do you do with your surplus funds now? Do you put them into government securities?

Mr. CLARK: If we have any very substantial sums of surplus cash, yes.

Mr. GIBSON: What have you now?

Mr. CLARK: Well, we have a certain amount invested now, yes. But that may not be what you were asking, Mr. Gibson—are you thinking of what is done with the budgetary surplus?

Mr. GIBSON: With the surplus that you have.

Mr. CLARK: With that \$600,000,000 surplus accumulated so far this year—well, a great many things have been done with that. For instance, if I recall the figures correctly, so far this year we have had to use about \$293,000,000 to make loans, advances and investments that we have to make all the time for housing purposes, to the Farm Loan Board, to the Canadian National Railways, to other crown companies, and so on,—about \$293,000,000 has been used for that purpose. Then there is another substantial amount of the order of a couple of hundred million dollars, if I remember correctly that has been used for the retirement of debt.

Mr. GIBSON: Do you ever make a capital profit by buying bonds that have sagged below par?

Mr. CLARK: Oh, yes, indeed.

Mr. GIBSON: You sometimes make a profit on your own bonds?

Mr. CLARK: Oh, yes. This figure of \$8,300,000 that I referred to before is the net figure. At times there were very substantial capital profits in that account, at other times that profit disappeared, and at the end the net effect overall from the beginning was a loss of \$8,300,000.

Mr. GIBSON: Did you have to buy bonds over par?

Mr. CLARK: That is right.

Mr. WRIGHT: Is the government at the present time buying these bonds that are below par?

Mr. CLARK: Well, at the moment we have a certain amount of bonds that have been purchased in the recent past; yes, at a price below par. I do not think the fact as to whether they were below par or above par would influence us too much. There would be other reasons that would determine whether a purchase was made or not. But at the moment we do have a certain amount of these bonds in this kind of account, purchased in the recent past at a discount, yes.

Mr. WRIGHT: If you hold them, of course, to maturity, you would make a profit on them?

Mr. CLARK: Oh, yes, if they were held to maturity.

Mr. WRIGHT: This section-17 indicates that it is new. Under what authority did you carry on this practice before this section was in the Act?

Mr. CLARK: The Department of Justice had given us an opinion that under the Department of Finance and Treasury Board Act, which amongst other things makes the Minister of Finance responsible for the management of public funds and public debt and the Consolidated Revenue and Audit Act, the Minister of Finance had the authority to make the purchases that have been made in the past. We thought it better however that it should be spelled out in law, that his authority should be spelled out in detail and particularly that the accounting treatment of the transactions should be regulated as they are now going to be under section 17.

Mr. FULFORD: Mr. Chairman, I would like to ask Mr. Clark a question. He said that interest is saved through the acquiring of government securities and bonds, and I was just wondering if that is a true picture because you are losing income tax and corporation tax on the interest paid on that bond to third persons. Has any estimate ever been made of the amount of corporation or income tax you are losing—it is not clear profit to the Treasury Department?

Mr. CLARK: Well, if the bonds had been held by private persons and they received the interest on the bonds, they would have paid taxes on that interest. We have not made any such calculations, Mr. Fulford. I do not think it would be possible to make such a calculation. You would have to assume that the bonds were purchased by people of certain incomes, so many in this income tax category, so many in the next income tax category and so on. You would have to make rather wild assumptions as to how the holdings were spread over the different classes of taxpayers, paying different tax rates.

Mr. FULFORD: Are you saving \$53 million in interest? You are not really saving \$53 million, are you?

Mr. CLARK: We have saved \$53 million which we would otherwise have had to pay out to third parties.

Mr. SINCLAIR: If you did not invest in our own bonds at 3 per cent, the money would simply be lying in the bank, would it not?

Mr. CLARK: Yes.

Mr. SINCLAIR: So we are getting the best return on it? That is the prudent thing to do.

Mr. WRIGHT: Dr. Clark stated that the matter had been referred to Justice before as to the legality of carrying on this practice.

Mr. CLARK: Yes.

Mr. WRIGHT: Has it ever been referred to the Supreme Court to determine whether the practice followed by the department is legal?

Mr. CLARK: No, it has never been so referred. I do not think the practice has ever been questioned. It is a practice that has been followed for 30 years, and it has never been questioned by anyone to my knowledge.

Mr. GIBSON: We allowed people to assume during the war by virtue of the fact that we went into the market and supported the price. Did we not allow people to assume, quite naturally, with respect to these bonds? There is considerable difficulty in the country now because people want to cash these bonds; people feel that they have been let down by this government by virtue of your own operations.

Mr. CLARK: I think that the Minister of Finance at the time, Mr. Ilesley, stated that these bonds would always be negotiable, and that there would be a ready and stable market for them. But he steadily refused to say that they would be maintained at any fixed price. Several times in the House of Commons there was a debate on that subject and he was urged to do that, but he steadily refused. On several occasions he refused to do that because he thought it would be unsound.

Mr. SINCLAIR: The member who sat next to Mr. Gibson was the one who strongly urged that course on Mr. Ilesley, but Mr. Ilesley said he would not follow it.

Mr. GIBSON: Do you think that the fact that there are registered bonds and bearer bonds makes any difference on the market?

Mr. CLARK: No. I do not think there is any difference in the market arising from a distinction between registered and bearer bonds.

Mr. GIBSON: I do not like to see the government making a profit on bonds. There seems to be something wrong about it.

Mr. SINCLAIR: Who ought to make a profit on capital then, Mr. Gibson?

Mr. MACDONNELL: There is another question. Am I right in thinking that the operations which you have been describing are carried on directly by the Department of Finance?

Mr. CLARK: We buy through the Bank of Canada.

Mr. MACDONNELL: Perhaps I can make it clearer. Are you including in what you said all the transactions of the Bank of Canada?

Mr. CLARK: No, I am talking only of the Government of Canada.

Mr. MACDONNELL: That is what I thought. Would you indicate to us the practice which is followed in respect to investments by the Bank of Canada? Is that a fair question? Is that part of the management of public funds?

Mr. CLARK: No. I think that would be a question for Mr. Towers of the Bank of Canada to explain.

The CHAIRMAN: If the committee felt it was material to have an opinion on that, I think it would be fair to ask it from the man who has the authority on it, and on these policies, that is, the Governor of the Bank of Canada. But can we not carry on with this article and ask the people who are responsible for drafting this for their opinions? And if you feel you have not got enough of them, we can always summons another witness. But could we not go on with this and have the opinions of the witnesses who are present?

Mr. MACDONNELL: In answer to Mr. Gibson you pointed out that you were able to find \$300 million for housing operations and so on from the surplus. In other words, you were able to take that from taxes and use it for that purpose. But suppose you had not had that surplus; would that have just been a normal borrowing operation?

Mr. CLARK: The cash would have had to be raised in some other way presumably by borrowing.

Mr. MACDONNELL: Is it universal government practice—and I am thinking of other countries as well—not to buy any securities except their own? It seems to me there is a certain illusion about paying yourself interest out of one pocket into another. I do not question the accuracy of the figures you have given, but I do think there is a certain unreality about it. Is it the considered opinion of all governments that they must never be allowed to invest in other than their own securities and not even in the highest class of investments?

Mr. CLARK: I do not know of any other government that would purchase other types of security for such a purpose; I cannot think of any off-hand. I would not think it would be the normal function of a government or of a minister of finance to go outside its own obligations to buy securities and hold them as a sort of investment trust.

Mr. MACDONNELL: I know it would be very difficult, but I am interested in the point.

Mr. CLARK: The assumption behind this practice is that there is a duty on the Minister of Finance to manage his cash balances, and his debt prudently and efficiently.

Mr. MAJOR: Did you not say a moment ago that you were accumulating a surplus or a profit out of your sales? Do you find in your department that it would be more advantageous to deal with this surplus in paying your expenditures rather than having to go out and borrow further amounts?

Mr. CLARK: It is not too easy to borrow very large sums of money today. The market is not in very good condition for borrowing very large sums of money.

Mr. MACDONNELL: I will say so!

Mr. CLARK: I would not like to have to go out today and raise a very large sum of money, let us say, several hundred million dollars of money.

Mr. FRASER: And the interest rate would be up, would it not?

Mr. CLARK: Not only that, but it is very difficult to sell any large volume of bonds.

Mr. MACDONNELL: What rate of interest do you get? You have deposits in the chartered banks, have you not?

Mr. CLARK: Yes.

Mr. MACDONNELL: What rate of interest do you get on those deposits?

Mr. CLARK: We do not get any interest on our normal deposits in the chartered banks. The banks perform certain services for us free of charge. The great volume of services are performed for us free of charge and we do not get any interest on our ordinary bank balances in Canada. We may get interest on balances in New York or London, whatever the short term rate may be at the time.

Mr. NOSEWORTHY: How much money do you have on deposit at any one of the private banks? Have you any idea?

Mr. CLARK: That will vary, Mr. Noseworthy, a great deal. Let us say, from a minimum of \$10 million or \$12 million for all banks (that would be pretty close to the minimum limit of what we can have at any one time and still carry on our operations) up to perhaps \$100 million or \$150 million or even \$200 million. But when it gets up to be as large as these amounts we might desire to do something of this sort I have mentioned with it. However our total balances in the bank vary greatly from day to day, from month to month, and over the years.

Mr. NOSEWORTHY: Could you give us any idea of what would be the average amount on deposit throughout any fiscal year?

Mr. CLARK: On the average, \$75 million, or perhaps between \$50 million and \$100 million.

Mr. MACDONNELL: I suppose it would be up and down?

Mr. CLARK: Yes, it would be up and down.

Mr. MACDONNELL: So what you said about it being difficult to have a definite rate of interest is because of the up and down fluctuations?

Mr. CLARK: That is right. Take the case of cheques. They run to very substantial amounts, and necessarily so with a substantial number of cheques going out at one time you cannot write cheques for \$20 million or \$40 million and not have some sizeable balance in your bank accounts.

Mr. SINCLAIR: I suppose we are not charged by the banks for handling government of Canada cheques?

Mr. CLARK: That is right.

Mr. FRASER: They pay them at par.

Mr. CLARK: That is right.

Mr. MACDONNELL: Your account would be handled like that of any current account on deposit?

Mr. CLARK: Yes.

Mr. WRIGHT: Are these Dominion Government deposits used by the chartered banks as a basis for their loans, or as part of the basis of their loans? Is it the policy of the chartered banks to loan that money under the Bank Act?

Mr. CLARK: I am afraid that you are opening up a very large question. I think all I could say is that their policy in loaning money probably depends on the amount of cash reserves they hold at any given time.

Mr. WRIGHT: That would be part of their cash reserves?

Mr. CLARK: This would result in increasing their cash reserves, yes.

The CHAIRMAN: On a temporary basis?

Mr. CLARK: On a temporary basis, yes.

The CHAIRMAN: For the time being.

Mr. NOSEWORTHY: You say that at no time have they dropped below \$10 million, and that on the average it is between \$50 million and \$100 million?

Mr. CLARK: In these times, yes. In the last few years, I would say that that would be a fair average; and the total almost never drops below \$10 million. We have to meet substantial amounts every day in the clearings and you cannot operate on any other basis.

Mr. CROLL: Was that always the arrangement with the banks?

Mr. CLARK: Yes. There have been some changes in detail, but generally speaking that has been the arrangement.

Mr. CROLL: Then in time, have you ever been able to indicate to yourself what the probable savings are from the services, or what those services would likely cost you?

Mr. CLARK: Well, the banks every so often make estimates of what it costs them to do the work which they have to do for the government.

Mr. CROLL: Yes?

Mr. CLARK: And they claim they are in the hole very very substantially. However, I think that is a very difficult matter to calculate accurately. You would have to go into the subject of cost accounting in the banking business and I think the banking business is an extremely difficult type of business to

which to apply cost accounting methods. I am not very well satisfied with such estimates whenever an attempt is made to put them on too exact or precise a basis. I am sure I could say this, however, that the banks do not get over-paid for the work they do. And they think that they are getting very much under-paid.

Mr. CROLL: And we are going to continue to resist them?

Mr. CLARK: I think we shall continue more or less with the same policies under which we have operated in the past.

Mr. RILEY: What is the practice in respect to these chartered banks? Do you spread your funds over all of them?

Mr. CLARK: Yes. In Canada our balances are held in the Bank of Canada here at Ottawa and in all the branches of the chartered banks. We have balances here in every one of the Ottawa branches of the chartered banks and also in Barclay's Bank in Montreal, which has not got any branch here in Ottawa. We spread the balances amongst the banks, again on the basis of the relative amount of work which they perform for the government. If one bank is cashing more cheques, handling more bank drafts and so on than another it would get a larger share of our business. Actually, the arrangement that we now have in effect is for a division of our business amongst all of them on a basis on which they have agreed amongst themselves. That is to say they agreed that one bank getting "X" per cent of our balances, another "X plus 2" per cent or whatever it may be, and so on.

Mr. RILEY: How long has that policy been in effect?

Mr. CLARK: This particular arrangement now in effect has only been in effect for a little over a year now. There has, however, been a somewhat similar arrangement in effect going back for a much longer period of time, but differing in detail.

Mr. RILEY: Was it true at one time one or two of the chartered banks handled the bulk, or most of the government business?

Mr. CLARK: Yes, years ago, before the establishment of the Bank of Canada as our central bank, the Bank of Montreal was government's principal bank.

Mr. WRIGHT: If the banks were losing money on their business do you think they would—they would scarcely want to divide the loss, take it away from the one or two banks that were handling the business in the first place, particularly if the other banks say it cost them so much for doing business. It seems to me this has a bearing on whether there may be a loss or a gain on handling government business.

Mr. CLARK: Sometimes I make a somewhat similar argument, Mr. Wright, to the banks; but I would say that whether or not the banks were losing money on this government business they would probably have to continue to do it. They would not want to have their customers find themselves unable to cash government cheques at their own bank, and so on; and, actually, the banks also may get a certain prestige value out of government business. Certainly I think they really do want the business. They would like to have the business even though it does result in some loss on a strict accounting basis. They want to have their fair share of it.

Mr. RILEY: Do you believe, yourself, that they are losing money on this practice?

Mr. CLARK: Well, I think that they have honestly tried to cost account their operations. They have made an honest attempt to cost account the business they do for us, but I am not sure all the assumptions they work on are correct—the results might not be too unsatisfactory. But you have to

determine the amount of time the manager, the teller, the accountant and what not spent on our business each day as compared with all the other types of business; you have to prorate the bank overheads in certain ways. There may be an argument as to whether they follow the most appropriate way of making these calculations and spreading these overheads; there have been arguments on every point all along the way. What I am saying is: I think they make an honest attempt to cost account their business and get a true picture of what it costs them to do their operations for us; and they certainly present figures which seem to show that they are carrying on certain operations at a loss. I might disagree, as I said, with the extent of the loss that they calculate, disagree here and there on this detail or the other. However I may say frankly, I think it probably will be necessary for us some time to increase the remuneration that we are paying the banks for certain operations; for instance, for the work they do in connection with the redemption of coupons on government bonds. We pay them only one-eighth of 1 per cent, and one-eighth of 1 per cent on a \$3 coupon is a pretty small payment for the work which is involved. I think they probably have established a fairly good case on that point and that I will have to recommend to the minister that payment for that service should be raised, don't you see. From time to time there may have to be other adjustments made in what we do for them.

Mr. FLEMING: Perhaps if these questions are pressed too far we shall be encouraging them to come along with demands for payment.

Mr. SINCLAIR: Has not the increase in the volume of small cheques, particularly with regard to the 3 million cheques monthly for family allowances cheques and the 800,000 cheques monthly for old age pensions—cheques which the people must cash in their own locality—had an important effect on banking? If any bank were to refuse to cash those cheques you can understand the amount of business they would lose in a town.

Mr. CLARK: That is what I meant to say a moment ago.

Mr. ASHBOURNE: What is the commission paid to the Bank of Canada for the purchasing of bonds and securities on government account?

Mr. CLARK: When they purchase bonds for us I do not think they charge us anything for their own work. The purchase would have to be made through a broker and the ordinary brokerage charge would be paid to the broker, and we would have to recoup that. However I do not think the Bank of Canada makes any charge for their own work.

Mr. WRIGHT: What is the situation at the present time with respect to extra remuneration to banks for cashing such cheques as old age pensions and family allowances. Are they paid anything for that?

Mr. CLARK: No.

Mr. RILEY: You do pay them the equivalent of interest they would otherwise have for money on deposit?

Mr. CLARK: What is that?

The CHAIRMAN: Would you repeat your question, Mr. Riley?

Mr. RILEY: I understand they do not pay the government for funds on deposit.

Mr. CLARK: No.

Mr. RILEY: That is treated as the ordinary current account?

Mr. CLARK: That is a current account, yes.

Mr. RILEY: Should you not include the benefit you get from the use of that money?

Mr. CLARK: Oh, I do not think it would be fair to do that. As I said, I think they have a pretty fair argument against us now, against not paying interest.

Mr. RILEY: That is what I say; what they would otherwise be paying in the way of interest would accrue to them.

Mr. CLARK: Counting everything that they make on our balances that they hold I think they can build up a fairly good case that they are underpaid on certain operations. Certainly they are not being overpaid.

Mr. FRASER: Mr. Chairman, the banks also have to fill out forms to cover the heavy increase in foreign exchange transactions which they do for you free

Mr. CLARK: Yes.

Mr. FRASER: They also have a heavy increase of cost on coupons which are deposited.

Mr. CLARK: Yes, on ownership certificates, they do a good deal of work for the government.

Mr. FRASER: Those are things which they do free of charge.

Mr. CLARK: Yes.

Mr. MACDONNELL: The various things which have been mentioned by Dr. Clark are important services; are there any other important services that have not been mentioned? I think it would be of interest to the committee to know if they provide a service in connection with the Foreign Exchange Control Board?

Mr. CLARK: Oh, yes, they are agents of the Board and they get certain payments for that work.

The CHAIRMAN: Shall the section carry?

Carried.

Section 18:

18. Where a service is provided by His Majesty to any person and the Governor in Council is of opinion that the whole or part of the cost of the service should be borne by the person to whom it is provided, the Governor in Council may, subject to the provisions of any Act relating to that service, prescribe the fee that may be charged for the service.

Mr. FLEMING: I have a question on section 18. What happens in the case of rescue operations, particularly those of the type carried out at sea by the R.C.A.F.? This section would apply to such cases, apparently, and it would appear to authorize the Governor in Council to prescribe the fee that may be charged for services. I understand that this is a new provision in our legislation.

Mr. McINTYRE: I am afraid that I cannot give you the answer to that. As far as I know there is no charge made for rendering such services.

Mr. FLEMING: That is what I understood to be the present position. Of course, some of the rescue operations can be very expensive. I am pointing out that this is a new section and it would in such cases appear to authorize the Governor in Council to prescribe the fee that may be charged.

Mr. McINTYRE: Yes, if the Governor in Council saw fit to do so.

Mr. FLEMING: Is the kind of fee that is contemplated here something of a set of general application or would it be prescribed having regard to the cost of any particular operation at the time?

Mr. McINTYRE: I think the fee which is contemplated here would be fixed in each particular instance.

Mr. CLARK: That would cover certain categories of service.

Mr. BRYCE: The government renders quite a number of services of various types, everything from certifying cattle pedigrees to the working out for mining ores of the development of special processes, and various research jobs. There is a large variety of functions that the government performs that benefit various individuals or companies or groups, and which at the present time are subject to certain fees. In some cases these fees are provided for by statutes and in some cases they are not. The present section provides a definite legal authority to charge fees for such services. The intention of putting this in the Act is to make it quite clear that where the government renders a service it is in a position to make charges.

Mr. FLEMING: Mr. Chairman, I have no doubt at all that where the government does render a service of a general nature that is over and above the general service rendered to all citizens it is probably not unfair generally to make a charge for the service. The language here is very broad. This is new legislation. I am just wondering how far parliament is justified in committing itself entirely to the Governor in Council in this matter. As for the rescue operation, that is just an obvious case that occurs to one. One would not want to see the imposition *ex post facto* of charges in a case like that, because some charges in respect to that service have been very great.

The CHAIRMAN: Which authority would you suggest could do it better than the Governor in Council, could determine the fee? I mean, the Governor in Council acts on the advise of the department which renders the service, and the fact that it is now to be reviewed, authorized by the Governor in Council, is just adding another safe-guard. It has to be reviewed by the Governor in Council before it is fixed so that it would be fair.

Mr. FLEMING: Perhaps I have not quite the same complete confidence in Governors in Council, Mr. Chairman, that some others here possess.

The CHAIRMAN: I say the Governor in Council, but over a period of years the personnel changes from time to time; and, in a democratic country, when one says the Governor in Council I think it means the best authority according to the expressed wish of the people; without this section the department could send in its bill for services rendered, but with this provision it has to be reviewed by the Governor in Council.

Mr. FLEMING: What happens to them after that? If they are to be laid down in the form of general regulations would they be tabled in parliament in accordance with the Regulations Act?

Mr. HENRY: Yes, sir, the Regulations Act would require regulations of this kind to be tabled.

Mr. FLEMING: Now, that might be of some assistance with regard to general regulations of the kind Dr. Clark spoke of being put together into various categories; and that would be what one would expect. I think that the power would probably be used in that way. The Governor in Council might be given the necessary power for dealing with such general categories; on the other hand, in permitting *ex post facto* the fixing of the fee for some of the special services we would be conferring a power so great that it strikes me that it is capable of quite arbitrary use in a situation of that kind, in a completely *ex post facto* application.

Mr. HENRY: This section, Mr. Chairman, was really intended to be dealt with as more or less a contractual section allowing the government to charge some sort of a fee for carrying out services which ordinarily might be expected to be done on a contract basis. That has been done in certain cases where a person might reasonably expect to pay for some service. Perhaps a good

example is the Mint Custom Refining and Storing Regulations under which we carry out certain services in the Mint for gold mines. They pay for storing, refining and so on. That is just a contract and there was not anything meant other than that when the section was drawn.

Mr. FLEMING: Is it not clear that the section is broader than that? I think that matter would be clear enough and it is acceptable enough because when you publish your fees people do not have to take advantage of the service and pay the fee. They will know the amount of the fee in advance, as it will be promulgated. However, what about the possibility, and I think it is definitely a possibility in view of the language of Section 18, of charges being levied *ex post facto* for a service that might be quite extraordinary, assuming that it may be a situation that arises outside of the scope of the fees you have laid down in your proper categories by exact regulation?

Mr. HENRY: I think the section probably is worded widely enough to allow you to fix a fee for work done, but I doubt very much if the Governor in Council would operate on that basis because, after all, the categories of work that it has been thought over a period of time should be charged for, are fairly limited and the only intention is to make it clear that if it is desirable to charge a fee for that particular service there should be authority for it.

I doubt very much if the question would be dealt with as Mr. Fleming suggests because it is open to a lot of difficulties. One of the difficulties you have is the question of collecting. If you do not have fees published in advance, because most of the things are done on the basis of a voluntary application—perhaps that is not the case with air rescue work—but most of the services are done on application of the person who wants them done, and it is reasonable that the regulations should point out in advance what he is expected to pay. If not, you have a collection problem and obviously you have to deal with these things in a reasonable manner.

Mr. FLEMING: Apart from all those practical considerations that go to the question of how the Governor in Council is to go about using the power, I do not think it completely answers my question about the breadth of the powers being conferred. These powers are so broad they are capable of being exercised in an arbitrary way and not in the manner indicated now. Our concern as legislators must be with seeing that the powers are broad enough to cover the need but not any broader.

Mr. HENRY: The alternative would be to set out, I suppose, some sort of principles, but that is very difficult to do. I think it is probably more practical to leave it, as one member of the committee pointed out, to delegated legislation. You have much the same principles in ordinary private enterprise—where somebody comes along and does work for you and you accept it, then you pay for it on a *quantum meruit* basis.

Mr. MACDONNELL: But you do not prescribe it?

Mr. HENRY: The courts prescribe it if it comes to a showdown.

Mr. FLEMING: On this *quantum meruit*, you have a couple of safeguards in private contracts, but here whatever the Governor in Council prescribes at that point is final.

Mr. CLARK: Would it meet Mr. Fleming's point if you added "by regulation" after "may" ". . . may, by regulation, subject to any other Act prescribe. . ." That would mean, I should think you would have to have regulations in existence prior to the performing of the service.

Mr. FLEMING: I think that would be a very useful safeguard.

Mr. CLARK: The only difficulty I see is there are some cases which might be individual cases. For example Mr. Bryce mentioned the services rendered by the Mines Branch of Resources and Development. They are all individual

cases and it would be very difficult to have a general regulations covering that type of matter unless it were said simply that in no case will the fee be less than the cost of performing the particular service—or something of that sort.

The CHAIRMAN: May I contribute something? If you add the words "by regulation" would there not be cases in which the parties interested must have an answer quite quickly and you would not have time to pass new regulations to cover the particular case?

Mr. FLEMING: I presume the regulations would say: In cases not heretofore covered the fee shall be the sum agreed upon between the government or the minister and the party receiving the services or applying for them?

Mr. GIBSON: But that would not be part of your regulation?

Mr. FLEMING: Yes, that would be part of your regulation. The regulation would cover, by such words, all cases not otherwise covered.

Mr. CLARK: I think I might check with the minister. Probably he will be willing to accept an insertion of the phrase "by regulation" there. Then we could have some catch-all clause such as you suggest, at the end of the regulations to cover cases not specially spelled out.

The CHAIRMAN: The section will stand until the officials of the Department of Finance have had time to work out an amendment which is agreeable to them and which they think will be suitable to the committee.

Section 19?

Mr. NOSEWORTHY: Before you go on to Section 19 I wonder if one of the officials could tell us just by what process the Governor in Council would determine that the individual should be charged for the whole or part of the service rendered? Just what is the process by which the Governor in Council would arrive at that decision?

Mr. CLARK: Well, I find it a little difficult, Mr. Chairman, to answer that question—just how the Governor in Council's mind would work there. I would think what would have to be done would be to consider a number of categories of services that are rendered where the individual or the corporation receiving the service, is getting a definite monetary or financial benefit or advantage; and then lay down in a specified category of case a specified certain charge, a specific quantum of money, shall be paid, and in other cases the charge shall be based on certain factors, e.g. on the cost of performing the service or something of that sort.

I think it is a little difficult to go beyond that, Mr. Noseworthy, at this moment.

Mr. NOSEWORTHY: The Governor in Council would obviously have the advice I presume of somebody who was definitely concerned with the practice?

Mr. CLARK: Yes. We would have to consider various types of cases and try to classify them and submit to the Governor in Council, or rather to the minister in the first place and then to the Governor in Council, a list of the kind of cases that needed to be dealt with, making some suggestions as to the basis that might be established.

Mr. NOSEWORTHY: Would the Governor in Council not be inclined to accept the recommendation that came in the first place from someone who is directly associated with the particular problem?

Mr. CLARK: I think they would be inclined to do so: For instance, where the Mines Branch of the Department of Mines and Technical Surveys recommends through its minister to council that the fee for the kind of service they perform should be determined on such and such a basis, the Governor in Council would obviously be inclined to accept that advice unless they saw some very obvious defects in it.

Mr. NOSEWORTHY: Are there any safeguards in that process against favouritism to particular individuals?

Mr. CLARK: Well, on this basis "by regulation" you would lay down terms which would apply to everybody coming within the specified classes. I do not think there would be any chance for favouritism.

The CHAIRMAN: Shall section 8 carry?

Agreed.

The CHAIRMAN: Section 19?

19. (1) Where money is received by a public officer from any person as a deposit to ensure the doing of any act or thing, the public officer shall hold or dispose of the money in accordance with regulations of the Treasury Board.

(2) Where money is paid by any person to a public officer for any purpose that is not fulfilled, the money may, in accordance with regulations of the Treasury Board, be returned or repaid to that person, less such sum as in the opinion of the Board is properly attributable to any service rendered.

(3) Money paid to the credit of the Receiver General and not being public money may be returned or repaid in accordance with regulations of the Treasury Board.

Mr. MACDONNELL: In Section 19 do we not run into somewhat the same kind of problem in subsection 2: "where money is paid by any person to a public officer for any purpose that is not fulfilled, the money may, in accordance with regulations of the Treasury Board, be returned or repaid to that person, less such sum as in the opinion of the Board is properly attributable to any service rendered."

Now is that a final disposition? It cannot happen in relation to any private individual, can it?

Mr. BRYCE: Well, sir, I might say we have some cases now on patent fees or copyright fees and things of that sort where the fee is payable when the application is filed. Then, a search produces a result that the copyright cannot be issued, or something of that sort, and rather than return or remit the whole fee a portion of it is held to cover the costs involved in making a search. That has been the sort of practice that I can think of immediately, which has taken place before.

Mr. MACDONNELL: Is it practically certain that this deals with rather small things? I am not going to press the point very much.

Mr. BRYCE: Normally, yes. I think there may be cases with regard to contracts where people get specifications for a contract and they do not return them—something of that sort.

Mr. MACDONNELL: Well, it would appear from what you say that it was not important.

Mr. CLARK: It is a small matter.

The CHAIRMAN: Shall section 19 carry?

Agreed.

The CHAIRMAN: Section 20?

20. (1) Money received by or on behalf of His Majesty for a special purpose and paid into the Consolidated Revenue Fund may be paid out of the Consolidated Revenue Fund for that purpose, subject to the provisions of any statute applicable thereto.

(2) Subject to any other Act, interest may be allowed and paid from the Consolidated Revenue Fund in respect of money to which subsection one applies, in accordance with and at rates fixed by the Minister with the approval of the Governor in Council.

Mr. ASHBOURNE: What is the present rate of interest fixed by the minister for interest on these amounts that are in various funds?

Mr. CLARK: Mr. Balls is going to answer that.

Mr. BALLS: There are a number of rates of interest now, and a lot of them vary considerably from fund to fund.

Mr. ASHBOURNE: Can you give us an average?

Mr. NOSEWORTHY: Some observations here would be very useful.

Mr. CLARK: Partly the prevailing rate of interest at that time and at the time the deposit was made would be one of the factors. One other factor would be the extent to which the fund itself was likely to be used or whether it was likely to be drawn upon frequently—or whether it was likely to be left practically unused.

Mr. BROWNE: One example would be the moneys received from the province of Newfoundland—the \$20 million received there, and the interest?

Mr. CLARK: That is covered by the terms of union, specifically—2½ per cent I think.

Mr. ASHBOURNE: Take any particular instance—the fund of the Unemployment Insurance Department. Is that covered in this section?

Mr. CLARK: The funds of the unemployment insurance branch are invested by an investment committee in securities of the government of Canada. Normally there is only a very small balance of cash maintained.

Mr. BALLS: I can cite a few cases here to show you some of the variations. We allow 5 per cent and 6 per cent on Indian trust funds.

Mr. CLARK: They go back a great many years—back to the nineteenth century.

Mr. BALLS: The George V Silver Jubilee Cancer Fund for Canada, 3 per cent. That is on page 213 of the public accounts, under appendix No. 7, interest on public debt.

Mr. ASHBOURNE: What about the funds that are held by the custodian of enemy property?

Mr. BALLS: Those are not held in the consolidated revenue fund.

Mr. ASHBOURNE: They are held by the Secretary of State Department?

Mr. BALLS: By the custodian of every property.

The CHAIRMAN: In a special account.

Mr. BALLS: In a special account outside of the consolidated revenue fund.

Mr. FRASER: It would not cover income tax overpaid and interest paid out on it, or would it cover that?

Mr. BALLS: No, it does not.

The CHAIRMAN: Shall section 20 carry?

Carried.

Section 21.

Where the Senate or House of Commons, by resolution or pursuant to any rule or standing order, authorizes a refund of public money that was received in respect of any proceedings before parliament, the minister may pay the refund out of the consolidated revenue fund.

Mr. FRASER: Could Mr. Clark give us an example of this, on 21?

Mr. SINCLAIR: Remission of fees in Senate divorce cases.

Mr. FRASER: That would be about the only one, is it? I cannot think of any outside of that.

Mr. CLARK: Fees paid in respect of private bills I suppose.

Mr. FRASER: Oh, yes.

The CHAIRMAN: Shall section 21 carry?

Carried.

Section 22.

22. (1) The Governor in Council, on the recommendation of the Treasury Board, whenever he considers it in the public interest, may remit any tax, fee or penalty.

(2) A remission pursuant to this section may be total or partial, conditional or unconditional, and may be granted

- (a) before, after or pending any suit or proceeding for the recovery of the tax, fee or penalty in respect of which it is granted,
- (b) before or after any payment thereof has been made or enforced by process or execution, and
- (c) in the case of a tax or fee, in any particular case or class of case and before the liability therefor arises.

(3) A remission pursuant to this section may be granted

- (a) by forbearing to institute a suit or proceeding for the recovery of the tax, fee or penalty in respect of which the remission is granted,
- (b) by delaying, staying or discontinuing any suit or proceeding already instituted,
- (c) by forbearing to enforce, staying or abandoning any execution or process upon any judgment,
- (d) by the entry of satisfaction upon any judgment, or
- (e) by repaying any sum of money paid to or recovered by the Minister for the tax, fee or penalty.

(4) Where a remission is granted under this section subject to a condition, and the condition is not performed, it may be enforced, or all proceedings may be had as if there had been no remission.

(5) A conditional remission, upon performance of the condition, and an unconditional remission, have effect as if the remission was made after the tax, fee or penalty in respect of which it was granted had been sued for and recovered.

(6) No tax paid to His Majesty on any goods shall be permitted by reason only that after the payment of the tax and after release from the control of customs or excise officers, the goods were lost or destroyed.

(7) Remissions granted under this or any other Act may be paid out of the Consolidated Revenue Fund.

(8) A statement of each remission of one thousand dollars or more granted under this section shall be reported to the House of Commons in the Public Accounts.

(9) Where a penalty imposed by any law relating to the revenue has been wholly and unconditionally remitted pursuant to this section, the remission has the effect of a pardon for the offence for which the penalty was incurred, and thereafter the offence has no legal effect prejudicial to the person to whom the remission was granted.

(10) In this section "tax" includes any tax, impost, duty or toll payable to His Majesty; imposed or authorized to be imposed by any Act of Parliament, and "penalty" includes any forfeiture or pecuniary penalty

imposed or authorized to be imposed by any Act of Parliament for any contravention of the laws relating to the collection of the revenue, or to the management of any public work producing toll or revenue, notwithstanding that part of such forfeiture or penalty is payable to the informer or prosecutor, or to any other person.

Mr. FLEMING: On section 22, subsection 1. What is it that gives rise to the proposed amendment?

Mr. CLARK: There are cases where, say, there is an application under the Companies Act for incorporation, and the application is subsequently withdrawn. There are a number of other cases of that kind of thing where it seemed just as fair, logical and appropriate to allow for a remission of a fee in whole or in part as the remission of a tax.

Mr. FLEMING: In the case you mention, is there any refund made now, Mr. Clarke?

Mr. BALLS: I think, Mr. Chairman, that in some cases we have received opinions from the Department of Justice that once a payment has been made there has been no authority to make the refund, and this provision is to permit a remission to be made by the Governor in Council in such cases.

Mr. FLEMING: To be followed by the refund.

Mr. FRASER: On section 22 (4), that would cover drawbacks, duties, excise tax on goods coming into Canada?

Mr. CLARK: Yes, any one of those things.

Mr. FRASER: What else could it cover?

Mr. BALLS: Well, Mr. Chairman, the sort of things that is intended here is to cover the case of the remission of a forfeiture, say, of a car, in which the condition to be fulfilled might be the paying of the storage charges which have been incurred by the crown in holding the car for that period.

Mr. FRASER: Under seizure?

Mr. BALLS: When it is under seizure.

The CHAIRMAN: Forfeiture or seizure, both.

Mr. BALLS: Yes, that is the type of condition that is contemplated here.

Mr. MACDONNELL: What, exactly, is a tax remission? For instance, if someone has a discussion with the Department of National Revenue and, as a result, his original tax is scaled down, perhaps for one reason or another, perhaps because they decide he is not in a position to pay the whole of it—we understand there are cases where adjustments are made. Now, is that a tax remission?

Mr. BRYCE: Perhaps I might say a word on that. A good many of these go from the Treasury Board to the Governor in Council. The normal changes to which you refer are changes in the settlement of an assessment, but those are not remissions, of course. The remission is when there is no question about what the tax is; it has been assessed, and, for reasons that the government consider to be in the public interest, a portion of it is remitted.

Mr. MACDONNELL: So, in a case of that kind the Governor in Council would lessen the amount of the tax reported, I presume, from the Department of National Revenue. Is that correct, Mr. Clark?

Mr. CLARK: Yes, sir.

Mr. MACDONNELL: I see that it is proposed under subsection (8) that a statement of each remission of more than a thousand dollars shall be reported to the House of Commons in the public accounts. Have reports of such remissions as that been made in the past?

Mr. CLARK: Yes, sir, the Auditor General has reported those in his report each year.

The CHAIRMAN: We passed over such items in the last three years in a lump sum, and at the time there were no questions asked on any given items but there could have been. Last year and the year before we passed these remissions.

Mr. SINCLAIR: There are three pages of them in this year's accounts.

Mr. FRASER: That would cover an article that was brought into the country under a certain item of the tariff and then the person said it should have been in some different item, and there would be a difference in favour of the importer?

Mr. CLARK: Yes, that would be one type of case, but the most common type of case is things that are brought into the country for a few months, say a piece of machinery, brought in to do a specified job then taken out again. In such a case the government will remit all but a certain fraction of the duty.

Mr. FLEMING: I notice in subsection (1) the word "tax" and the word "penalty" are defined, but the new word "fee" is not defined.

Mr. HENRY: We thought that that was quite clear. The other definitions were put in because the Consolidated Revenue and Audit Act expressly mentions duties, tolls, imports and forfeitures and we wished to make it clear that we are not now taking these out. But I think the word "fee" was really intended to cover the sort of things that have been mentioned, patent application fees, fees for incorporating companies, and that sort of thing, which I think are clearly designated as fees. A charge to be paid for doing something rather than a duty or toll or impost.

Mr. FLEMING: You are satisfied, in the absence of any definition in the whole Act, to have "fee" construed as designating what are called fees in other Acts.

Mr. HENRY: It is possible that in some other Act it might not be called a fee. It might say that a charge is payable for a certain thing, but, in effect, it would be a fee. I do not think there is too much trouble in finding out what a fee means, and therefore, we did not think it was necessary to define it.

Mr. FLEMING: I do not think I can share your confidence. It is important in statutes of this kind, when you get onto words like "taxes", "fees", and "imposts", that they should not be susceptible of ambiguity or a variety of interpretations.

Mr. HENRY: That is true, but we had a fairly full discussion with the drafting people in the course of setting this section up as to whether we should define "fee", and the consensus was that it was sufficiently clear to stand on its own feet, but the other two had to be in there because, in essence, they had been defined in the present Act.

Mr. FLEMING: I hope you are right.

Mr. MACDONNELL: What is the meaning of subsection (6), goods being lost or destroyed?

The CHAIRMAN: Where do you find that?

Mr. MACDONNELL: Subsection (6) of section 22.

"No tax paid to His Majesty on any goods shall be remitted by reason as only that after the payment of the tax and after release from the control of customs of excise officers, the goods were lost or destroyed."

Mr. CLARK: That is pretty much the corresponding section in the present Act, except that it is not clear in the present Act that the loss or destruction involved must occur after the release from control of the customs or excise officers. Presumably the goods might be burned or destroyed in some way or other. A person bringing in the goods might come back to the department and put a compassionate case, let us say, for remission.

Mr. MACDONNELL: But this legislation does not deal with compassionate cases, surely?

Mr. CLARK: No, but this is a clause that has been in the law for a long time and this just makes it clear that this will apply henceforth—that no tax paid to His Majesty on any goods shall be remitted by reason only that after payment of the tax and after release from the control of customs or excise officers, the goods were lost or destroyed.

Mr. MACDONNELL: If you had said “after payment of the tax and before release”, I would understand it.

Mr. CLARK: Well, the tax should be paid back in that case, but this is to prohibit the Governor in Council providing for a remission after the goods had been released into the importer's hands.

Mr. SELLAR: I might illustrate this a little, because you have been talking about taxes. I imagine the departmental officers will tell you this provision originated at the request of National Revenue. When malt and various things are taken into the breweries, they go in under bond, and duty is paid, but all is not made into beverages, some of it goes into vinegar and some of it goes to waste; this is while it is under the control of the department. There is no risk of double duty being paid as long as it is inside, but the problem they faced in the past—I will give you a specific case on which I made a report to this committee two or three years ago. A company imported a very special item in the form of strips of copper. I think they were imported to make a special boiler in connection with a pulp manufacturing apparatus, and in handling it they cut it the wrong way and it became useless, and they had to bring in another one from the United States. They asked for remission of the duty on the one they brought in and spoiled themselves. Now, this eliminates that sort of thing. It is essentially in connection with the operation of the distilleries and breweries, that is what the National Revenue is after, because double taxation was resulting under the old plan.

Mr. FULTON: May I ask Mr. Clark what is the purpose, the effect of subsection (5)—making it take effect as though it had been granted after it has been paid in full?

Mr. HENRY: The only effect of that is to make it clear that all liability at any time incurred by the person to whom the remission is made has been discharged. It is really just a carrying out of the suggestion that once His Majesty has exercised the prerogative of remission, if you are to relate that to an offence, the offence would be deemed never to have been committed. This is not quite couched in those terms but that is the principle.

Mr. FULTON: Just to make sure I understand this, it is as though a tax which otherwise had been due and payable were remitted before payment, the effect of which is to make it as though it had been paid.

Mr. HENRY: Yes, that would be one example. Your example would be correct. It would be deemed to have been paid and paid back. The idea of remission is to forgive the offence or to suspend the penalty.

Mr. FULTON: I can see the purpose in that aspect. Let me ask you this: Does that ever give rise to other complications?

Mr. HENRY: No, I do not think it does because the Act in its present form is quite clearly drafted to indicate that the person is deemed not to have incurred a penalty, or to have become liable to make payment. He is completely discharged, so there is no possibility of recovering that debt from him again.

The CHAIRMAN: Does section 22 carry?

Carried.

Does section 23 carry?

23. (1) The Governor in Council, on the recommendation of the Treasury Board, may, if he considers it in the public interest, extinguish, or delete from the accounts without extinguishing, in whole or in part, any obligation or debt due to His Majesty or any claim by His Majesty,

- (a) that does not exceed one hundred dollars and has been outstanding for five years or more, or
- (b) that does not exceed one thousand dollars and has been outstanding for ten years or more.

(2) The obligations, debts and claims deleted from the accounts or extinguished under this section shall be reported in the Public Accounts.

Mr. WRIGHT: Subsection (b): there is a remission of \$1,000 or more granted under this section, and it will be reported to the House of Commons through the public accounts. I noticed in the public accounts this year that there are some fairly heavy remissions for certain oil companies, amounting to several hundreds of thousands of dollars. Is that for equipment which is brought in for drilling purposes?

The CHAIRMAN: The public accounts are referred to us and I think at the next session we can go into them thoroughly.

Normally the public accounts would come to us in January or February. I do not mind any question which touches on a matter of principle dealing with the Act but would not like to accept questions that concern public accounts until we have concluded our study of Bill 25.

Mr. SINCLAIR: That is the reason for bringing them in and sending them back. They pay 1/60 of the duty for each month. And if they are in, let us say, for five months, they will pay 5/60, and then back they go.

The CHAIRMAN: If I allow questions concerning details of the public accounts to be asked at this moment, we will never finish with this bill, which is our important order of business at the moment.

Mr. FRASER: In section 23, how much is outstanding now, or have you any idea of it.

Mr. CLARK: The amount involved up to 1940 was reported on by this committee last year. As I said we intend to include an item in the estimates for the write-off of these debts next year. If you wish to have that information brought up to date I think we will have to get the figures worked up for you.

Mr. MACDONNELL: I would not suggest any increase of power to the executive at all, but it does seem to me that \$100 in subsection (a) is a very small amount.

Mr. SINCLAIR: I think \$500 was the recommendation of our committee, was it not?

The CHAIRMAN: Yes.

Mr. CAVERS: Where the obligation "does not exceed one thousand dollars",— what is the purpose of the limitation?

Mr. MACDONNELL: That was done by the committee.

The CHAIRMAN: I think the committee last year recommended "from \$500."

Mr. FRASER: \$500 was recommended, I believe, last year.

Mr. FLEMING: I have been wondering about some of these amounts and also about the purpose. There is no provision for ever writing-off or extinguishing the debts which exceed \$1,000.

Mr. CLARK: We would have to go back to parliament in such cases.

Mr. FLEMING: What we did last year was simply to write the debts off the books. They were not extinguished as debts which could be collected by the crown. There is no period of limitation operating against the crown. I wonder how the amount was arrived at here, and I wonder if there is any reason in particular for extinguishing rather than merely writing off the crown from the public accounts.

Mr. MACDONNELL: Your point is to get them off books?

The CHAIRMAN: Yes, but I see Mr. Fleming's point. Last year we did not mention at all extinguishing. We meant deleting from the books and it kept the possibility of the crown collecting at any time. We would delete them from the books but we would not extinguish the obligation of the debtor to pay at any time the government found there was a possibility to collect. The word "extinguish" did not come into it.

Mr. FLEMING: This is a different thing altogether. It is one thing to write them off in your accounts, but that does not extinguish the debts. I think that fact was clearly impressed on the committee last year when the proposal was made.

The CHAIRMAN: That is right.

Mr. FLEMING: But this section does give the power to the Governor in Council to extinguish the debt.

Mr. CLARK: That is why we kept the amount pretty small.

Mr. MACDONNELL: Why do you want to extinguish it?

Mr. SINCLAIR: Take the Earl of Selkirk's account going back to 1823. What is the point of keeping that on our books?

The CHAIRMAN: Delete them from our accounts entirely. I remember the argument made was that it was cumbersome for the treasury officials and the Department of Finance officials to carry these items on the books and to review them periodically. On the other hand, if we extinguish all these things entirely, a man is not held any more to account.

Mr. HENRY: In answer to Mr. Macdonnell's question, the government is under a certain obligation or has always been so considered by the Department of Justice to continue to endeavour to collect a debt outstanding and it may sometimes be difficult because the debtor is impecunious. In the ordinary case of the private debtor who is indebted to another private citizen, he is able to take advantage of the statute of limitations, and the time within which he can get off free is six years or 20 years, according to the way the Act reads for that particular type of debt. But this does not apply to these debts, and there is an obligation to continue to review them to determine the possibility of recovery. This section is in the Act, in the first place, to permit the administration to stop making efforts to collect the debt if it is classed as uncollectable, and secondly to give the citizen to a very limited extent, the same sort of advantage he might have if he were indebted to a private citizen, by letting him off after a certain length of time if he cannot pay.

Mr. FLEMING: That was the reason given to us last year for allowing the crown to write certain accounts off the books. But it seems to me that is no justification for extinguishing them. All the statute says is that claims which are uncollected after a given period of time should be written-off. Surely this is extraordinary legislation for parliament to enact, to give power to the Governor in Council to extinguish these debts, and it strikes me that there is no case made out yet for extinguishing claims owing to the crown.

Mr. FULTON: Suppose you do not have the word "extinguish".

The CHAIRMAN: That is the main purpose of Mr. Fleming's suggestion. Take out the word "extinguish".

Mr. FULTON: If you do not have the word "extinguish" in there, do you think it is proper to suggest that you could increase the limits along the line of Mr. Macdonnell's remarks, because you would not actually be extinguishing those obligations, but merely writing them off the books. Is there any point to it? Does it become important to take away the word "extinguish," or do you suggest that we could increase the amount of the write-off?

Mr. CLARK: I think we would be prepared to drop the word "extinguish," upon condition that we would not be called upon to collect, or to try to collect.

Mr. MACDONNELL: Is that any clearer? I ask you whether the phrase "delete from the accounts without extinguishing" would meet the present problem? I suggest we leave it with Mr. Henry the thought in mind that we are going to forgive these fellows out of the goodness of our hearts. I understand that was his argument.

Mr. CLARK: We asked Justice for a careful consideration of this point to indicate what the duty of the Department of Finance and other departments would be if these were not extinguished. My impression is that Justice felt there was a continuing duty for us to follow up, and for the department to follow up, if we do not extinguish them altogether. I would ask Mr. Henry to say whether that is so or not?

Mr. MACDONNELL: Did you ask them to find an apt word which would relieve you, because you really should be relieved?

Mr. FULTON: How can you follow them up if they are not still on the books? You would not know about them.

Mr. CLARK: Oh, there are records in the various departments, memoranda on records.

The CHAIRMAN: You mean the books. What we intended last year was that they be deleted as collected assets but that they be not extinguished.

Mr. FULTON: Yes.

Mr. MAJOR: In this case you have to do one thing or the other. You do not have to do both. You have either to ask to extinguish or to delete.

Mr. CLARK: On the assumption that there is no continuing obligation to have a department follow up on such accounts, we could delete "extinguish or" in the third line; in the eleventh line we could delete "or extinguish", and then raise \$100 to \$500; also in the fourth line we could delete "without extinguishing".

Mr. BOISVERT: Why not let the section stand, Mr. Chairman?

The CHAIRMAN: We are dealing so well with it now, why can we not get rid of it? We will have so much to do tomorrow. But I am in the hands of the committee.

Mr. FLEMING: If that is agreeable to Dr. Clark and Mr. Henry, I think we should proceed. In line 3 I think we should take out "extinguishing or", and so on.

The CHAIRMAN: We cannot have any better authority than the deputy minister and his legal adviser. I know they are not the Governor in Council, but if they accept it, I think we can go on.

Mr. CLARK: And change one to five in line 6.

Mr. BROWNE: In subsection 2, the obligations, debts, and claims deleted means those obligations, debts and claims which are deleted in the current fiscal year which is under review?

Mr. CLARK: That is right.

Mr. MACDONNELL: I do not think that is clear at all. You might have to do it every year under that proviso.

Mr. FLEMING: Put the word "annual" in there.

Mr. MACDONNELL: Is that what you intend? Do you intend to deal with it every year?

Mr. CLARK: No, just once, during the year.

Mr. HENRY: What we are trying to do is to say that when you do delete it, the debt or account will be reported in the public accounts for that year.

The CHAIRMAN: We might include after the word "delete" the words "deleted in the current year".

Mr. FLEMING: Would it not suffice if you simply inserted the word "annually"?

Mr. FULTON: Or put it in the public accounts for the year in which it is deleted?

Mr. HENRY: Or say that if the obligation were deleted from the public accounts in any given year, it would be reported in the public accounts for that year.

Mr. MACDONNELL: Let us leave it to Mr. Henry.

The CHAIRMAN: Shall the clause carry with the amendment? That is, except where we leave it to Mr. Henry to give to the clerk the exact wording of subsection (2), to the effect that the obligations, debts and claims deleted from the public accounts during any year shall be reported in the Public Accounts for that year.

Now, we have reached part 3 "Public Disbursements". Part 3 includes items 24 to 40. Are there any questions on item 24?

PART III.

PUBLIC DISBURSEMENTS.

24. 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.

Mr. FULTON: I would like to ask Mr. Henry, perhaps, whether it is quite clear that the authority of parliament is interpreted as including the authority of this statute and not to mean an authority which must be obtained each time that payment is made.

Mr. HENRY: Yes, sir. All the section says is that "no payments shall be made out of the consolidated revenue fund without the authority of parliament." That means that every time the comptroller is asked to issue a cheque he has, in some way, to relate that cheque issue to a statute. It could be a continuing statute such as this one in which there are a number of appropriations, or it could be an item in the estimates or a statute such as the "Trans-Canada Highway Act" which says you can make payments for a period of seven years.

Mr. FULTON: "The authority of parliament" would include the authority, let us say, of section 20 of this Act?

Mr. ASHBOURNE: It says subject to the British North America Act. Are there any particular exceptions?

Mr. HENRY: The only reason that was put in is that in the B.N.A. Act, in section 102 and following, the general consolidated revenue fund is set up. In that group of sections there are certain charges on the fund. I might give you one example. Section 103 says that the consolidated revenue fund of Canada shall be permanently charged with the costs, charges, and expenses incident to the collection, management, and receipt thereof, and the same shall form the first charge thereon, subject to be reviewed and audited in such manner as shall be ordered by the Governor General in Council until the parliament

otherwise provides. Section 104 deals with certain interest on provincial and public debts of some of the previous provinces such as Nova Scotia and the province of Canada. Section 105 makes the salary of the Governor General a charge upon the consolidated revenue fund. Now, in giving a legal interpretation of those sections it is not clear whether it was intended that Parliament should appropriate such payments as, say, salary of the Governor General or whether the B.N.A. Act itself was to be the only authority. If the latter, we wanted it to be clear that parliament is not required to make an additional appropriation for something which is already authorized by the B.N.A. Act. The principle is that if it is set out in the B.N.A. Act, payment does not require to be made on the further authority of parliament. Is that clear?

Mr. FLEMING: That is the principle set out there.

Mr. HENRY: The principle is that authority for payment is contained in the statute and you will see that if you will look at sections 103, 104 and 105 of the British North America Act. We wanted to be sure that we did not conflict with that in this Act.

The CHAIRMAN: Shall section 24 carry?

Carried.

Section 25:

25. All estimates of expenditures submitted to Parliament shall be for the services coming in course of payment during the fiscal year.

Mr. MACDONNELL: In section 25, "coming in course of payment", sounds awfully like just a collection of words. Could we have it defined a little more exactly? I think I know what it means. They are somewhat unusual words, unless they are usual in your terminology.

Mr. BALLS: Well, Mr. Chairman, this is a re-enactment I think word for word of the provisions in the present Consolidated Revenue and Audit Act. Our present section 3 of the Consolidated Revenue and Audit Act reads: all estimates of expenditures submitted to parliament shall be for the services coming in course of payment during the fiscal year.

Mr. MACDONNELL: Is there anything which arises there in connection with payments which are allowed by the Department of National Defence?

Mr. BALLS: Those are cash payments out of appropriations.

The CHAIRMAN: Shall section 25 carry?

Carried.

Section 26?

26. Where an appropriation is made for any purpose in any Act of Parliament for granting to His Majesty any sum of money to defray expenses of the public service for a fiscal year, no payment shall be made pursuant to that appropriation out of the Consolidated Revenue Fund unless a warrant, prepared on the order of the Governor in Council, has been signed by the Governor General authorizing expenditures to be charged against the appropriation, but no payments in excess of the amount of expenditures so authorized shall be made.

Mr. FLEMING: Mr. Chairman, I have a question on section 26. In section 24 we provide in effect that no payment shall be made out of consolidated revenue fund without the authority of parliament. Suppose the government dissolved parliament without parliament having made provision by way of appropriation Act for meeting the ordinary current expenses of the government for the six months, or the ensuing period of time before parliament could meet again after the next general election, how far can the Governor in Council go under section 26 in meeting these current expenses on Governor General's warrant?

Mr. BALLS: Mr. Chairman, section 26 does not deal with special warrants of the Governor General, it is section 28 which covers urgent expenditures not provided for. Section 28 does give the authority to the Governor in Council to authorize payments of that nature, to cover not only the urgent outlay for repair which may require to be made to a public building which had been damaged or destroyed, but also the outlay necessary for the carrying on of the public service in the event that parliament has not made appropriation for that service prior to dissolution.

Mr. FLEMING: Well, section 28 embodies new subsections 3 and 4.

Mr. BALLS: Yes.

Mr. FULTON: Mr. Chairman, could someone explain the history of section 26? Mr. Henry has just said that every time the comptroller signs a cheque he has to relate it to the authority of parliament. I was under the impression that the Governor in Council had the authority to authorize payment, providing the minister concerned was satisfied that there was authority for it.

Mr. HENRY: In answer to Mr. Fulton's question, I might say that this is really a question of preserving the constitutional position which has been in effect, well, as long as one can recall. Under this Act parliament has the control of all matters of supply. Parliament grants to His Majesty certain sums of money for the carrying out of the government services which His Majesty is required to carry out. And now, the grant of funds is to the Crown. If you will look at your Appropriation Act you will see that it is in those terms: it is a bill for the granting of certain sums of money to His Majesty. Now, the grant being to His Majesty, it should be released to various administrative officers of His Majesty. The only reason for that wording being in there is to preserve the situation in its proper aspect. His Majesty must then say to the minister of Finance: you may spend the money for these purposes.

Mr. FULTON: Then, how does it work out in practice? May I ask whether it has been the practice to have the approval of the Governor in Council with respect to each item, or how does it work in practice?

Mr. CLARK: It is an order in council and has to have the approval of the Governor in Council as a whole.

Mr. MACDONNELL: Does he have to approve of each particular item?

Mr. CLARK: No.

Mr. FULTON: It does not mean that he has to check each individual item, it means large bulk sums, does it not?

Mr. CLARK: Yes.

Mr. FULTON: Then the minister of the department can spend that in his discretion.

Mr. SINCLAIR: In the way it has been voted in the estimates.

The CHAIRMAN: Shall section 26 carry?

Carried.

Section 27:

27. Where a guarantee has been given under the authority of Parliament by or on behalf of His Majesty for the payment of any debt or obligation, any amount required to be paid by the terms of the guarantee may, subject to the Act authorizing the guarantee, be paid out of the Consolidated Revenue Fund.

Mr. WRIGHT: Could Mr. Henry give us an example of what guarantees would be paid under this section?

Mr. HENRY: Well, sir, the only one that comes to my mind at the moment is the guarantee that may be made under the Export Credits Insurance Act.

Payment of such guarantees was provided for in that Act. But our thought was that in the future you might simply have a bill providing that His Majesty may authorize, that is, the Governor in Council may authorize the minister to guarantee certain loans or securities without actually mentioning that the sums required to pay such guarantees may be paid out of the consolidated revenue fund. Now, that sort of thing may be omitted through an oversight, through somebody not thinking about it, and we thought it best to have it in the Act so that wherever a guaranteeing authority is given in statute there will always be available the authority to pay off the obligation, if we are called upon to do so.

Mr. MACDONNELL: What is the practice? In the event that the payment is found to be illegal is the minister responsible for payment of the guarantee?

Mr. HENRY: No sir. If you take the example I gave you with respect to the Export Credit Insurance Act—and a number of others—

Mr. CLARK: For instance, there is the C.N.R. Financing and Guarantee Act, and the National Housing Act.

Mr. HENRY: All those Acts are in there, but it seems tidier to have it in the Financial Administration Act.

The CHAIRMAN: Section 28?

28. (1) Where an accident happens to any public work or building when Parliament is not in session and an expenditure for the repair or renewal thereof is urgently required, or where any other matter arises when Parliament is not in session in respect of which an expenditure not foreseen or provided for by Parliament is urgently required for the public good, the Governor in Council, upon the report of the Minister that there is no appropriation for the expenditure, and the report of the appropriate Minister that the expenditure is urgently required, may order a special warrant to be prepared to be signed by the Governor General authorizing the payment of the amount estimated to be required for such expenditure.

(2) A special warrant issued pursuant to this section shall for the purposes of this Act be deemed to be an appropriation for the fiscal year in which the warrant is issued.

(3) Every warrant issued under this section shall be published in the *Canada Gazette* within thirty days after it is issued, and a statement showing all warrants issued under this section and the amounts thereof shall be laid by the Minister before the House of Commons within fifteen days after the commencement of the next ensuing session of Parliament.

(4) For the purposes of this section Parliament shall be deemed to be not in session when it is under adjournment *sine die* or to a day more than two weeks after the day the accident happened or the other matter arose.

Mr. FLEMING: Mr. Chairman, in view of the explanation given about Section 28 I can hardly bear to leave that section without commenting that apparently never again, if this section is passed, will there be the spectacle of a general election fought over the constitutional issue of the right of the government to finance through Governor General's warrant. Do you not think that will be a loss to history, Mr. Chairman?

The CHAIRMAN: I think on the other hand that it is a requirement that should be included to foresee future events.

Mr. GIBSON: It is easier for the public to understand.

Mr. MACDONNELL: This is in the terms of the old section, is it?

Mr. CLARK: No, there are three or four sections which have been added. I called attention yesterday to them. Number 3 will require the Governor in Council to publish the warrant in the *Canada Gazette* within thirty days after the issue of a warrant.

Mr. FULTON: Are they automatically reported upon in the public accounts?

Mr. CLARK: In the estimates too each year they are brought before parliament—added at the end of the supplementary estimates.

The CHAIRMAN: Shall section 28 carry?

Carried.

Are you agreeable to meet this afternoon at 3.30?

Agreed.

The meeting adjourned.

AFTERNOON SESSION

Committee resumed at 3.30 p.m.

The CHAIRMAN: Gentlemen, we were about to consider clause 29, page 10, when we adjourned. On the other hand, we left clause 18 standing, so if it is your wish we may now go back to section 18 and see if we can get an agreement on it. Mr. Clark has, I think, a suggestion on this.

Mr. CLARK: Mr. Chairman, I discussed this with our legal adviser and I mentioned it, also, to the minister briefly, and it would be O.K. from the department's point of view if the words "by regulation" were inserted before the word "prescribe" in line 6 of the section.

The CHAIRMAN: Does that meet with the approval of the members?

Mr. FLEMING: That may be an improvement; it may not go the whole way that was suggested here this morning, but it is a substantial improvement.

The CHAIRMAN: There is nothing like a good negotiated agreement.

Mr. SINCLAIR: Will you read the section as it will now be, Mr. Clark?

Mr. CLARK: Section 18 will read:

Where a service is provided by His Majesty to any person and the Governor in Council is of opinion that the whole or part of the cost of the service should be borne by the person to whom it is provided, the Governor in Council may, subject to the provisions of any Act relating to that service, by regulation, prescribe the fee that may be charged for the service.

The CHAIRMAN: Shall section 18 carry?

Carried.

Now, we are resuming the consideration of item 29. Are there any question on item 29, gentlemen?

Carried.

Shall section 30 carry?

30. (1) No contract providing for the payment of any money by His Majesty shall be entered into or have any force or effect unless the Comptroller certifies that there is a sufficient unencumbered balance available out of an appropriation or out of an item included in Estimates before the House of Commons to discharge any commitments under such contract that would, under the provisions thereof, come in course of payment during the fiscal year in which the contract was entered into.

(2) Every contract involving the payment of money by His Majesty shall be submitted to the Comptroller as soon as it is made or entered into, unless the Comptroller certifies that he does not require it.

(3) The Comptroller shall establish and maintain a record of all commitments chargeable to each appropriation.

(4) Where the Comptroller is satisfied that an agreement was entered into in order to defray an immediate expenditure that, through accident to public property or other emergency, was necessary to protect such property or to provide for such emergency, he may issue his certificate accordingly and thereupon the agreement is exempt from the operation of subsection one from the time the agreement was entered into.

Mr. FLEMING: I have a question on section 30, subsection 2, Mr. Chairman, in connection with this new provision for submission to the comptroller of contracts involving payments of money. What does that new provision rise out of?

Mr. McINTYRE: While under subsection (1) the comptroller obviously receives contracts that involve expenditures in the current fiscal year, a contract that is entered into before the end of the fiscal year, but which does not involve a charge on the appropriation of that fiscal year, does not have to be certified, so subsection (2) is included to ensure that all contracts are filed with the comptroller unless other satisfactory arrangements are made. There are certain circumstances in the operating services where it is not convenient to duplicate your contract form so it will be on file, and in that case suitable extracts are made that are necessary for the comptroller to have in order to audit the account.

Mr. FLEMING: To what extent will this involve a departure from existing practice?

Mr. McINTYRE: It will not depart at all, because in existing practice the requirement under the present Act was broad enough that it compels me to insist on that.

Mr. FLEMING: So you are simply legislating in terms of the existing practice.

The CHAIRMAN: Shall section 30 carry?

Carried.

Now, before we pass on to the next item, may I again express the wish stated this morning by the head reporter that all witnesses and members should speak a little louder. The questions and answers involved here are technical and one word missed may mean a lot for a reporter in transcribing his notes, and it is very important that we get accurate reporting of this committee. So, may I ask again as a great favour that everybody speak up, and slowly, especially when giving a list of statutes and laws, and so on, so that we will not miss anything.

Now, we come to item 31.

31. (1) No charge shall be made against an appropriation except upon the requisition of the appropriate Minister of the department for which the appropriation was made, or by a person authorized by him in writing.

(2) Every requisition for a payment out of the Consolidated Revenue Fund shall be in such form, accompanied by such documents and certified in such manner as the Comptroller may require.

(3) The Comptroller shall reject a requisition if he is of the opinion that the payment

- (a) would not be a lawful charge against the appropriation,
- (b) would result in an expenditure in excess of the appropriation, or
- (c) would reduce the balance available in the appropriation so that it would not be sufficient to meet the commitments charged against it.

(4) The Comptroller may transmit to the Treasury Board any requisition with respect to which he desires the direction of the Board, and the Board may order that payment be made or refused.

(5) Where the Comptroller

- (a) decline to make a payment,
 - (b) disallows an item in an account, or
 - (c) refuses to give a certificate required by this Act,
- the appropriate Minister of the department concerned may report the circumstances to the Treasury Board for its decision, and the Board may confirm or overrule the action of the Comptroller and give such directions as are necessary to carry out its decision.

(6) Whenever the Comptroller is of the opinion that a doubt exists as to the legality or otherwise of a proposed charge to an appropriation provided for the expenses of the Houses of Parliament or the Library of Parliament, he shall report forthwith to the Minister who shall draw the matter to the attention of the appropriate Select Standing Committee and it shall decide.

(7) Where, in respect of any contract under which a cost audit is required to be made, the Comptroller reports that any costs or charges claimed by the contractor should not in the opinion of the Comptroller be allowed, such costs or charge shall not be allowed to the contractor unless the Treasury Board otherwise directs.

Mr. FRASER: This, Mr. Chairman, I take it, refers to votes, is that right, where the department asks for the expenditure of money and, like in (c), for a certain item which, as it says here, would leave the balance so small that it would not be able to take care of the other commitments for the balance of the fiscal year. Is that what that means?

Mr. McINTYRE: That is correct.

The CHAIRMAN: Any other questions or comments on section 31?

Shall the section carry?

Carried.

Now we come to item 32.

32. No payment shall be made for the performance of work or the supply of goods, whether under contract or not, in connection with any part of the public service, unless, in addition to any other voucher or certificate that is required, the deputy of the appropriate Minister or other officer authorized by such Minister certifies

- (a) that the work has been performed or the material supplied or both, as the case may be, and that the price charged is according to contract, or if not specified by contract, is reasonable, or
- (b) where a payment is to be made before completion of the work or delivery of the goods, that the payment is in accordance with the contract.

Mr. FLEMING: A question on 32. You are adding (b) to the existing section. Are you satisfied that this is going to ensure an adequate safeguard on contracts that involve progress payments? I point out that my question arises

out of an inquiry made by this committee in the year 1947, when we inquired into the Veterans Land Act administration in Windsor and elsewhere, and we found in some cases that the progress payments had been made far in advance of the progress of the work.

The CHAIRMAN: You mean, they had not retained or kept back enough money for contingencies?

Mr. FLEMING: Yes, the payments were actually in advance of the work and, secondly, there had not been any hold-back, which is usually 15 or 20 per cent, and, further, in some cases the entire contract price had been advanced before the work was finished.

The CHAIRMAN: I do not want to contradict you, but it was before the value of the work was certified. The work was finished, I thought, but had not been certified as being of good value, and it developed later it was in poor condition.

Mr. FLEMING: I think it went further than that. We found some cases where the full contract price had been advanced and there had been no completion of the work.

The CHAIRMAN: I do not recall that, but it may be so.

Mr. FLEMING: I wonder if some attention has been given to tightening up a section like that so there will not be any recurrences of that type?

Mr. MCINTYRE: We depend on the human element. The supervising engineer or the supervising inspector is the one on which we must rely for a proper certificate of the value of the work done from time to time as progress is made. We urge in certifying that the value be more than has actually been incorporated into the job. I think it was a mistake not to have had a hold-back on those contracts, because one of the purposes of a hold-back is to ensure against that very thing, but on these smaller contracts, like the building of houses, the ease with which you can hold back 15 per cent and still make it possible for the contractor to continue on and do the work does not stack up the same as when you are dealing with a large construction firm.

Mr. FLEMING: I can appreciate that, but the details of the administration are not before us today. The problem before us today is, whether thought has been given to making the language of this section just as tight as possible to facilitate a strict administration.

Mr. MCINTYRE: I cannot see how we can legislate to cover an infrequency like I describe. If the officer charged with the responsibility does err in estimating too much value for work done, certainly we are going to pay out more in advance than we should.

Mr. FLEMING: Is it possible for a payment to be made in a situation like that without receiving the progress certificate by the inspector?

Mr. MCINTYRE: No, sir, all progress claims have to be supported by certificates of inspecting officers. Taking our Public Works contracts, in every case the clerk of works, or whoever is charged with that responsibility on behalf of the department must certify, write his certificate on the progress claim before it will be accepted and paid.

The CHAIRMAN: Would you mind speaking a little louder, please? Shall section 32 carry?

Carried.

Section 33, shall the section carry?

33. (1) Every payment pursuant to an appropriation, except a payment made under subsection two, shall be made under the direction and control of the Comptroller by cheque drawn on the account of the Receiver General or other instrument, in such form and authenticated in such manner as the Treasury Board directs.

(2) Where an instrument issued under subsection one is presented by a bank to the Receiver General for payment, the Receiver General, or an officer authorized by him, may pay the instrument out of the Consolidated Revenue Fund.

Mr. FRASER: Well, it says, "by cheque drawn on the account of the Receiver General or other instrument—"; what do they mean by that "other instrument"? You do not have drafts drawn, do you?

Mr. McINTYRE: We sometimes use what they call warrants. An example of the use of a warrant is where it has been used in the payment of hog premiums to facilitate the handling of those small transactions. The warrants are right in the plant by the inspector of agriculture and then are subsequently redeemed on the strength of a certificate and it goes direct to us. These warrants are cashed in the bank after being sent out to the farmer and we redeem them and reconcile them with the certified copies.

Shall the Section carry?

Carried.

The CHAIRMAN: Sections No. 34 and No. 35, shall they carry?

Carried.

No. 36.

36. (1) The Treasury Board may make regulations authorizing the making of accountable advances chargeable to the appropriation for the service in respect of which the advance is made.

(2) An advance for which an accounting has not been made at the termination of the fiscal year in which it was made shall be repaid or accounted for within thirty days thereafter or within additional number of days, not exceeding thirty, as the Comptroller may fix in any particular case or class of case.

(3) The Comptroller may recover any accountable advance or any portion thereof that is not repaid or accounted for as required by subsection two out of any moneys payable by His Majesty to the person to whom the advance was made.

(4) Every accountable advance that is not repaid or accounted for as required by this section shall be reported in the Public Accounts.

Mr. FLEMING: In subsection 1, Mr. Chairman, may I ask what type of regulation is contemplated here, made by the Treasury Board? This is a new clause.

Mr. BRYCE: Well I would say regulating the purposes for which accountable advances might be made and the nature and detailed form of accounting to be made for them. We have, of course, elaborate regulations as to the substance, for example, of travelling expense claims which are really separate from this. These would be regulations, as I visualize them, stating under what circumstances accountable advances may be made, whether for travel, for removal purposes or as in the case of certain officers being sent abroad who may require special clothing for work in tropical climates and they may be given an advance there which is recoverable from their allowance—things of that sort, and as I would visualize it these regulations would cover the purposes and the nature of the accounting for them.

Mr. FLEMING: There may be a point in subsection 4, Mr. Chairman, which is quite similar to that raised this morning in another section, one providing that the report in the account shall be in the year of the advance and this question of making the report correspond with the year in which the advance was made. It is just a question of draftsmanship. No doubt the intention is clear.

Mr. BRYCE: Would it not be an advantage here to have recorded an advance that is outstanding even though it had been made in a previous year?

Mr. FLEMING: Is that the intention here?

Mr. BRYCE: As I understand it, it was the ones that were still outstanding.

Mr. McINTYRE: If we have an advance which was reported, say, in a previous year and still remains unaccounted at the end of the succeeding year it also remains unreported.

Mr. FLEMING: Well, if that is the intention—

Mr. McINTYRE: Not just confining the advance to that made in that year.

Mr. WRIGHT: In subsection 3 it states:

The comptroller may recover any accountable advance or any portion thereof that is not repaid or accounted for as required by subsection 2 out of any moneys payable by His Majesty to the person to whom the advance was made.

Would that apply in the case of a returned man who is building his own home under the Veterans' Land Act and who had got advances? Could that be taken out of his pension?

Mr. McINTYRE: I think I am correct, Mr. Wright, in saying that we are not free to make recoveries from government pensions.

Mr. WRIGHT: This would not override that provision in the Pensions Act?

Mr. McINTYRE: No, sir.

Mr. WRIGHT: Would it be recoverable out of old age pensions?

Mr. McINTYRE: Now, I have not been faced with that problem yet, but I should think it would under the legislation as I see it.

The CHAIRMAN: Could we get a definite answer on that? Is it recoverable?

Mr. HENRY: Yes, I believe it would be recoverable from the old age security pension.

Mr. WRIGHT: Children's allowance?

Mr. HENRY: Yes.

Mr. HARKNESS: Or family allowance?

The CHAIRMAN: Shall the section carry?

Mr. WRIGHT: It seems to me that is going pretty far.

The CHAIRMAN: Especially if deducted from the children's allowance.

Mr. SINCLAIR: You cannot do anything with family allowances, can you?

Mr. WRIGHT: Well, they have just said they could.

The CHAIRMAN: I cannot see the good in that policy. Could we get an answer for the record, please?

Mr. HARKNESS: That is what he said.

The CHAIRMAN: Could we get an answer to Mr. Wright's question?

Mr. HENRY: The answer to Mr. Wright's question is yes but you must bear in mind that the children's allowance is paid to the mother and it is not likely that the mother would have an advance from the Treasury.

Mr. WRIGHT: Is not the husband's debt a part of the debt of the mother in some provinces?

Mr. HENRY: No. If the husband received an advance you cannot recover it out of something that is payable to his wife.

Mr. SINCLAIR: But even more than that isn't the allowance paid to the mother on account of the children?

Mr. FLEMING: For the benefit of the children.

Mr. SINCLAIR: For the maintenance and benefit of the children.

Mr. WRIGHT: But it is recoverable out of old age security?

Mr. HENRY: Yes, sir, if the person who gets the old age security is the one who received the advance and did not repay it.

Mr. RICHARD (*Ottawa East*): I always understood that all those payments were inviolate, that you could not touch them, and I think that was the whole purpose when that legislation was made by parliament—that no one would ever touch them, either an old age pension or the family allowance.

Mr. FLEMING: The legislation so provides.

Mr. BLUE: There was provision made in the Act for that just a year or so ago.

The CHAIRMAN: Does it carry?

Carried.

Mr. WRIGHT: Under protest if it carries.

Mr. FLEMING: There is no suggestion of over-riding the provisions of those Acts which have been referred to, that the payments are not subject to attachment or garnishee?

Mr. BOISVERT: But if the payment is made to someone else who is not entitled, I think the government is entitled to recover.

Mr. FLEMING: Oh, yes.

Mr. BOISVERT: But the ones who are entitled to get the payments I understood from the Act there will be no recovery from them?

Mr. FLEMING: The Act so provides.

The CHAIRMAN: Then, let us get it cleared up. Can we or can we not recover it from old age pension cheques or from family allowance cheques; we would like to know for the record?

Mr. HENRY: Subject to my looking up those two Acts again to make sure they are not worded in any other way, I would say the recoveries can be made because those provisions to which Mr. Fleming refers, relate to garnishee and attachment proceedings. That is not what is referred to in the Debts due to the Crown Act. That Act can be applied even though garnishee proceedings cannot be taken. But I will look and make sure and report back.

Mr. WRIGHT: The point I want to raise, too, is if the Old Age Pension Act or the Family Allowance Act were amended, which would be the over-riding Act—this one or the amendment which might be made in those Acts to guarantee that those funds could not be taken?

Mr. HENRY: Well, sir, the general principle is that if you have a general Act and a particular statute standing beside it, the general one dealing with general matters such as this one does, and the particular statute dealing with a particular type of payment such as the Old Age Pension Act, then the provisions in the particular Act would override the general Act.

If it was expressly stated there would be no doubt about it. You do have difficulty sometimes where the wording is not too clear, but if the particular Act were to say that the debts due to the Crown Act do not apply to a payment made under that Act, then you cannot recover under the debts due to the Crown Act.

Mr. WRIGHT: Then, the proper proceeding would be if parliament wanted to protect those two particular groups would be to bring in amendments to those Acts rather than to try to recover them in this?

Mr. HENRY: That is right. We find such a provision as that under the War Service Grants Act. If I remember correctly, you could not recover out of the veteran's gratuity—you could not recover a debt owing for taxes or something like that.

Mr. RICHARD (*Ottawa East*): I suggest that you read Mr. Martin's speech when he introduced that amendment, where he said nobody would be able to touch it.

Mr. WRIGHT: But his speech is not law.

The CHAIRMAN: Shall section 36 carry?

Carried.

The CHAIRMAN: Shall we agree on section 37?

Carried.

Section 38?

38. It is a term of every contract providing for the payment of any money by His Majesty that payment thereunder is subject to there being an appropriation for the particular service for the fiscal year in which any commitment thereunder would come in course of payment.

Mr. FLEMING: A question on 38, Mr. Chairman. I can see the desirability of a provision like this from the point of view of maintaining parliamentary control over expenditure, but I am wondering how it is going to affect the rights of private persons contracting with the Crown. Now, this seems to say that even though it is not made an express term of a contract entered into by the Crown with a private person, nevertheless, by this legislation a term is imported into that contract which might work very seriously to the disadvantage of that person if he did not have the good fortune to be aware of the law. It may not be that that is the intention of the Act, but it seems to me that that is a consequence that might flow from it.

Mr. HENRY: In answer to Mr. Fleming's question, I might say that the purpose of this section is to prevent payments a roundabout way, as by the judgment of a court, that could not be made under the provisions of the Supply Act which has released the money to the Crown.

If I might give you an example. It is possible that you might have a valid contract entered into by a minister under the proper authority to do a certain work, but that parliament, for its own reasons, had refused to vote the supply for that service; in other words, they had removed the item from the estimates; and if the contract is valid it would be possible without this provision for the contractor to proceed in the Exchequer Court against the Crown and obtain a judgment for the amount that is owing to him. In that case the Crown would have to pay the judgment out of unappropriated money whether there is any specific money voted for that service or not. The purpose of this amendment is to obviate that; in other words, it is a parliamentary control of the money so that a person cannot go to the court and get money which parliament has deprived the minister of the power of paying without going to court.

Mr. CAMPNEY: Why should not parliament deal with the minister and not with the third party? If a man gets a judgment from a court of record, the Exchequer Court, somebody ought to be liable on the judgment.

Mr. HENRY: I might say that the practice in England is something like this, that they provide in their annual payments an amount to meet judgments, whereas we have a provision which says you may always pay a judgment of the Exchequer Court, but it is not a matter of disciplining the minister because if the minister has instructions from His Majesty to enter into a contract, that contract is valid because His Majesty is the principal as some of you might be a principal and His Majesty's representative is his agent as in the case of a minister entering into a contract on behalf of the Crown and you cannot destroy

that because it is a fundamental principle, but what you do is to say that if a contract is entered into and parliament does not wish money to be spent for that purpose, then it is a term of that contract that no payment is to be made unless the supply is voted, so that the contractor cannot get his judgment because the Exchequer Court will have to say that there is nothing payable.

Mr. CAMPNEY: Is that put in all contracts?

Mr. HENRY: No, it is giving the term to every contract by this bill.

Mr. CAMPNEY: But what contractor would know that?

Mr. BRYCE: I think it is a normal term in almost every contract.

Mr. HENRY: I think most contractors are familiar with it. This is merely a present condition.

Mr. FLEMING: This is the sort of thing which, if it is to be the law or is to be a term of the contract, ought to be written into the contract. It seems to me there cannot be any objection to that term if it is written into the contract in every case, but I have a very strong aversion in respect of legislation which simply takes every government contract and says whether there is such a clause in it or not it will be deemed that this clause is written in there, whether people contracting with the government know anything about it or not.

I am just wondering and Mr. Campney, apparently, is too, about the words, "it is a term of every contract". Now, we want first to see, it is true, all parliamentary control over expenditures strictly maintained, and we do not want to set up anything that will permit it to be circumvented in any way, but why do we have to choose a means which involves writing into contracts between His Majesty and His contractors provisions that are not written in?

Mr. CAMPNEY: This could be covered if a department entering into

The CHAIRMAN: Mr. Bryce will answer the question.
contracts were required and put the clause in?

Mr. BRYCE: Might I say this matter has come up a number of other times. I have been informed by lawyers that this is in fact a condition under the common law normally in regard to contracts, but it can be overcome through suit in the Exchequer Court. Now, Mr. Henry could speak better to that, but one of the reasons that it was suggested here was to make quite clear to contractors that there was that sort of doctrine applicable.

Mr. WRIGHT: Should not we make it then:

"There shall be a term in every contract providing for the payment . . ."

The CHAIRMAN: I think it would be more fair to all the contractors that it should be included in every contract.

Mr. WRIGHT: If that were amended to read:

"There shall be a term in every contract providing for the payment . . ."

Mr. FLEMING: Put the onus on the man who writes the contract.

Mr. BRYCE: Might I say a word on that? The problem I can see in that is, where the Crown becomes party to small contracts in a normal commercial form, an offer for sale, or something of that kind, where the Crown does not draw up the form of the contract and in that case the Crown may by entering into it simply be accepting the normal terms that the seller offers.

Mr. McIntyre may be able to speak better than I on that; he has seen more contracts than I have, but I think that is frequently the case, and to put the clause in that form might make it exceedingly awkward for us to engage in ordinary small contracts in the usual form.

Mr. FLEMING: That disquiets me all the more. If it appears that there are many contracts written in such form that the clause is not being expressly

inserted that indicates how many more contracts there are going to be where by this legislation, we are importing a term which is not known to the contracting party at the time.

The CHAIRMAN: I also feel that every contractor who would enter bona fide into a contract with the government will not necessarily have been cognizant of this article and might suffer prejudice himself if the court decides that he is right, so I am inclined to believe it is slightly arbitrary myself.

Mr. FULTON: I would be interested in knowing whether there have ever actually been cases of contractors entering into contracts, doing the work in advance of an item of payment and then finding parliament refuses to authorize payment for the work. Have you ever had cases like that? In the event of passing an Act in parliament refusing, have you ever had a case approaching that?

Mr. McINTYRE: Not to my knowledge.

Mr. CLARK: Mr. Chairman, I suggest that you let this stand and we will consider it with the minister and the legal officers again.

The CHAIRMAN: No. 38 will stand. Section 39.

39. The Governor in Council may make regulations with respect to the conditions under which contracts may be entered into and notwithstanding any other Act,

- (a) may direct that no contract by the terms of which payments are required in excess of such amount or amounts as the Governor in Council may prescribe shall be entered into or have any force or effect unless entry into the contract has been approved by the Governor in Council or the Treasury Board, and
- (b) may make regulations with respect to the security to be given to and in the name of His Majesty to secure the due performance of contracts.

Mr. FRASER: Well, this would deal, Mr. Chairman, mostly with the Department of Public Works, wouldn't it?

The CHAIRMAN: Yes. It is related to a section that is contained in the new Public Works Act.

Mr. BRYCE: Not necessarily within Public Works but many departments.

Mr. FRASER: But mostly with the Public Works Department?

Mr. BRYCE: Oh, the Department of Transport and Defence Production—there are a great many departments now who have works contracts of one sort or another.

Mr. RICHARD (*Ottawa East*): This will be notwithstanding those Acts? Whatever the Public Works Act says this could override it?

Mr. BRYCE: The authority to override other Acts only relates, sir, to subsections (a) and (b) requiring a contract of a certain size to be seen by the Governor in Council of the Treasury Board and, secondly, the making of regulations with respect to the security to be given in regard to contracts. It is only in those two respects that it overrides any other Act.

Mr. SINCLAIR: And the new Public Works Act that Mr. Fournier is bringing forward will coincide with this?

Mr. BRYCE: Yes.

The CHAIRMAN: I have been asked to let this stand, because I understand representations are being made to the Department of Public Works in regard to several items in this bill and negotiations have been going on between these parties and the Department of Public Works that may have repercussions on this, so I agreed that we would let 39 stand for the time being, at least only temporarily, so 39 stands.

Section 40.

Carried.

Now, we get into Part IV, public debts—articles 41 to 56 inclusive. Section 41—any comments?

41. No money shall be borrowed or security issued by or on behalf of His Majesty without the authority of Parliament.

Mr. FULTON: I notice the comment there, "new". It is surely not a new commission, is it?

Mr. CLARK: That has always been the situation, but we thought it best to lay down in law that fundamental principle just in the first clause of the public disbursements section. We laid down the fundamental principle in regard to expenditure that no expenditure can be made without the authority of parliament. For the same reason we thought it was wise to be complete and say that no borrowing shall take place except under the authority of parliament. It has I believe never been reduced to legislation before.

Carried.

The CHAIRMAN: Section 42.

Carried.

Section 43.

Carried.

Section 44.

Carried.

Section 45.

45. An annual statement of all borrowing transactions on behalf of His Majesty shall be included in the Public Accounts.

Mr. FLEMING: Mr. Chairman, in 45 what is the significance of the note?

Mr. CLARK: You mean, "New, but see section 14 (3)"?

Mr. FLEMING: Yes.

Mr. CLARK: Well, in the old Act there was a requirement that all temporary loans should be reported in the public accounts. We are now providing that a statement covering *all* borrowing transactions should be reported in the public accounts. We have actually been following the practice of including a report on all borrowing transactions in the public accounts, but we are now making it a matter of law.

Mr. FULTON: Mr. Chairman, do you mind if I go back to 44 for just a moment? I assume that the borrowings under that section are of the treasury notes?

Mr. CLARK: Yes, it would be short-term borrowing. It might be a ways and means advance from the Bank of Canada on short-term treasury notes. Under today's conditions it would almost certainly be very short-term borrowing, for a few days, to get you by, say, the first or end of a month when you had big payments to make and the moneys that you were expecting would not come in until a few days afterwards.

Mr. FULTON: Then, the situation contemplated by this statute is a situation which is of a temporary nature where your authorization has not yet come from parliament or something like that?

Mr. CLARK: Yes.

Mr. FULTON: But would not the section also cover—although not primarily designed to do so—cover the case of not in the least circumstances but under conditions where we might have to go ahead on debt financing—would not this section also cover that and restrict your financing to six months?

Mr. CLARK: Yes, it would, and in such case presumably you would have to borrow long-term.

Mr. FULTON: How would you get around this section? How have you got around it in the past when it was necessary to do debt financing?

Mr. CLARK: Is there anything in the section to prevent long term borrowing?

Mr. FULTON: It says where you have not got enough in the consolidated revenue fund to meet expenditures you can only borrow on six months—

Mr. CLARK: No, but we would not necessarily be restricted to this kind of borrowing if, for instance in the Appropriation Act we took power to borrow to cover this deficit.

Mr. FULTON: The Appropriation Act would have of necessity to say “notwithstanding Section 44 of the Administration Act”.

Mr. CLARK: I am not sure whether it should have to have a “notwithstanding” clause.

Mr. HENRY: You are speaking of a clause in the Appropriation Act?

Mr. FULTON: Yes.

Mr. HENRY: That would authorize a specific loan, but you would not necessarily put in “notwithstanding” although you could.

Mr. FULTON: If the loss was for meeting a deficit, not necessarily temporary, but for meeting a deficit at the end of the year, you would not have to accept such loans with the provision of Section 44?

Mr. HENRY: Yes, but that would be the effect of such a statute—whether you put in a “notwithstanding” clause or not—because as I mentioned before in answer to Mr. Wright’s question, if you have specific authority to do a certain act that would override a general provision somewhere else.

The CHAIRMAN: Under Section 45 do I understand that all borrowings of money from private banks have to be reported in the public accounts?

Mr. HENRY: Yes, they would.

The CHAIRMAN: We subtracted a lot of things from the public accounts last year but we are adding a lot this year. All the small borrowings from day to day will have to be recorded in the public accounts?

Mr. CLARK: There are very few such borrowings. We rarely borrow from chartered banks now. Of course we issue treasury bills every two weeks—three month treasury bills—and those are always reported in the public accounts.

Mr. FULTON: May I ask Mr. Clark if there is any restriction on borrowing? Do you have to get specific authority to borrow outside of Canada now?

Mr. CLARK: Under our borrowing authorities we can borrow in Canada, the United Kingdom, the United States, or any place.

Mr. FULTON: Nothing further is required?

Mr. CLARK: No.

The CHAIRMAN: Shall Section 45 carry?

Carried.

Section 46?

Carried.

Section 47.

47. The Governor in Council may

- (a) appoint one or more registrars to perform such services in respect of the registration of loans as the Governor in Council may prescribe,
- (b) appoint one or more fiscal agents to perform such services in respect of loans as the Governor in Council may prescribe, and

- (c) fix the remuneration or compensation of any registrar or fiscal agent appointed under this section.

Mr. FLEMING: With regard to registrars and fiscal agents, are the registrars employees of the government?

Mr. CLARK: No, it is an agency relationship.

Mr. FLEMING: You do retain outside firms for that purpose?

Mr. CLARK: The Bank of Canada for instance, or the Bank of Montreal Trust Company in New York, and the Bank of Montreal in London would be our registrars.

Mr. FLEMING: Does the same apply to fiscal agents?

Mr. CLARK: Yes, the Bank of Canada, the Bank of Montreal, and the Bank of Montreal Trust Company in New York—on occasions in the past it has been the Chase National Bank in New York—in London the Bank of Montreal. The Bank of England also is the registrar for the Newfoundland issue which we have taken over. Normally, it is the Bank of Montreal in London.

The CHAIRMAN: Shall section 47 carry?

Carried.

Section 48.

48. (1) The Minister shall cause to be maintained a system of books and records.

- (a) showing all money authorized by Parliament to be borrowed by the issue and sale of securities,
- (b) containing a description and record of all money so borrowed and securities issued, and
- (c) showing all amounts paid in respect of the principal of or interest on all money so borrowed.

(2) Every fiscal agent and registrar shall annually and as often as required by the Minister give to the Minister an accounting, in such form and terms and containing such information as the Minister prescribes, of all his transactions as fiscal agent or registrar.

Mr. FRASER: In (2) of 48, Mr. Chairman, where it states: "Every fiscal agent and registrar shall annually and as often as required by the Minister give to the Minister an accounting, in such form and terms and containing such information as the Minister prescribes, . . ." and what I am trying to get at is supposing one minister says he wants the accounting in such a form and another in another form?

Mr. CLARK: The "minister" is the Minister of Finance.

Mr. FRASER: It is not the individual minister?

The CHAIRMAN: It is specified in the first part of the Act.

Mr. CLARK: When we refer to another minister it is the appropriate minister—the one responsible for the administration of the particular department.

The CHAIRMAN: Shall the section carry?

Carried.

Section 49.

49. The Governor in Council may provide for the creation and management of a sinking fund with respect to any issue of securities or with respect to all securities issued.

Mr. FLEMING: In connection with section 49 what has been the practice hitherto? Is there one sinking fund or is there separate fund for each issue?

Mr. CLARK: As a matter of fact, Mr. Fleming, we have only one sinking fund and that is the sinking fund against the Newfoundland issue taken over

by the terms of union. We have no other sinking funds in any of our issues at the moment. Some years ago we did consider setting up a general sinking fund against all our debt, but that was discarded as a matter of policy.

Mr. FLEMING: Are you contemplating the use of this power in respect of anything except the sinking fund in relation to the Newfoundland debt.

Mr. CLARK: I would say we are not contemplating at the moment the setting up of any new sinking funds.

Mr. FLEMING: How long ago was it that the department eliminated sinking funds?

Mr. CLARK: Well, it is back beyond my experience in the department.

Mr. MCINTYRE: The last sinking fund that was applied to a loan was in connection with the last loan floated in London.

Mr. FLEMING: When?

Mr. MCINTYRE: Perhaps I should not say the last loan.

Mr. CLARK: No, the last loan was in 1933 and it had no sinking fund.

Mr. MCINTYRE: The 1914 loan which was floated did not have a sinking fund but loans prior to that did have sinking funds.

Mr. FLEMING: So we may take it that, whatever legislation has existed in the form of section 49, it has not been the policy of the department to set up sinking funds for the last thirty-seven years or thereabouts?

Mr. CLARK: I do not know that you can go back quite that far. There may have been some issues in the '20's which I do not recall.

Mr. FLEMING: There is no departure from that policy contemplated?

Mr. CLARK: No.

The CHAIRMAN: Shall section 49 carry?

Carried.

Section 50.

50. The payment of all money borrowed and interest thereon and of the principal of and interest on all securities issued by or on behalf of His Majesty with the authority of Parliament is a charge on and payable out of the Consolidated Revenue Fund.

Mr. WRIGHT: Section 50 appears to be new but is not that a practice which has been followed in the past?

Mr. CLARK: Yes, that is a provision that is usually included in all borrowing statutes now. I think all of them include that particular statement of principal. By including it in this particular bill I think it would be no longer necessary, Mr. Henry, to include it in specific borrowing authorities in future.

The CHAIRMAN: Shall section 50 carry?

Carried.

Section 51?

Carried.

Section 52.

52. Where it is provided by a prospectus or other official notice issued by or under the authority of the Minister that a subscriber may purchase securities

(a) by payments to an authorized agent, or

(b) by deductions from the remuneration of the subscriber by his employer,

the amount of any such payment or deduction that has not been accounted for by the delivery of securities to the subscriber or repaid to the

subscriber shall be deemed to be money received in trust for His Majesty by the agent or employer for which he is accountable to His Majesty under section eighty-nine, and for the purpose of the *Bankruptcy Act, 1949*, and the *Winding-up Act*, where the money paid or deducted cannot be identified among the assets of the employer or agent, a portion of the said assets equal in value to the amount of the payment or deduction shall be deemed to be segregated and held in trust for His Majesty.

Mr. NOWLAN: What prompted section 52? Have you had some experience in that matter?

Mr. CLARK: Yes, section 52 is designed to protect persons who buy government bonds and government savings bonds from agents or by means of deductions from salaries. We have had a number of cases where an employer has made ordinary salary deductions from the salaries or wages of his employee and then perhaps gone into bankruptcy.

Mr. NOWLAN: Are they not acquired very rapidly?

Mr. CLARK: Oh, yes, but they may not be rapid enough in some cases.

The CHAIRMAN: Does section 52 carry?

Carried.

Section 53 and 54?

53. There shall be established in the Consolidated Revenue Fund an account to be known as the Investors' Indemnity Account to which shall be credited the sum of twenty-five thousand dollars, such further amounts as are appropriated by Parliament for the purpose of this section, and any recoveries of the losses referred to in section fifty-four.

54. The Minister may, in accordance with and subject to the regulations, pay out of the Investors' Indemnity Account any losses sustained by subscribers for securities who have paid all or part of the purchase price of such securities but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

Mr. FULTON: Could we have a word from the deputy minister about sections 53 and 54?

Mr. CLARK: Sections 53 and 54 are merely for the purpose of setting up a small investor's indemnity account and giving it a certain appropriation to start with. Here it is \$25,000, in order to take care of losses of the type mentioned, without having to come back and include an item in the estimates every year for a small amount; there is also difficulty in trying to determine that amount. You have great difficulty investigating what losses of that kind you may be subject to in a given year. So you have to put in some figure for the estimates and it is usually too high.

Mr. FULTON: Can you suggest the kind of loss which it was intended to cover? Would it be, for example, loss in transit?

Mr. CLARK: It might be, or loss by fire, or one of those cases where the investor had bought a bond through a selling agent, and the agent did not turn the money over to the crown.

Mr. FULTON: How would that arise?

Mr. BALLS: A redemption agent might also make payment to the wrong person, quite without fault on his part, and this would provide a means of taking care of the matter.

Mr. SINCLAIR: Can you give us an idea of the losses during the last 3 or 4 years?

Mr. BALLS: In 1943, that is for the fiscal year ending March 31, 1943, the amount was \$7,596. In 1944 it was \$8,716. In 1945 it was \$10,258. In 1946 it was \$5,424. In 1947 it was \$10,287. In 1948 it was \$842. In 1949 it was \$1,288. In 1950 it was \$427. In 1951 it was \$203; and in the current fiscal year to the 31st of October it was \$816.

Mr. FULTON: There were larger amounts in the previous years than in the later years. I suppose that is due to redemption of Canada savings certificates?

Mr. CLARK: I think it was probably because there were large selling campaigns going on during those war years when tremendous amounts were being handled with a great many agents.

Mr. SINCLAIR: There is now better administration.

The CHAIRMAN: Do sections 53 and 54 carry?

Carried.

Does section 55 carry?

Carried.

Does section 56 carry?

56. The Governor in Council may make such regulations as he deems necessary to provide for the management of the public debt of Canada and the payment of interest thereon and, without limiting the generality of the foregoing, may make regulations

- (a) for the inscription or registration of securities and prescribing the effect of such inscription or registration,
- (b) for the transfer, transmission, exchange, redemption, cancellation and destruction of any securities, and, without limiting the generality of the foregoing,
 - (i) for the transmission, transfer or redemption of securities pursuant to judgment or as the result of the death, dissolution or bankruptcy of the registered owner thereof, and
 - (ii) prescribing the conditions upon which the transfer, transmission, exchange and redemption of securities registered in the names of infants, minors or other persons not of full capacity to enter into ordinary contracts, may be made,
- (c) for the issue of securities or making of payments in respect of damaged, lost, stolen or destroyed securities or interest coupons, and of the cheques pertaining thereto and prescribing conditions to such issue or payment,
- (d) requiring guarantees to be given to the registrar in such manner and by such persons as the regulations may prescribe, before the registrar is authorized to make any entry in the register,
- (e) authorizing the correction by the registrar, in such circumstances as may be prescribed by the regulations, of errors in the register and otherwise authorizing rectification of the register, and
- (f) providing for the payment of losses out of the Investors' Indemnity Account.

Mr. FLEMING: Section 56 strikes me as being a very important section. I think we ought to pause on it for a moment. It is in part new, and while there are some specific clauses, nevertheless the clauses give to the Governor in Council in general terms the power to make such regulations as he deems necessary to provide for the management of the public debt of Canada. Could we have a full statement on the significance of this statement, particularly the new provisions in it?

Mr. CLARK: The new provision in the last paragraph which provides for regulations regarding the meeting of losses of the investors indemnity account.

Mr. HENRY: Really the only principle in this is contained in the opening words:

The Governor in Council may make such regulations as he deems necessary to provide for the management of the public debt of Canada and the payment of interest thereon...

And you will notice that the next words simply say:

...and without limiting the generality of the foregoing, may make regulations.

That is just to clarify it for the purpose of those who are reading the Act and also for the purpose of those who wish to know whether or not some of the particular regulations are authorized.

Most of the provisions made certain under (a), (b), (c) and (e) are already in the Consolidated Revenue and Audit Act in perhaps more general form; and you will find the execution of that power in the Domestic Bonds Regulations which govern the terms and conditions under which bonds are issued, registered, transferred by holders, redeemed and that sort of thing.

The intention is merely to make it clear that the Governor in Council may make regulations on these things and consequently in the future the inscription and registration of securities and the effect thereof will continue to appear in the regulations. There is little new in this. But I might mention in paragraph (b) that in subparagraph (i) and subparagraph (ii) one or two important points have been spelled out, namely, they clearly set out the power of the Governor in Council to make regulations concerning the transmission and (which is the legal result which occurs on the death of the holder of the security) and the transfer of securities pursuant to a judgment. There has been a little bit of difficulty about that on the odd occasion and the regulations will be put into proper shape to permit judgments to be given effect to. Also paragraph (ii) describes the conditions upon which the transfer and transmission and redemption of securities that are registered under the name of an infant and of persons who are not of full capacity to the contract may be made. The regulations also provide for those things and there is nothing new there at all. Of the other provisions that I mentioned, (c) simply relates to the replacement of stolen bonds. The Bank of Canada will issue a duplicate bond under certain circumstances, upon the performance of certain conditions, to a person whose bonds have been lost or stolen, so that the person receives a second bond. That is, of course, subject to some other person proving himself entitled to the original bond which occasionally happens. And clause (e) is for the correction of the register. It is a routine matter; but the appearance of a person's name on the register is conclusive as to his ownership and it is a very important thing to cover.

The other two matters relate to information which has to be given to the registrar to authorize him to make an entry in the register. It just permits the operating of the register and provides for payment out of the investor's indemnity account which has been mentioned before. This is simply formal authority to the Governor in Council to make these regulations.

Mr. FLEMING: Have regulations been made or changes heretofore which did not fall directly within any of these subsections for the making of which authority was set out and found simply in the general provisions in regulations to provide for the management of the public debt of Canada?

Mr. CLARK: I cannot think of any at the moment.

Mr. HENRY: No, and I cannot think of any at the moment either.

Does Section 56 carry?

Carried.

The CHAIRMAN: Are you satisfied, gentlemen, that we have completed part 4?

Now we come to part 5 "Public Stores", which includes sections 57 to 62.

Mr. FRASER: Mr. Chairman, are these intended to cover military stores?

Mr. CLARK: I could likely ask Mr. Balls to make a statement on that part of the bill.

Mr. BALLS: Mr. Chairman, in regard to the question, I think the answer is "yes". I might say in regard to this part that it is designed to meet recommendations which were made by the public accounts committee in its sixth report in 1947, when it suggested that consideration be given to legislation with respect to the regulations and management of stores and equipment inventories.

The first section, 57, deals with the management of physical stores, and the physical records respecting the acquisition, custody, issue and control of such stores. The basic provision, however, is in the following section which deals with the establishment of the mechanism by the operation of revolving funds. This does not provide automatically for the establishment of a revolving fund except with respect to the continuance of the Department of Transport stores account, which is continued under the provision of section 101 of the bill. But it does provide that when parliament has authorized the establishment of a revolving fund, that this will be the procedure to be followed in its operation.

It sets out the methods of control and provides that the net amount of the payments that may be charged at any time to the fund shall not be in excess of the amount which parliament has provided, or such lesser amount as the Treasury Board may prescribe.

Mr. FRASER: That would take in the bill that the Minister of Transport had last year, on his revolving fund?

Mr. BALLS: Yes. One of the statutes to be repealed by this bill will be the Department of Transport Stores Act and we also provide in section 101 of this bill for the continuation of the authority to the Department of Transport to acquire stores up to an amount of \$4 million at any one time.

Mr. FRASER: Under this section 57, where every department shall maintain adequate records and stores, does the Finance Department or the Treasury Board demand that inventories be taken at regular periods, or how is that done?

Mr. BALLS: If you will note the provisions of the section, which state that the appropriate minister, that is the minister having charge of the stores, or such other authority as the Governor in Council may direct, may make rules and give directions.

Mr. FRASER: I wondered if the treasury department should not also make suggestions in there?

Mr. BALLS: I would think, sir, that it might be quite possible for the Governor in Council to so direct such other authority.

Mr. FRASER: That is what I am trying to find out. Has the Governor in Council directed at any time that that be done?

Mr. BALLS: Not to my knowledge, sir.

Mr. FLEMING: Is it intended that there may be more than one revolving fund in any department?

Mr. BALLS: It is, but I do think that the normal practice would be to have more than one fund for one department.

Mr. FLEMING: And what justification is there for more than one revolving fund in any one department?

Mr. BRYCE: There are certain parts of some departments which are almost entirely separate from other parts of the department. For example, in the Department of Agriculture you will find the Prairie Farm Rehabilitation Administration in the west, which very largely operates physically separately, geographically separately from the rest of the department. You might conceivably have a case where it would be logical to have a stores account for such operations of the department; or take the case of penitentiaries and the R.C.M.P. Technically both of those branches come under the Minister of Justice, but they might have separate stores accounts.

Mr. FRASER: And under the Department of Transport you have Canals and Air.

Mr. BRYCE: Transport is a unique case. It already has a stores account. I think it would depend on the way the department is organized and whether there is a central management as distinguished from management for various branches.

Mr. FRASER: They would not keep their stores separate from their air stores, would they?

Mr. BRYCE: They do not, and they have a stores account.

The CHAIRMAN: Do Section 57 and 58 carry?

Carried.

The CHAIRMAN: Does section 59 carry?

59. All accounting transactions with respect to a revolving fund under this Part shall be recorded at cost, but for the purpose of valuing stores or materials on hand at the time the revolving fund is established and of valuing inventories and issues of stores and materials, cost may be determined in accordance with such recognized accounting practices as the appropriate Minister with the approval of the Treasury Board, may direct.

Mr. FLEMING: There is a provision here as to the power of the Governor in Council which is simply intended to put in a limitation on the use of the revolving fund, I take it?

Mr. BALLS: What are you referring to?

Mr. FLEMING: I was not referring to any one clause in particular.

Mr. BALLS: There is a provision in subsection 3 of clause 58 which says:

A payment made out of the Consolidated Revenue Fund pursuant to subsection one together with the balance of the revolving fund shall not be greater than the amount fixed by Parliament as the amount that may be charged to the revolving fund at any time or such lesser amount as the Treasury Board may prescribe.

Mr. FLEMING: The power is reserved to the Treasury Board to limit the amount which may be used out of what Parliament has provided for the purpose?

Mr. BALLS: Yes.

Mr. WRIGHT: In subsection 5 it says:

At the end of each fiscal year the value of the inventory held and accounts receivable in respect of the operations of a revolving fund shall be determined in accordance with regulations of the Treasury Board. . .

A measuring stick is used in determining the value of stores. For instance, we have a revolving fund in which we have bought surpluses of a certain basic or scarce material and it is quite conceivable that they may fluctuate in value. Is that fluctuation in value shown in the public accounts that appear before parliament in any form, and what is the rule with respect to reporting the fluctuation in the value of stores, so that it becomes apparent to the members of the House as to what is taking place?

Mr. BALLS: I do not think that normally fluctuations in value of stores would be recorded in the public accounts. What is more in mind here is the possibility of different bases of establishing the value of the stores on the basis of cost. There are different methods of inventory valuation on cost; for instance, you may have the "first-in first-out" method of valuation, the "Cost-in first-out" method, which are entirely different types; also there is a third type of valuation, "average cost" which again may give a different valuation of the inventory.

The basic purpose is to establish that whatever basis of determining cost value is adopted must be in accordance with what the Treasury Board would regard as acceptable accounting practice.

Mr. WRIGHT: There is no provision in this Act that there should appear in the public accounts losses with relation to stores held by the government?

Mr. BALLS: Not in regard to fluctuations in the value of the stores. There is nowhere a provision in a later section, in section 60, if you will refer to it, where the establishment of boards of survey is provided for. Each appropriate minister must from time to time constitute a board of survey to determine whether there are any stores which have become obsolete or unserviceable, or which have been lost or destroyed.

Mr. WRIGHT: That was the point I was getting at. Would the fact that those stores had become obsolete become apparent to the average member through any form that is in the public accounts?

Mr. BALLS: Under subsection 3 of section 60 it says:

"A statement in such form as the Treasury Board prescribes of all stores and materials deleted from inventories pursuant to subsection 2 shall be included annually in the public accounts."

Mr. WRIGHT: Is it mandatory on each department to indicate what has become obsolete, or is it just a matter for their judgment?

Mr. BALLS: The provision of the section is that "the appropriate minister may from time to time constitute a board of survey to inquire into the state of the stores under the management of a department."

Mr. WRIGHT: It is not mandatory that he do this?

Mr. BALLS: Not that he do it annually, sir.

Mr. WRIGHT: Would it not be wise to have a provision that this should be mandatory, and that it should be indicated to parliament what has become obsolete?

The CHAIRMAN: I think the words "from time to time" are the words which Mr. Wright may want to have clarified.

Mr. WRIGHT: That may be 50 years from now.

Mr. BALLS: There are two points to be borne in mind. We have a provision in section 61 requiring the comptroller of the treasury to examine records, accounts and procedures respecting stores and materials and report thereon to the minister or the appropriate minister. In addition to that, there is provision for the auditor general to examine stores and inventories.

Mr. WRIGHT: That is what I was trying to get at, the point that the auditor general, if he deems it necessary, can step in and ask that a board be constituted. Is there anything which provides that he shall at certain constituted periods ask a department to assess the value of its stores?

The CHAIRMAN: Before we pass on to the next section, that is, clause 60, shall section 59 carry?

Carried.

Mr. CLARK: I would think, sir, that the Auditor General would make his report under the Auditor General's provisions,—the provision for making a report to the Governor in Council or to the Treasury Board with regard to

matters that he feels should be brought to the attention of council or the board, and, also, he is free under the reporting provisions to report to the House of Commons with respect to those matters which he feels should be brought to the attention of the House.

Mr. WRIGHT: Would you not think it would be a good provision in the Act to make it mandatory that these boards function at least every two years, to indicate the possession and value of stores?

The CHAIRMAN: If I might suggest that we add after the words—although I do not want to come into the drafting of the Act—after the words “from time to time” add “not less than once every five years”. Two years is a bit short. Could Mr. Henry draft the words that would include that desire of the committee?

Mr. WRIGHT: Let us consider the matter of five years. Is five years too long a period, or would three years be a better period?

The CHAIRMAN: I leave it to the committee. I suggested five years because I am told in some departments it would have to be done every year and in some departments it would be better to give them a longer period.

Mr. SINCLAIR: The King's Printer would be an example.

The CHAIRMAN: I think five years would be a better arrangement. In many departments it is from year to year, and in others that might not be practicable. Five years would mean that anything that had become obsolete would necessarily be reported, and five years is even a short period.

Mr. FLEMING: Not in the life of a politician.

The CHAIRMAN: No, in the case of you and I who can survive 10 years or more, five is a short period.

Would five years be agreeable?

Agreed, subject to correction of the wording being left to Mr. Henry, Section 60 carried.

Items 61 and 62. I think those have been covered by the statement made by Mr. Balls.

Shall item 61 carry?

Carried.

Shall item 62 carry?

“62. For the purposes of this Part, the Treasury Board may by regulation define for any department the expression “stores”, “materials” and “issues”.”

Mr. CAMPNEY: May I ask a question on item 62. Unless and until the Treasury Board defines these very important terms is Part V of the Act inoperative?

Mr. BALLS: I think the answer to that, sir, is that the Act itself only comes into force on proclamation. If you will notice in section 102, it says:

“This Act or any Part thereof shall come into force on a day or days to be fixed by proclamation of the Governor in Council.”

Mr. CAMPNEY: Yes, I understand that, but the practical working of section 62 is based on the meaning of all these words not now defined, but which run all through the part, and until the Treasury Board makes these definitions I take it the part is inoperative.

Mr. BALLS: Not necessarily, though I think in any event there would be ample time to have these words defined before the Act comes into force.

Mr. CAMPNEY: If they were not what would happen then?

Mr. SINCLAIR: They would not proclaim it.

The CHAIRMAN: Shall item 62 carry?

Carried.

Mr. FLEMING: I wonder if the committee would agree to leave Part VI for the present and go on to the other Parts and come back later to this Part VI. One member of the committee cannot be here who has some questions he would like to ask on Part VI.

The CHAIRMAN: Items 63 and 64 will stand.

Now we come to Part VII, the Auditor General. I think on this part we might ask the Auditor General to come forward rather than stay in seclusion.

Mr. FLEMING: In splendid isolation.

The CHAIRMAN: Item 65. Are there any questions on this item, gentlemen?

Shall the item carry?

Carried.

Item 66.

66. (1) Notwithstanding any Act of Parliament, the Auditor General is entitled to free access at all convenient times to all files, documents and other records relating to the accounts of every department, and he is also entitled to require and receive from members of the public service such information, reports and explanations as he may deem necessary for the proper performance of his duties.

(2) The Auditor General may station in any department any person employed in his office to enable him more effectively to carry out his duties, and the department shall provide the necessary office accommodation for any such officer so stationed.

(3) The Auditor General shall require every person employed in his office who is to examine the accounts of a department pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by persons employed in that department.

(4) The Auditor General may suspend from the performance of his duty any person employed in his office.

Mr. FLEMING: Is there anything that the Auditor General intends to say on paragraph 66, on the subject of the pre-audit, or anything of that kind?

The CHAIRMAN: The Auditor General stated that we might go article by article and he would answer questions.

Mr. SELLAR: You were not here yesterday when we were discussing this?

Mr. FLEMING: I was here yesterday but do not recall hearing you say anything on that.

Mr. SELLAR: I told the committee yesterday that the provisions regarding pre-audit were being deleted at my request; they did not work; they were not required now, and the Comptroller of the Treasury has, in effect, pre-audit duties before a payment, he is the internal auditor.

Mr. FLEMING: I heard you make that statement, but I did not know whether you intended to make some further statement in the subject.

The CHAIRMAN:

Shall item 66 carry?

Carried.

Shall item 67 carry?

Carried.

Shall item 68 carry?

68. The Auditor General shall

- (a) make such examination of the accounts and records of each registrar as he deems necessary, and such other examinations of a registrar's transactions as the Minister may require, and

(b) when and to the extent required by the Minister, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities, authorized to be destroyed under this Act, and may, by arrangement with the registrar, maintain custody and control, jointly with the registrar, of cancelled and unissued securities.

Mr. FLEMING: This is new. Could we have a statement on this, Mr. Chairman.

Mr. SELLAR: When the Consolidated Revenue and Audit Act passed in 1931 the Department of Finance serviced the public debt. Since then the Bank of Canada has been created and the Bank of Canada now services the public debt, and, therefore, you now need new language in there dealing with the servicing of the debt.

The CHAIRMAN: Shall item 68 carry?

Carried.

Shall item 69 carry?

Carried.

Shall item 70 carry?

70. (1) The Auditor General shall report annually to the House of Commons the results of his examinations and shall call attention to every case in which he has observed that

- (a) any officer or employee has wilfully or negligently omitted to collect or receive any money belonging to Canada,
- (b) any public money was not duly accounted for and paid into the Consolidated Revenue Fund,
- (c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by Parliament,
- (d) an expenditure was not authorized or was not properly vouched or certified,
- (e) there has been a deficiency or loss through the fraud, default or mistake of any person, or
- (f) a special warrant authorized the payment of any money, and to any other case that the Auditor General considers should be brought to the notice of the House of Commons.

(2) The report of the Auditor General shall be laid before the House of Commons by the Minister on or before the thirty-first day of December, or, if Parliament is then not in session, within fifteen days after the commencement of the next ensuing session thereof, and if the Minister does not, within the time prescribed by this section, present the report to the House of Commons, the Auditor General shall transmit the report to the Speaker for tabling in the House of Commons.

Mr. SINCLAIR: I might just draw Mr. Fleming's attention to section 70, subsection (2), to the fact that public accounts are to be tabled on or before the 31st day of December.

Mr. FLEMING: Subsection (2) of section 70?

Mr. SELLAR: That is tied in with the public accounts section.

Mr. FLEMING: Is that the earliest date, Mr. Auditor General, you are satisfied we can get these accounts into Parliament, if there is a fall session?

Mr. SELLAR: So far as my report is concerned, I can produce it in the month of August. The problem is not with the Auditor General's Report but with the Public Accounts, that voluminous volume which I think sooner or later you will have to reduce. In the printing of that volume you have a physical problem there that requires six months. Moreover, this is a rather distressing thing—I come from the province of Quebec—the French members

do not get their French edition early on account of the very size of it. I think you will have to reduce the amount of material that is being put into the Public Accounts.

Mr. FLEMING: What would you suggest first in that direction, raising the ceiling on the amounts that are to be reported?

Mr. SELLAR: Yes, condensing it generally, and salaries in particular. I do not believe that any member of parliament is really interested in what the general run of salaries are throughout the departments. He is interested in the chiefs but he does not care what the juniors get. I would say that the storekeepers are more interested in that information.

Mr. SINCLAIR: That is all out now. We raised that to a limit of \$5,000.

Mr. FLEMING: Yes, we did, at least we recommended that.

Mr. SELLAR: You got it up to \$5,000, but you will have to go a little higher.

Mr. FLEMING: Is there any reason why provision should not be made that your report should be tabled earlier than this date if parliament is in session in the fall?

Mr. SELLAR: I have no objection, sir, so far as I am concerned, because it is no problem to me to get my material to the printer in the month of August, and he rarely takes more than a month to get mine off, and he does a splendid job. We get good clean proof from him and any prints we require. That is why ours is all ready in the fall. I happen to be a printer by trade and that is why you will see that blue insert in the back so that the printer will print mine separately and not try to number it. As far as I am concerned, you can set any date you like after the middle of October.

Mr. SINCLAIR: As far as study by the committee is concerned, the two go hand in hand, your report and the actual record of the public accounts.

Mr. SELLAR: What Mr. Fleming, I think, has in mind is that my report should be ready in case there is a fall session, not that it will also be bound in with the public accounts.

Mr. FLEMING: I do not see any reason for any delay. We have had proof this fall it can be done otherwise. I think this large volume need not be printed before we have your own report because it is, after all, in terms of bulk, a small part of that big volume. I was wondering, in comparing 70 (2) with 64 (1), if we need to provide the same date for the two? Why cannot we leave the provision for the tabling of the public accounts on whatever date may be found necessary, in order to allow ample time for that heavy printing job, but not to postpone the filing of your own report in the House?

Mr. SINCLAIR: There are two points that arise here—first of all, the two are connected, and secondly, the actual practical thing is we have had public accounts referred to the committee this session and we are not going to touch them, they will be handled by the spring session, and we all hope there will not be many more fall sessions.

Mr. FLEMING: Just the same, we have had three fall sessions in the last three years, and I share the hopes expressed by the parliamentary assistant we won't have any more of them.

Mr. FRASER: Many more of them, he said.

The CHAIRMAN: If this committee got the Auditor General's Report separate from the public accounts, the role of the chairman would be much simplified, because each year I have a difficult time limiting the study of the committee to the Auditor General's Report when everyone wants to refer to the Public Accounts. Most members, when they consider the report of the Auditor General every minute refer to the Public Accounts. We have a hard time to stop them from getting on to the Public Accounts on every occasion, but it helps them to understand the Auditor General's Report better.

As far as the chairman's task is concerned I think that would simplify it if we had only the first one because people would not be tempted to enter the whole department on one slight item in the Auditor General's report, but my experience induces me to believe that it is most useful to have all details given in Public Accounts on any given point raised in the Auditor General's report.

Mr. FLEMING: May I ask Mr. Sellar if there is any practical difficulty he sees in having a requirement here that his report should be filed at an earlier date, perhaps several months earlier, than it is provided in section 64 for the time of tabling the public accounts?

Mr. SELLAR: My reply is this, Mr. Fleming. First, I do not get the financial statement from the Deputy Minister of Finance and the Comptroller of the Treasury until early in July as a rule. Sometimes the Deputy Minister of Finance's statements do not come in until August, but as a rule they are improving every year and I get them at the end of June or early in July. If I have them I can close off our audit and we can have our copy in the hands of the printer not later than the end of August, sometimes early in August.

Now then, after that the printer takes about three weeks for the handling of the corrections and printing and after that, sir, they are sitting in my office and if parliament is sitting and they want them there is no reason in the world why they should not have them, as far as I am concerned. But I would not like you to set a date earlier than the 30th of September or preferably the 15th of October. It is purely a matter for the members of the House of Commons to decide when they want it. We will be ready.

Mr. FLEMING: Well, there is certainly nothing any more important than the tabling in the House of the report of the Auditor General, and I do not see any difficulty in detaching the filing of the report of the Auditor General from the filing of the bulky volume of the public accounts.

If in any fall session the committee decided to undertake a detailed reading of the Auditor General's report, then it should be able to do so even though it might have to wait for the public accounts. The committee or any of the members of the House in the event of a fall session, I think, should take full advantage of the opportunity of having the report of the Auditor General earlier than the 31st of December, which is the new deadline prescribed by 64 for the tabling of the public accounts, and I think we ought to change this date in section 70, subsection 2, to the 15th of October, which was the date last mentioned by the Auditor General.

The CHAIRMAN: Are there any comments?

Mr. SINCLAIR: You actually cannot study the Auditor General's report with any real knowledge unless you have the public accounts on which it is based with it. The practice has always been this way. Would the auditors report be of any value in any event without knowing the accounts to which it refers. Mr. Sellar, of course, has to have the accounts before he can prepare his report.

Mr. FLEMING: That might be a question of the committee, if it were sitting down and making a detailed study of the accounts it might or might not want to have the balance of the public accounts, but I am thinking of members of the House in the fall session whether the committee is sitting or not and just because it has not been done let us not be too conservative with a small "c" from that point of view.

The CHAIRMAN: Let us not have anything too Conservative with a capital "C".

Mr. KIRK: I think Mr. Sinclair's comments or points are well taken. It seems to me that if you are going to study the Auditor General's report, you will want the public accounts report right alongside of it; otherwise, we will misconstrue some of the statements.

Mr. FLEMING: It is not necessarily a question at all, might I point out, Mr. Kirk, a question of the committee studying these things; it is a question of information to members in the House.

Mr. KIRK: Yes, of individuals as well as the cabinet.

Mr. FLEMING: Yes, or members of the House.

The CHAIRMAN: How can you at times form an opinion whether you agree with the Auditor General or not if you do not get the full details as given in Public Accounts.

Mr. FLEMING: Well, I can say to you, Mr. Chairman, in my own case when I first read over the report of the Auditor General I don't know if I ever referred in the reading of that report to the accounts, because he makes his comments which are pretty thorough and they are complete in themselves.

The CHAIRMAN: Well, gentlemen, do we have a motion on that?

Mr. FLEMING: I will move, then, Mr. Chairman—I thought this might have been generally agreed to, but if it is not I will move that we strike out the words "thirty-first day of December" in line 22 and substitute therefor "the fifteenth day of October."

The CHAIRMAN: Any further comments before I put the question?

Mr. MALTAIS: In fairness, in businesses is there such a practice that an auditor will publish his report but will not publish his statement of revenues and expenses? Then, can this motion bring up something in the accounting practice? Does there exist such a system now in the country where you publish an auditor's report and you do not publish a balance sheet and you do not publish a statement of revenues and expenses? Is there a departure from it?

Mr. SELLAR: Well, in the ordinary corporation, the auditor addresses his report to the directors and the shareholders and to that is attached financial statements. In this legislation the public accounts are prepared by the Deputy Minister of Finance and the Comptroller for the Treasury and they are transmitted by them to the minister who in turn addresses them to the Governor General in Council.

My report is not addressed to anybody; it is to be laid before parliament. That is a report on the accounts—not exactly comparable, sir, but I can see your point, but the two documents come together as a rule.

Mr. MALTAIS: Would you think that it might happen with a new report that it might be construed if you did not have the public accounts that you could not give more meaning to your reports? Suppose you mention a deficit on a new report. That is all you have to mention—that there is such deficit. Well, it would be easy to comment but you do not have the figures before you to explain it. Is there a matter of policy there?

Mr. SELLAR: The real point is, if you have the public accounts before you you can check the accuracy of my statement as an auditor. That is the point.

The CHAIRMAN: Well, might I suggest that we leave the item stand?

Mr. SINCLAIR: We have had a discussion; we might have a vote now.

Mr. FLEMING: Isn't this the sort of thing the minister might want to consider?

Mr. SINCLAIR: The minister has considered it; that is what he believes is right.

The CHAIRMAN: Well, I am in the hands of the committee, gentlemen. Mr. Fleming moves that clause 70, subclause 2, be amended by deleting the words "thirty-first day of December", in line 22 thereof, and inserting therefor "fifteenth day of October." All those in favour please signify?

The CLERK OF THE COMMITTEE: Four, Mr. Chairman.

The CHAIRMAN: All those against?

The CLERK OF THE COMMITTEE: Thirteen, Mr. Chairman.

The CHAIRMAN: I declare the amendment lost.

Item 71.

71. The Auditor General shall, whenever the Governor in Council, the Treasury Board or the Minister directs, inquire into and report on any matter relating to the financial affairs of Canada or to public property and on any undertaking or service that has received financial aid from the Government of Canada or in respect of which financial aid from the Government of Canada is sought.

Mr. WRIGHT: In connection with this, there is a question I would like to ask. Does that apply to where another country seeks financial aid from Canada or does it only apply within the Dominion of Canada? I am thinking of the Colombo plan or where some other nation asks for certain assistance in Canada. Is the Auditor General the authority that should investigate that? What has been the custom in the past or in this is he likely to be asked to undertake investigations outside of Canada?

Mr. BALLS: Well, I would say that the answer to that is "no", I do not think it would be proper or possible for the Auditor General to examine the transactions of a particular government. What is intended there, though, is the possibility of the examination of the transactions of international organizations and other similar bodies which might be seeking aid from Canada.

Mr. WRIGHT: Well, would it just be the bookkeeping of those organizations or the objectives of those organizations?

Mr. BALLS: I would say in answer to that that it would be the accounts and records of those organizations. I do not think it would be an audit of the purposes and objectives.

Mr. FLEMING: Well, what about organizations which are not necessarily public in their main functions, which receive parliamentary grants? What is the relationship of this section to them?

Mr. BALLS: I think, sir, that this would give the authority for the Governor in Council or Treasury Board or the Minister of Finance to authorize the Auditor General to investigate and report on the accounts of those bodies.

Mr. FLEMING: I can see the need for that. It is quite a sweeping power. If parliament is making a small grant to some organization, does the Auditor General as a matter of practice—take the long list of organizations to which grants are made in parliament of the Department of National Health and Welfare—does the Auditor General attempt to carry on the kind of inquiry and report as to those organizations contemplated by section 71?

Mr. SELLAR: This is a new section, and the Department of Finance people will correct me, but I imagine this has been adopted from the old Board of Auditors Act where a great many years ago there was an Act providing for three chartered accountants to form a board with the Minister of Finance or Treasury Board and look into any matter like this in Canada or any body assisted by Canada, to look into their accounts or affairs, to protect the government's interest and I imagine that is taken from it. This is new, as far as I am concerned.

Mr. SINCLAIR: It is only at the request of the minister or government of Canada?

Mr. SELLAR: The real reason is, this section—I am speaking in the presence of lawyers and they can correct me—this section does not give me any power or would not give me any power to go into the accounts of anybody; there would have to be consent, but this, I gather, is the direction from parliament that if I am told to do this by the government or the minister I do it. And I would assume, as Mr. Fleming stated, assuming that it is some large agricultural

cooperative which came to the government and asked for financial assistance and the government was not sure whether it wanted to give the assistance or or not, they would say, "We want to have a good look at their financial system and see if they require anything." That is what I would imagine. I am just guessing at the moment.

Mr. MAJOR: Would that apply to the mining industry?

Mr. SELLAR: You are thinking of this gold regulating system that is applicable to the companies which they can get. All the government would instruct me to do would be to satisfy myself that they qualified within the terms of the Act. I do not think I would have any right to go over their accounts and audit them.

Mr. CAMPNEY: Except that they might lose their grants.

Mr. WRIGHT: I think that is a very good regulation. I think if the government of Canada are going to make grants they ought to know all about who the grants are going to.

Mr. CLARK: It might never be used. It is wholly permissive but we thought it desirable to have the power in certain cases. So far as the question of the power that the Auditor General would have, I think this should be read in conjunction with 74, which gives the Auditor General the power of a commissioner under Part I of the Inquiries Act. He would have adequate power if the Governor in Council requested him to make this kind of inspection and report.

Mr. FLEMING: I wonder, Mr. Chairman, if the words "undertaking or service" in line 33 are the most effective words for the purpose? It does not say "any recipient of financial aid from the government," but dealing with what might be grants or assistance to organizations outside the government of Canada or possibly public property it is just "undertaking or service that has received financial aid or may seek financial aid". "Undertaking or service"—where did those words originate? Would it not be better, if the principle is sound, to say that "any recipient of financial aid or any applicant for financial aid"?

Mr. SELLAR: Or "any body"—just use the word "body".

Mr. FLEMING: I think if you said "recipient" or "applicant" that includes everybody in every capacity.

Mr. BALLS: I think we might ask the lawyers to consider that.

The CHAIRMAN: We will keep it under advisement for consideration of probable amendment to the words "undertaking or service".

Item 72.

Carried.

Item 73.

73. Whenever it appears to the Auditor General that any public money has been improperly retained by any person, he shall report the circumstances of such cases to the Minister.

Mr. FULTON: On 73, Mr. Chairman, I just wondered—I see it is not new at all—why the report is consigned to the minister. Would it not be also proper to have that included in the Auditor General's report to parliament and I was going to ask the Auditor General whether he puts it in his report?

Mr. SELLAR: We automatically would put it in our report. This is just a matter of making it law.

Carried.

Mr. FLEMING: In 73 there is no time limit. That is the kind of section where one would expect to find, "He shall forthwith report the information to the minister".

Mr. SINCLAIR: We expect that of the Auditor General.

Mr. SELLAR: I might say in connection with this information I have always reported it within twenty-four hours.

Mr. FLEMING: As Mr. Sinclair says, I think we would expect it of the Auditor General.

Mr. SELLAR: I have no objection to your putting it so, but when I say "I" I mean my predecessors as well. I am not trying to take a boquet for myself.

Mr. CAMPNEY: I think it could very logically be put in there.

Mr. SINCLAIR: That he shall "forthwith"?

Mr. FLEMING: In line 41, between the word "shall" and the word "report".

The CHAIRMAN: Shall the clause carry as amended?

Carried.

Section 74?

Carried.

Section 75?

Carried.

We now reach Part VIII, Crown corporations. I think I had Mr. Wright postpone some of his remarks the other day by stating that when we came to this part he could make his remarks.

Mr. CLARK: Mr. Chairman, I think, if it is satisfactory to the committee, it might be well to have a few comments on the general pattern of this part from Mr. Balls. It is a new and somewhat experimental section which was extremely difficult to work out. It may not be clear to any person reading it for the first time. I think Mr. Balls could make a few comments which would give the picture of what we had in mind.

The CHAIRMAN: I think it would be of benefit to the committee if we had a few remarks.

Mr. BALLS: The purpose of this part is to establish a uniform pattern for the relationships between Crown corporations and the government. We have tried here to establish a pattern of relationships on the basis of a three-fold classification of Crown corporations.

In the first place we have defined what we call departmental corporations, which are in essence departments of government incorporated or given corporate status for one reason or another and over which the Governor in Council or the minister exercises more or less continuous control or direction. In the bill, these departmental corporations are defined as "any Crown corporation that is a servant or agent of His Majesty in right of Canada and is responsible for administrative, supervisory or regulatory services of a governmental nature."

The second group consisting of what we call agency corporations—include "Any corporation that is an agent of His Majesty in right of Canada and is responsible for the management of trading or service operations on a quasi-commercial basis, or for the management of procurement, construction or disposal activities on behalf of His Majesty.

The third group which we call proprietary corporations is defined in the bill to mean: "Any Crown corporation that (1) is responsible for the management of lending or financial operations, or for the management of commercial and industrial operations involving the production of or dealing in goods and the supplying of services to the public, and, (2) is ordinarily required to conduct its operations without appropriations."

Now, in the pattern of the part we have provided that the departmental corporation shall be subject to the general provisions of the Act except in so far as they may be exempted by the special provisions of the statute under which they are incorporated or under which they operate. In other words, they will be treated more or less as ordinary departments of government.

Mr. CLARK: Subject to all of the earlier provisions of this Act.

Mr. BALLS: Quite. Agency and proprietary corporations will be subject to the provisions of this Crown corporations part, subject however to any special over-riding provisions in their own special legislation.

In other words, if there are special provisions in an Act incorporating a company which are inconsistent with the provisions of this part, those special provisions apply.

In general, the provisions of the Crown corporations part apply uniformly to agency and proprietary groups with two exceptions. The first exception is that, while both agency and proprietary corporations are to be required to submit capital budgets to be laid before parliament annually after approval of the Governor in Council on the recommendation of the appropriate minister and the Minister of Finance, the agency corporations will be required also to submit their operating budgets for the approval of the appropriated minister and the Minister of Finance.

The second distinguishing feature in regard to the treatment of agency and proprietary corporations is that agency corporations shall also be required to undertake their contractual commitments subject to the regulations of the Governor in Council.

Now, for the rest, the provisions of the part apply equally to agency and proprietary corporations and I might just run over the provisions very briefly.

In Section 77, the Auditor General is made eligible to be appointed the auditor, or a joint auditor, of a Crown corporation. In Section 79, the financial year of the corporation is stated to be the calendar year unless the Governor in Council otherwise directs. That of course is subject to the provisions of any special Act which may state another period for the financial year.

Mr. FLEMING: Suppose the calendar year is set by the Act, the Act pertaining to the particular Crown corporation?

Mr. BALLS: Then, it will be the calendar year.

Mr. FLEMING: This won't affect it at all?

Mr. BALLS: It is subject to the specific Act which over-rides this provision.

Section 80 as I have mentioned deals with the submission of budgets. In Section 81, subsection (1) deals with the bank accounts of corporation and provides that corporations, with the approval of the Minister of Finance, may establish bank accounts in the Bank of Canada or in bank's in Canada or financial institutions outside of Canada. Subsection (2) provides, in effect, that the Minister of Finance may require a corporation to use the Receiver General account as its bank account; and subsection (3) authorizes the appropriate minister and the Minister of Finance to require a corporation, with the approval of the Governor in Council, to pay over to the Receiver General any moneys that may be in excess of the requirements of the corporation.

Section 82 authorizes the Governor in Council, at the request of the appropriate minister, to direct the Minister of Finance to lend money for working capital to the corporation. This is limited to an amount of not more than \$500,000 for any corporation and any loan so made is subject to repayment within a period of twelve months. Also there is a requirement to make a report on all such loans, to parliament.

Mr. WRIGHT: Would that be in addition to any provision in the Act setting up the corporation, which provided for loans?

Mr. BALLS: Yes, sir, that is in addition to any general loaning authority in a special Act.

Section 83 deals with the matter of regulating the contractual commitments of agency corporations. Section 84 empowers a corporation to make provision for reserves for depreciation of assets, for uncollectable accounts, and so on, subject to any order of the Governor in Council.

Section 85 requires a corporation to keep proper books of account and to prepare annual statements of accounts including a balance sheet, a statement of income and expenditure, and a statement of surplus, containing such information as is required normally by The Companies Act; also to include such other information as either the appropriate minister or the Minister of Finance may require. Subsection 3 of that section calls for an annual report and prescribes that it shall be submitted to the appropriate minister within three months after the end of the financial year, and that the minister shall submit it to parliament within fifteen days after he receives it.

Also, there is provision for such additional reports as the appropriate minister may require.

Section 86 gives the auditor of the corporation access to the books and such other information as he may require from the corporation or the corporation officers. Section 87 prescribes in some detail the type of auditor's report that will be required in connection with agency and proprietary corporations. It is a more precise form of reporting than is required under The Companies Act. You will notice that it calls for a statement not only in regard to the balance sheet but also in regard to the statement of income and expenditure, but furthermore it requires a statement from the auditor as to whether or not the statements have been prepared on a basis consistent with that of the previous year. It is more in line I think with American practice and refers also to some greater extent current United Kingdom practice.

There is provision for the auditor to call attention to matters which he feels should be brought to the attention of parliament including any transactions of the corporation which he feels are beyond the powers of the corporation. Other reports may be made to the appropriate minister, and it is provided that the auditor's annual report will be included in the corporation's annual report to him.

Section 88 finally provides that whenever the auditor believes a matter shall be brought to the attention of the Governor in Council, the Treasury Board or the Minister of Finance, he shall report through the appropriate minister.

Those I believe, are the principal terms of the Crown corporations part.

Mr. WRIGHT: I asked Mr. Sinclair in the House just why the Wheat Board was not included as a Crown corporation in the Schedules to the Act. Can you give me an explanation of that?

Mr. BALLS: I think, sir, the Wheat Board was incorporated with the prime object of marketing in an orderly manner in interprovincial and export trade, the grain grown in Canada. It is declared in the statute to be an agent of the Crown but that is largely for the purpose of litigation, and it is in fact regarded more as an agent of the farmer or grain producer than of the Crown. In view of the rather special nature of the Board's functions, its relations with the producers, and their particular concern in its operation, it is not considered advisable to alter the existing relationship by making the provision of the Crown corporations part applicable to the Canadian Wheat Board.

Mr. WRIGHT: In that case, if it tables its annual report in the House, but is not included here as a corporation over which we have, as parliament, certain control that we have over other corporations, I know of no method whereby the growers themselves can use or can survey the annual report of

growers and the method for the growers of exercising their right is to examine the Wheat Board—except through parliament? It seems to me that the Wheat Board must be responsible to somebody. You say it is responsible to the the accounts of the Wheat Board through parliament.

Mr. BALLS: I am trying to locate a copy of the statute.

Mr. WRIGHT: I do not think there is any provision that I know of whereby the growers as such can exercise their right to examine the accounts of the Wheat Board except through parliament. And if there is not, there should be some provision made for the growers to have that right, or parliament should assume that right, on behalf of the growers.

Mr. BALLS: Well, first of all the Canadian Wheat Board is subject to the Canadian Wheat Board Act. Moreover, the provisions of the Crown Corporations part of this bill will not override the provisions of the Canadian Wheat Board Act, and, although I am not absolutely certain, I think there are provisions in this latter Act with respect to the appointment of auditors and the presentation of an annual report.

Mr. WRIGHT: But they report to parliament. They do not report to the growers.

Mr. BALLS: I think that is quite right.

Mr. WRIGHT: Well, we make no provision in this Act for checking, and the growers have no agency through which they can check, except through Parliament. That is the point.

Mr. BALLS: In section 5B of the Canadian Wheat Board Act there is a provision for the board to keep proper books and accounts and to report to the minister each year on or before the 31st day of March, and that report to the minister is to be in writing. Furthermore, the minister is required to lay a copy of each report of the board made under the provision of this section before parliament.

Mr. WRIGHT: Yes, but you have just told us that the Wheat Board was not included in crown corporations because it is an agency of the growers. But the growers under the Act have no way of checking the accounts of the Wheat Board except through parliament because it is an entity which was brought into being by parliament. I think it should, however, be included in these crown corporations.

Mr. CLARK: Is there not an advisory committee?

Mr. WRIGHT: Yes, but they have no authority to check accounts. They are just an advisory committee to the wheat board with regard to the policy of the board and they have no authority under the Act to examine the accounts of the wheat board.

Mr. CLARK: Does not the laying of a report before parliament in accordance with the Wheat Board Act give parliament an opportunity to examine and investigate the operations of the wheat board on behalf of itself and on behalf of the growers?

Mr. WRIGHT: Mr. MacKinnon, when the Act was introduced, stated that it would be placed before the Agriculture Committee of the House at each session. But it has not been placed before the Agriculture Committee of the House in the past 3 sessions. We have had 3 annual reports tabled in the House, but we have never had as an agriculture committee of the House an opportunity to go into the details of those reports. I think they should be included as one of the crown corporations.

The CHAIRMAN: Of course, the witness might not be the one to give his opinion as to what should be government policy. I agree that there should be a way whereby we could go into the accounts of the Wheat Board, but I wonder

if the witness is the proper one to express an opinion on government policy. We might ask Mr. Balls if he knows of any reason why they were not included.

Mr. WRIGHT: It is not satisfactory to me.

Mr. SINCLAIR: I shall ask the minister to come to our meeting tomorrow and then we might ask him whether or not the wheat board should be included as one of these agency corporations. Can we not let the item stand until then, Mr. Wright.

Mr. WRIGHT: Yes, but I want to express this opinion, that I agree with Mr. Clark when he says that this is an agency of the growers. But I think there should be an agency whereby the growers would have the right to examine the accounts of the wheat board themselves, and that could be done if this corporation were set out in the name of the growers.

Mr. SINCLAIR: You are now going in the other direction. You want the Act changed to give the growers a better opportunity of examining the records.

Mr. WRIGHT: It has certainly got to be in one place or the other, and I think it should be the growers.

Mr. CAMPNEY: Is not that a matter for consideration of the Wheat Board Act?

Mr. SINCLAIR: That is what I pointed out.

The CHAIRMAN: Mr. Wright has brought in this matter of whether or not in bringing in new legislation concerning crown corporations we should include the wheat board. But whether we should or should not look into the wheat board administration is another matter. However, in asking why it was not included here, I think he was perfectly in order.

Mr. WRIGHT: That satisfied me. And I would like to have the minister here to question him.

The CHAIRMAN: The minister expressed a desire that any time any member of the committee wished, he would report instantly and be a witness before the committee.

Mr. FULTON: Why not get the Minister of Defence Production—

The CHAIRMAN: We had him here last year, but I do not recall it produced very much results for the opposition members. Let us be satisfied with one minister now.

Mr. FLEMING: Are there any other crown corporations or boards in existence which are not included in these three schedules at the end, besides the wheat board?

Mr. BALLS: Yes, there are several others: the Bank of Canada is not included; the Industrial Development Bank is not included; and there are also several other bodies such as the Halifax Relief Commission and the Eastern Rockies Forest Service Board. The Bank of Canada, of course, is a highly specialized corporation performing important banking functions. Its managerial set-up in relation to the government is set out in considerable detail in the Bank of Canada Act, and it is not expected that it will call upon the government for financial assistance.

Mr. FLEMING: I think it is the other way around, is it not, that the government will call upon them for financial assistance?

Mr. BALLS: The Industrial Development Bank is a subsidiary of the Bank of Canada and it was considered by the minister desirable to treat it on the same basis as the bank itself.

In regard to the Halifax Relief Commission and the Eastern Rockies Forest Conservation Board, those are bodies which have been established by the federal government in cooperation with provincial governments, and as it seemed that arrangements with respect to the control and regulations of such

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joint enterprises should not be made unilaterally, but rather on the basis of agreement with the two governments concerned, they were not included in the schedules to the bill. I think those are the principal ones which are not included.

Mr. BRYCE: The Winnipeg Dyking Board?

Mr. BALLS: The Greater Winnipeg Dyking Board and the Fraser Valley Dyking Board were not included.

Mr. FULTON: The Dominion-Provincial Board for the Fraser basin is a board which was set up to study development of the Fraser Valley. What about it?

Mr. BALLS: I am not familiar with that organization, but I suspect it is not a body corporate.

The CHAIRMAN: Is there anything in this part that provides for crown corporations that their books and accounts shall be included in the public accounts in more detail than just the balance sheet?

Mr. BALLS: No.

The CHAIRMAN: That is a question of policy. And the next one: is there any reason why the auditor general would not be the auditor general of such corporations the same as for the regular departments? I shall not ask the witness that question. That would probably be one to ask the minister.

Mr. FLEMING: Have you now given us all the crown corporation or boards having corporate existence which have not been included in the schedule to this Act?

Mr. BALLS: To the best of my knowledge, sir, yes.

The CHAIRMAN: Shall we start with item 76 and go on for another 5 or 10 minutes?

Mr. FLEMING: Shall we not rise at 5.45 o'clock?

The CHAIRMAN: Should we not carry on to 6:00 and try to hurry up the study, because tomorrow, if we have the minister with us, I feel that the meeting will be longer than was expected and that we are still left with 30 sections. Do you mind very much if we carry on until 6:00 o'clock.

Mr. FLEMING: Remember, Mr. Chairman, we started at 3:30 today.

The CHAIRMAN: But you are a strong man.

Mr. FLEMING: You are going to make an old man out of me.

The CHAIRMAN: Section 76?

PART VIII.

CROWN CORPORATIONS.

76. (1) In this Part

- (a) "agency corporation" means a Crown corporation named in Schedule C;
- (b) "auditor" means, in relation to a corporation, the person authorized by Parliament to audit the accounts and financial transactions of the corporation;
- (c) "Crown corporation" means a corporation that is ultimately accountable, through a Minister, to Parliament for the conduct of its affairs, and includes the corporations named in Schedule B, Schedule C and Schedule D;
- (d) "departmental corporation" means a Crown corporation named in Schedule B; and

- (e) "proprietary corporation" means a Crown corporation named in Schedule D.
- (2) The Governor in Council may by order delete the name of any corporation from Schedule B, Schedule C or Schedule D.
- (3) The Governor in Council may by order
- (a) add to Schedule B any Crown corporation that is a servant or agent of His Majesty in right of Canada and is responsible for administrative, supervisory or regulatory services of a governmental nature;
- (b) add to Schedule C any Crown corporation that is an agent of His Majesty in right of Canada and is responsible for the management of trading or service operations on a quasi-commercial basis, or for the management of procurement, construction or disposal activities on behalf of His Majesty in right of Canada; and
- (c) add to Schedule D any Crown corporation that
- (i) is responsible for the management of lending or financial operations, or for the management of commercial and industrial operations involving the production of or dealing in goods and the supplying of services to the public, and
- (ii) is ordinarily required to conduct its operations without appropriations.

Mr. FLEMING: We will compromise with 10 minutes to six.

Mr. SINCLAIR: There is one reservation about the inclusion under schedule (c) at the back, to be expanded to include or not to include the wheat board.

Mr. FLEMING: We are not passing on the schedules?

The CHAIRMAN: No. We are starting item by item; now, section 76, that is just descriptive and we have had information on that already.

Mr. FLEMING: The question arises with respect to subsection (2) which reads:

"The Governor in Council may by order delete the name of any corporation from schedules (b), (c), or (d)."

I wonder if Mr. Balls could tell us why that power is required.

Mr. BALLS: In view of the possibility, sir, that the nature of the operations of a corporation may change, it well may be that a corporation which at one period may be undertaking what may be essentially an agency corporation operation may be required to undertake operations which are more those of the nature of a proprietary corporation. This sub section (2) of section 76 permits the deletion of the name of a corporation from one schedule and, under subsection (3) it permits it to be listed in another.

Mr. FLEMING: It does not say that if it is deleted from one schedule it must be listed under another.

Mr. BALLS: No sir, that is so.

Mr. FLEMING: I do not follow that. You have given us the reasons, if I understand them, that at some stage or other the Governor in Council may wish to transfer a corporation from its present schedule in the Act to another schedule. But that is not what this section says.

Mr. CLARK: I do not think that the Governor in Council would want to delete a corporation from any of these schedules unless it were putting it into one of the other groups. Now, if you think that the Governor in Council should be restricted or prohibited from deleting a corporation from one schedule unless this, and it is moved into another schedule, I do not think that we would have any objection, or I do not think the minister would have any objection to that, if provided you think it is really necessary.

Mr. FLEMING: I do. Otherwise, there is nothing under this Act to prevent the Governor in Council on the day after this comes into effect from deleting every corporation in schedule (b), (c) or (d) from the whole Act.

Mr. SINCLAIR: Then why would the government put it forward now?

Mr. FLEMING: That is not the test here. Surely, we are not going to enact legislation in a form like this, where that result could follow?

Mr. SINCLAIR: It could, yes.

Mr. FLEMING: Surely the case made out here by Mr. Balls is for some power to shift a corporation from one schedule to another where the functions of the corporation have changed so as to bring it more closely under the general designation of a departmental corporation in one case, or a proprietary corporation in another case. So if there is a change in the nature of a corporation, I think the authority is required to shift it from one schedule to another, and where a change has occurred in the functions of the corporation, that brings its functions under this or that category which is designated in the schedule to which it is proposed to transfer it.

Mr. SINCLAIR: I wonder whether subsections 2 and 3 should not be read in conjunction? Before it can get into the schedule (b), (c) or (d), they first have to delete the corporation from the other schedule. And if there is going to be a change, surely 2 and 3 have to be changed.

The CHAIRMAN: I think that Mr. Fleming has a point as to the wording, I mean, to give real meaning to deleting, or what they want to do. I think that should be reconsidered.

Mr. FLEMING: There is a further point in the light of what Mr. Sinclair said. Subsection 3 is there only to include new corporations coming into existence. I think the purpose of subsection 3 is to deal with new corporations which are not now in the Act, but I do not think we want to legislate so loosely that we put a long list of corporations in this schedule when it would lie within the power of the Governor in Council to take them all out.

Mr. SINCLAIR: Let this stand for the minister tomorrow.

Mr. GIBSON: Is section 77 new entirely?

Auditor General Eligible

77. Notwithstanding any other Act, the Auditor General is eligible to be appointed the auditor, or a joint auditor, of a Crown corporation.

The CHAIRMAN: The whole section is new, yes.

Mr. GIBSON: And the Auditor General is not necessarily eligible?

Mr. CLARK: There are certain cases where the Auditor General under the existing Act would not be eligible to audit certain corporations because of certain provisions in the statutes governing those corporations, but he is made eligible under this legislation.

Mr. GIBSON: What is that?

Mr. CLARK: This bill makes him eligible to act as auditor of any crown corporation though he would have to be appointed in particular cases by Act of parliament; for instance in case of the C.N.R. Act. In other cases he would have to be appointed by the Governor in Council.

The CHAIRMAN: Is there any reason why the office of the Auditor General should not perform such services for all government bodies of that kind?

Mr. CLARK: I think that is a matter on which the Minister himself should speak.

The CHAIRMAN: Section 78.

78. (1) Sections seventy-nine to eighty-eight, both inclusive, apply to agency corporations and proprietary corporations, but in the event of any inconsistency between the provisions thereof and the provisions of any other Act, provisions of such other Act prevail.

(2) This Part does not apply to departmental corporations except as provided in section seventy-six.

Mr. NOWLAN: What is the function of the audit board? How does the audit board act? Does it have responsibility for the financial affairs of the Canadian National Railways, the Canadian Mercantile Corporation, and others of that kind? Does the audit board function at all?

Mr. CLARK: No, it does not. It has been obsolete for 20 or 30 years.

Mr. NOWLAN: There is no supervisory authority in Canada, no body which takes its place?

Mr. CLARK: This Act, by the way, Mr. Nowlan, makes provision for the repeal of that Act.

Mr. NOWLAN: Oh yes, I wondered; it has not been functioning at all?

Mr. CLARK: No, not since the 1920's.

The CHAIRMAN: Section 77?

Carried.

Section 78?

Carried.

Section 79:

79. The financial year of a corporation is the calendar year, unless the Governor in Council otherwise directs.

Mr. FLEMING: On section 79; does this make any change in the financial year of any of these corporations?

Mr. BALLS: There are a number for which this will not make any automatic change because the provisions of special legislation will still prevail: in other words, if the provision of an Act such as that establishing the Canadian Commercial Corporation prescribes the annual report of its current operations as being for the 12 month period ending on the 31st of March, that would still apply.

Mr. FLEMING: I think that is quite clear, but I think there are cases where the special Act of a Crown corporation may not make provision concerning its financial year. My question is will section 79 change the financial year of any of these corporations?

Mr. BALLS: Yes.

Mr. FLEMING: Which ones?

Mr. BALLS: I think that Canadian Arsenals Limited, Canadian Patents and Development Limited, Defence Construction Limited, Commodity Prices Stabilization Corporation, Eldorado Mining and Refining Limited, Northern Transportation Company, and Polymer Corporation Limited; do not have specific statutory provisions with respect to their financial years. But there is, of course, a provision in this section that the financial year shall be the calendar year unless the Governor in Council otherwise directs. It is conceivable that the Governor in Council may direct with respect to some of these that the fiscal year ending the 31st of March shall continue to be the financial year of the corporation.

Mr. FLEMING: In all of these cases that you have mentioned, I think there were seven or eight of them, the financial year is now established by order in council?

Mr. BALLS: No, sir, some of them now have their financial year established under the provisions of the Government Companies Operation Act, section 10 of the Government Companies Operation Act, which will be repealed by this bill.

Mr. FLEMING: May I ask in general about the relationship of the financial year of these Crown corporations to the government fiscal year? What is the argument for and against, say? I am thinking particularly of the relationship they have to public accounts and matters of direct interest to parliament.

Mr. BALLS: Well, I think there are two purposes in suggesting that the general principle should be that the financial year of corporations should be the calendar year; the first is to enable the results of the operations of the corporation for a financial period to be incorporated in the public accounts; in other words, to permit the books and accounts for any year to be closed insufficient time to enable all the results of the years' operations to be recorded in the public accounts. The second, and a most important purpose, is to set a date which is convenient to the Auditor General; because, otherwise, he would be required to conduct not only his audit of the public accounts but also his audit of the Crown corporations, of which he is the auditor, all as of the 31st of March. It is a heavy burden to audit public accounts themselves without requiring these other audits to be done during the same period. If they had to be done during the same period it would be an extremely heavy load.

Mr. FLEMING: Are there any corporations whose financial years end other than on December 31, or March 31st?

Mr. BALLS: Yes, the Canadian Wheat Board which is July 31st, and the Industrial Development Bank which I think is the 30th of September.

Mr. FLEMING: Those are the only exceptions?

Mr. BALLS: To my knowledge.

Mr. FLEMING: To the general rule?

Mr. BALLS: To my knowledge.

Mr. FLEMING: Is there any reason, from Mr. Seller's point of view, why exceptions should be made of these two? I am thinking about some of the limitations of the powers in section 79 given to the Governor in Council to direct otherwise. I presume that power is broad enough to change the fiscal year of any corporation which is not fixed by its own special Act, and it could mean a heterogeneous variety of dates for the termination of fiscal years in these groups of Crown corporations. Would that be desirable?

Mr. SELLAR: Well, sir, there is one of the companies that had a date the end of August. That was the Sugar Stabilization Corporation; and Mr. Balls was erroneous when he spoke about Eldorado; that is December 31st. The other is the Northern Transportation, on December 31st; and that is the date they had when they were an Ontario corporation, privately owned, and we have continued that. Now then, in reply to your question: The big advantage of December 31st, is because the ordinary man thinks of the financial year very much in terms of the calendar year. The second advantage of December 31st, apart from that one thing, is that if we had to audit all the reports within three months from the first of January, they would come before parliament—they would have to be tabled within 15 days after—in other words by the 15th of April; so there is really a big advantage in having December 31st. Now, as to these other dates, the Wheat Board is dictated by the old practice of the grain trade. The grain trade uses the crop year. In the sugar trade it was similar. I don't know about the bank, I suppose it was fixed when it was incorporated.

Mr. CLARK: No, it actually was not done until some time after it was incorporated. We thought when we started off that we would have the fiscal years of the two corporations ending on the same date, that is, on December 31st, but we found it was just not possible to get the audit of the Industrial Development Bank ready in time for the annual meeting of the Bank of Canada if the fiscal year of the I.D.B. ended on December 31st, so we put it back three months, that is to say, to September 30th.

Mr. WRIGHT: In regard to the wheat board, I wonder if that would not be the crop year?

Mr. CLARK: The crop year is used there.

Mr. WRIGHT: The crop year ends July 31st, the weighover in the elevators must take place at the time when there is the least grain in them.

Mr. FLEMING: Then the only two exceptions under this particular heading would be the wheat board and the one you mentioned, I think it was the Sugar Stabilization Corporation?

Mr. CLARK: That has been wound up.

Mr. SELLAR: That has been wound up. I was just giving you an illustration. That was dictated by the practice in the sugar trade, just the same as in the grain trade, which is for the end of the crop year.

Mr. FLEMING: It comes down to this then, that the wheat board is the only Crown corporation which has a fiscal year ending other than on December 31st or March 31st?

Mr. BALLS: And the Industrial Development Bank.

Mr. FLEMING: I am concerned about the wording in this section, about the power in section 79 where it says, "unless the Governor in Council otherwise directs". I wonder if there should not be some limitation there having regard to the general desirability of adhering to one date or the other, either December 31st, or March 31st?

Mr. SELLAR: You are looking at me, sir. I will try to answer, although I may not know the answer. The situation may be that a body is so connected with Mr. Howe's department of Defence Production that it may be financed by advances from his votes, and it may be more convenient to have its fiscal year end March 31st to tie in with the Department of Defence Production. That is, I think, what they had in mind when they put in that reservation.

Mr. CLAK: That is one of the reasons. I think probably there is another reason as well. I think that if it were practicable it would be desirable to have all Crown corporations have their year end on the same date as the government fiscal year ends, namely March 31st, because then you would have the complete story of all government business for the same 12 month period. Now, it is not practicable to do that because of the factors that Mr. Balls mentioned for practical reasons. We have to go back in a great many cases to December 31st. You will find, I think, that the general practice established under this will be December 31st. There will be a few corporations whose fiscal year will end on March 31 where it is practicable and, as I said, desirable. There will be one or two, one the Wheat Board and the Industrial Development Bank, where for other good and efficient reasons, will have some other year-end. I believe however the desire of the Governor in Council will be to get as high a degree of uniformity as is practicable.

The CHAIRMAN: Shall we pass on to item 80?

Mr. SELLAR: Mr. Cairman, may I say a word in order to complete my statement. I overlooked the National Harbours Board. Its financial year ends on December 31 now. It is listed here.

The CHAIRMAN: Shall we pass on to item 80?

Mr. FLEMING: There will be a lot of questions on section 80 on this matter of operating budget. This is a good place to adjourn, I would say.

The CHAIRMAN: Mr. Fleming moves we adjourn. I want to ask something from the parliamentary assistant: would it be considered advisable to wind up our study of the bill and then call the minister, after having set aside

all the items that members want particularly to ask him questions on, rather than have him come immediately, before our work on the bill is finished.

Mr. SINCLAIR: He would appreciate that because he has been away so long it is a hard job for him to catch up on his work.

The CHAIRMAN: Then we will carry on this study of the bill at the next meeting and at the following meeting, or as soon as possible, ask the minister to come.

Mr. FLEMING: I would suggest we could save time if he would come here first and let him make a statement or be asked questions on the matters that members want to ask him questions on, and then he does not need to stay for the review of the other sections.

Mr. WRIGHT: As far as I am concerned, the questions that I would have to ask the minister and his answers would not take more than 15 minutes.

The CHAIRMAN: The point is this, that we could not have had the minister from the first clause and ask him to be with us all the way through, but I think as soon as we have dealt with the bill satisfactorily—up to now most of the questions are administrative questions and technical questions answered by officials—we should carry through as we have done up to now, and when we are through with the bill and want to go into questions of policy the minister shall be called.

Mr. JUTRAS: May I remind you the House is sitting at 11 o'clock tomorrow morning.

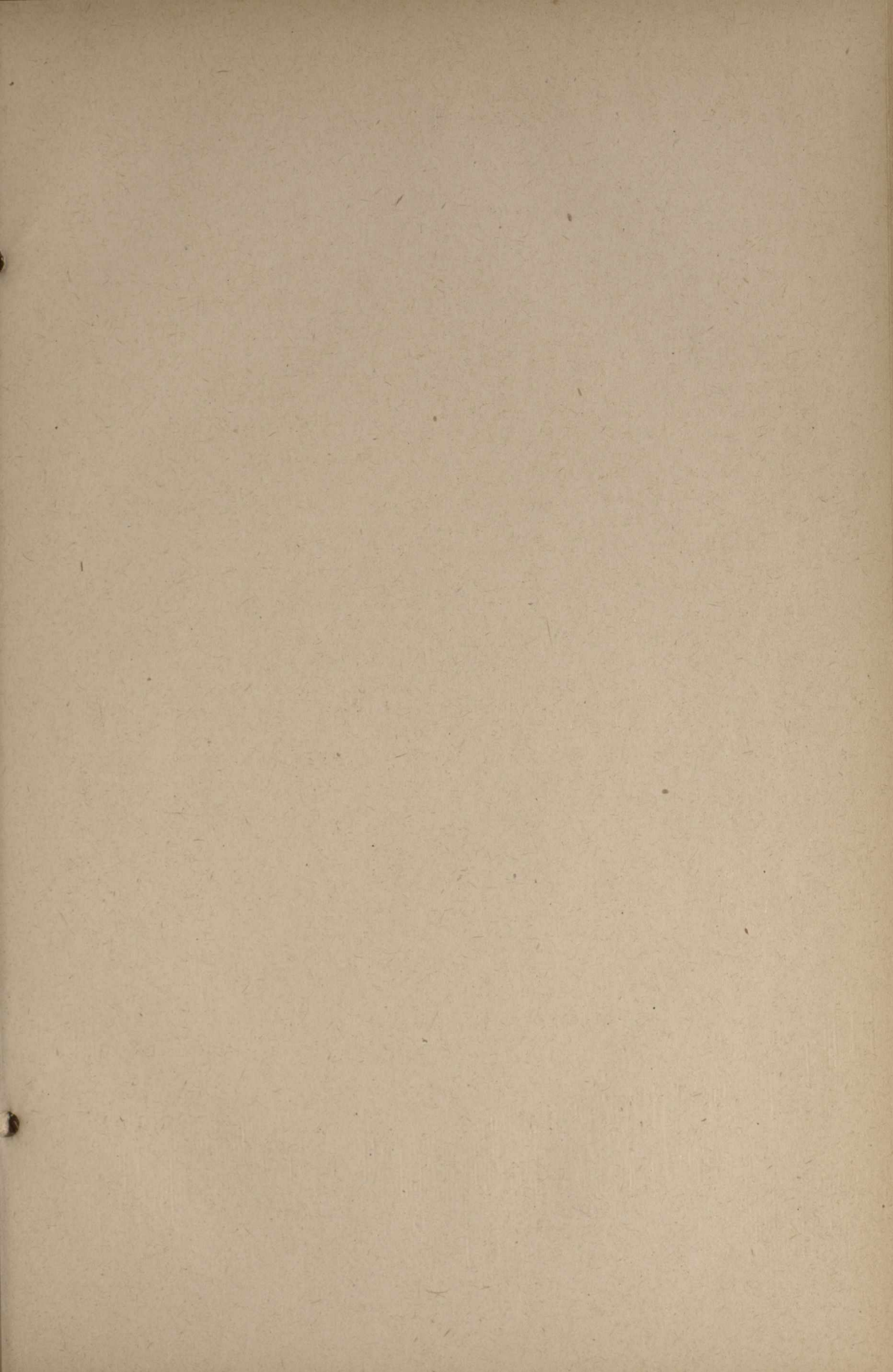
The CHAIRMAN: Then we will meet tomorrow morning immediately after the orders of the day are called.

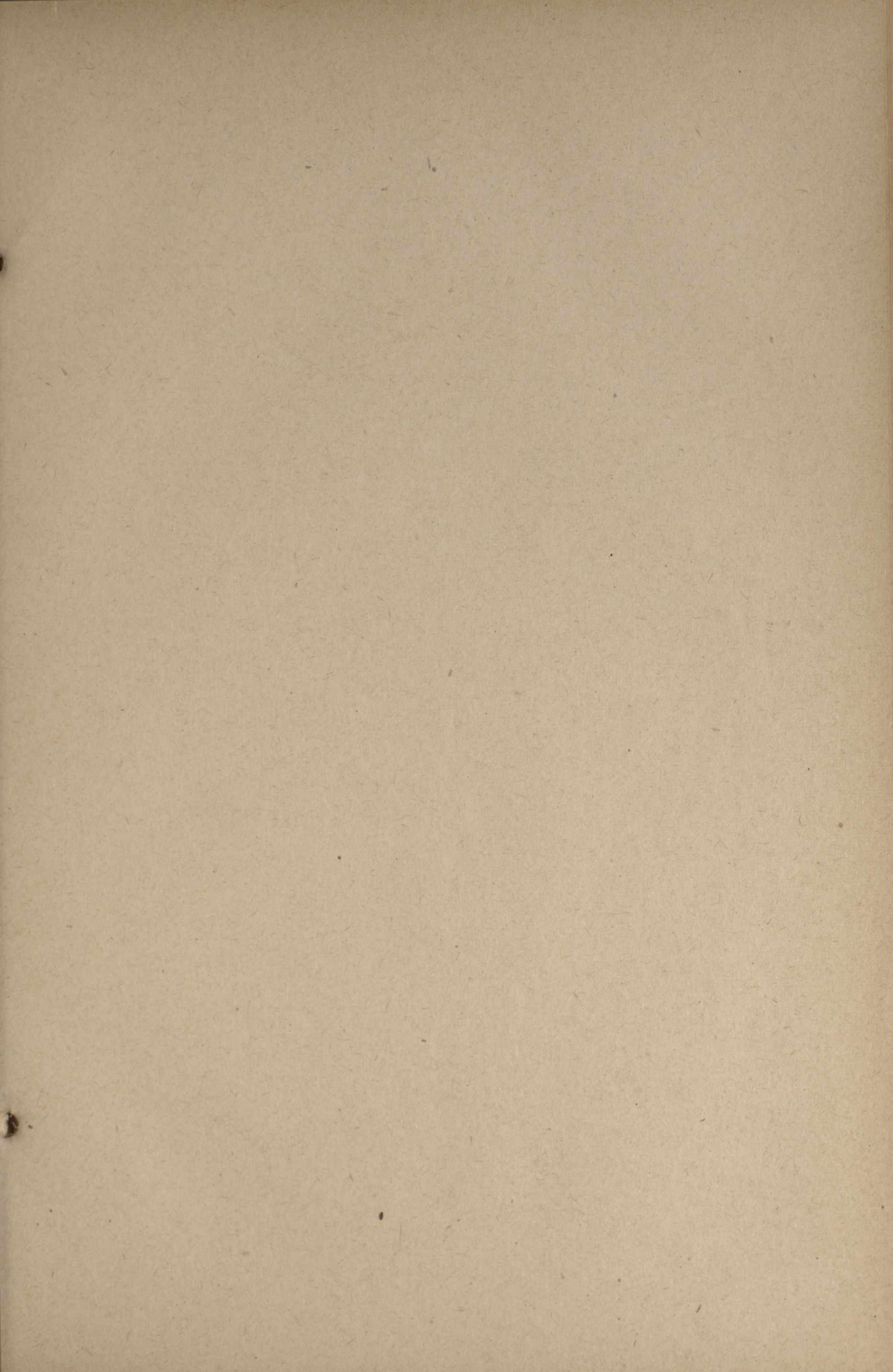
Mr. FLEMING: With regard to asking questions of the minister, I gather the minister is open to answer any questions on any item in the bill.

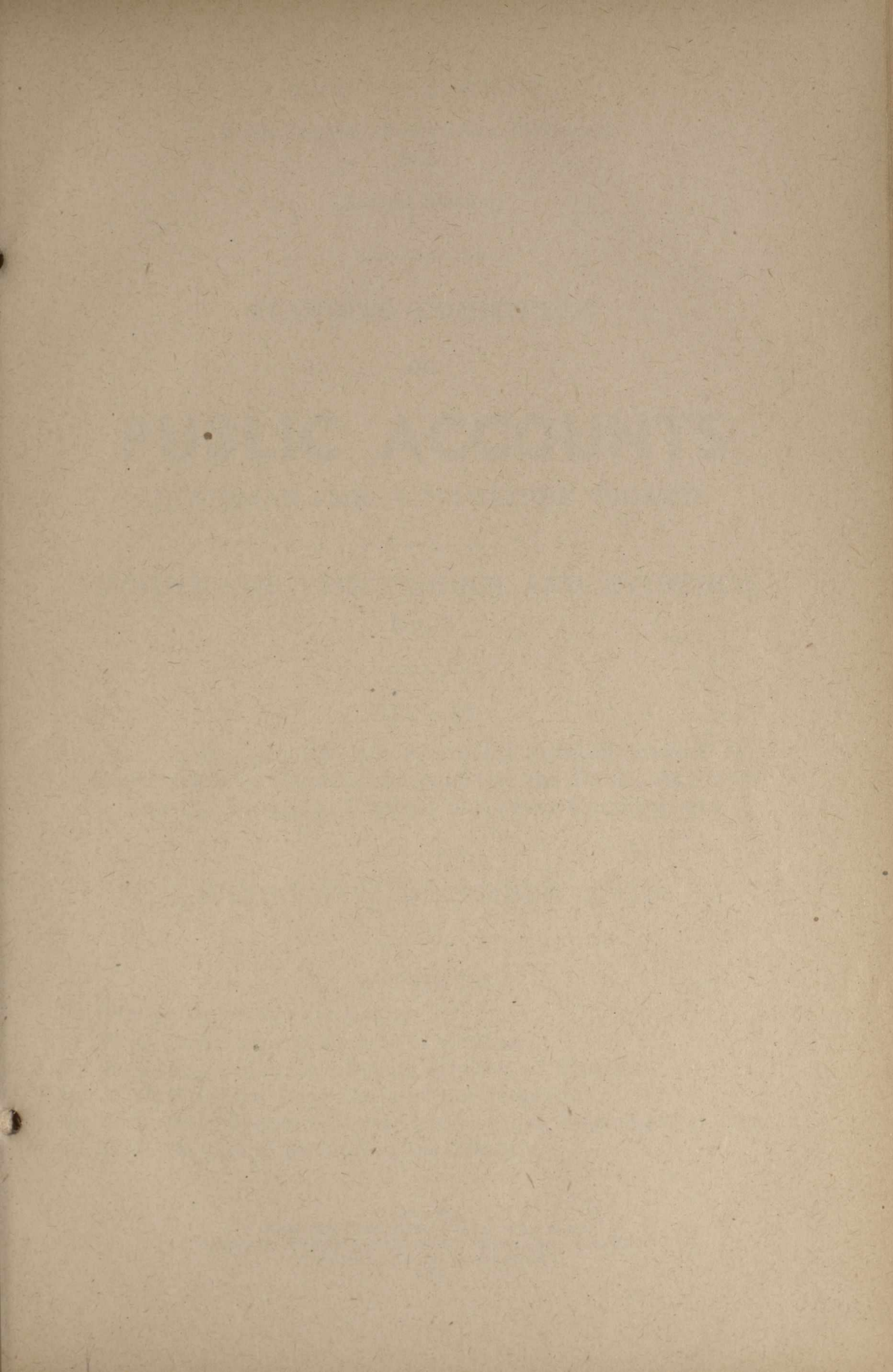
The CHAIRMAN: I am not ruling on that. We held certain items open for him and we shall ask him on these, but if members have any other questions they can ask them, too.

Mr. FLEMING: But the whole bill is open for members to ask him questions on?

The CHAIRMAN: Yes.







HOUSE OF COMMONS

Fifth Session—Twenty-first Parliament

1951

(Second Session)

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

BILL 25

An Act to Provide for the Financial Administration of the
Government of Canada, the Audit of the Public Accounts
and the Financial Control of Crown Corporations.

WEDNESDAY, DECEMBER 12, 1951

WITNESSES

Mr. Watson Sellar, Auditor General.

Dr. W. C. Clark, Deputy Minister of Finance.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

Mr. R. B. McIntyre, Comptroller of the Treasury.

Mr. H. R. Balls, Special Assistant (Accounting), Department of Finance.

Mr. D. H. W. Henry, Solicitor to the Treasury.

REPORTS TO THE HOUSE

THURSDAY, December 13, 1951.

The Standing Committee on Public Accounts begs leave to present the following as a

SECOND REPORT

Your Committee has considered Bill No. 25, An Act to Provide for the Financial Administration of the Government of Canada, the Audit of the Public Accounts and the Financial Control of Crown Corporations, and has agreed to report the said Bill with amendments.

A copy of the Evidence adduced in respect of the said Bill is appended hereto.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

THURSDAY, December 13, 1951.

The Standing Committee on Public Accounts begs leave to present the following as a

THIRD REPORT

Your Committee recommends that the annual reports of all Crown Corporations be published together in one section of the Public Accounts.

Your Committee further recommends that the annual report of every Crown Corporation should be referred for study to a select committee of the House.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, December 12, 1951.

The Standing Committee on Public Accounts was to have met at 11.30 o'clock a.m., but the division bells having rung at that time the Committee met at 12.15 o'clock p.m. this day.

Mr. Picard, Chairman, presided.

Members present: Messrs. Ashbourne, Boisvert, Browne (*St. John's West*), Cavers, Cloutier, Fleming, Fraser, Fulford, Fulton, Gauthier (*Portneuf*), Helme, Jutras, Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Major, Richard (*Ottawa East*), Sinclair, Wright.

In attendance: Mr. Watson Sellar, Auditor General; Dr. W. C. Clark, Deputy Minister of Finance; Mr. R. B. Bryce, Assistant Deputy Minister of Finance; Mr. B. G. McIntyre, Comptroller of the Treasury; Mr. H. R. Balls, Special Assistant (Accounting), Department of Finance, and Mr. D. H. W. Henry, Solicitor to the Treasury.

The Committee resumed consideration of Bill No. 25, An Act to Provide for the Financial Administration of the Government of Canada, the Audit of the Public Accounts and the Financial Control of Crown Corporations.

Part VI of the bill relating to *Public Accounts*, being clauses 63 and 64, was called, considered and adopted.

Clauses 80 to 88 inclusive, of Part VIII of the bill relating to *Crown Corporations*, were called.

During the proceedings the witnesses answered questions specifically referred to them.

At 1.00 o'clock p.m. the Committee adjourned to meet again at 2.45 o'clock this day.

AFTERNOON SESSION

The Committee resumed at 2.45 o'clock p.m. Mr. Picard, Chairman, presided.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Blue, Boisvert, Browne (*St. John's West*), Campney, Cavers, Cleaver, Cloutier, Croll, Denis, Fleming, Fraser, Fulford, Fulton, Gauthier (*Portneuf*), Helme, Jutras, Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Major, Noseworthy, Richard (*Ottawa East*), Sinclair, Wright.

In attendance: As indicated for the morning session.

Clause 76 of Part VIII of the bill relating to *Crown Corporations* was called and it was agreed that subclause (2) thereof be amended by adding after the words "Schedule D" the words *and shall thereupon add the name of that corporation to the appropriate schedule in accordance with subsection three.*

Clause 76, as amended, was adopted.

Clauses 80 to 88 inclusive of Part VIII of the bill relating to *Crown Companies* were again called.

At 3.25 o'clock p.m., the division bells having rung, the proceedings of the Committee were interrupted. The Committee resumed at 3.45 o'clock p.m.

Clauses 82 to 88 inclusive were again called.

Clauses 82, 83 and 84 were considered and adopted.

On Clause 85:

Mr. Wright moved:

That clause 85 be amended by the addition thereto of a new subparagraph (4), and that the present subparagraph (4) be re-numbered (5). The new subparagraph (4) to read: "That at each session of Parliament the annual reports laid before Parliament for that year for companies in Schedules C and D shall be submitted to a Standing or Special Committee of the House for its consideration."

At 3.55 o'clock, the division bells again having rung, proceedings of the Committee were interrupted. The Committee resumed at 4.20 o'clock p.m.

Clause 85, and Mr. Wright's amendment thereto were called.

After discussion the Chairman ruled the amendment out of order on the grounds that it was beyond the power of the Committee to give direction to the House by incorporating in an Act of Parliament a section laying down the action to be taken with respect to certain documents tabled in the House, and further, that if any such direction were to be given it would, of necessity, have to be by way of an amendment to the Standing Orders of the House.

Thereupon Mr. Sinclair moved that subclause (2) paragraph (a) of clause 85 be amended by deleting the word "expenditure" in line 32 thereof and inserting the word *expense*.

After discussion the said amendment was agreed to.

Clause 85, as amended, was adopted.

Clause 86 was called, considered and adopted.

On Clause 87:

Mr. Sinclair moved that subparagraph (iii) of paragraph (b) of subclause (1) be amended by deleting the word "expenditure" where it occurs in lines 25 and 26 thereof and inserting therefor the word *expense* in each case.

After discussion the said amendment was agreed to.

Clause 87, as amended, was adopted.

On Clause 88:

Mr. Fulton moved that the said clause be amended by adding the word *forthwith* after the word "made" in line 47 thereof.

After discussion the said amendment was agreed to.

Clause 88, as amended, was adopted.

By unanimous consent the Committee reverted to clause 31 of Part III of the Bill in relation to *Public Expenditures*, and after discussion the said clause was allowed to stand until the next meeting of the Committee.

Part IX of the bill relating to *Civil Liability and Offences*, being clauses 89 to 94 inclusive, was called, considered and adopted.

Part X of the bill, *Miscellaneous*, being clauses 95 to 100 inclusive, was called, considered and adopted.

Part XI of the bill, being clauses 101 and 102, was called, considered and adopted.

Schedules A to E inclusive were severally called, considered and adopted.

The Committee then reverted to Clause 71 of Part VII of the bill relating to The Auditor General.

After discussion it was agreed that the said clause be amended by deleting the words "undertaking or service" in line 33 thereof and inserting therefor the words *person or organization*.

Clause 71, as amended, was adopted.

During the course of the proceedings the witnesses answered questions specifically referred to them.

At 6.05 o'clock p.m. the Committee adjourned to meet again at 8.30 o'clock p.m. this day.

EVENING SITTING

The Committee resumed at 8.30 o'clock p.m. Mr. Picard, Chairman, presided.

Members present: Messrs. Ashbourne, Cauchon, Cavers, Croll, Fleming, Fraser, Fulford, Gauthier (*Portneuf*), Gibson, Helme, Jutras, Kirk (*Digby-Yarmouth*), Macdonnell (*Greenwood*), Major, Sinclair, Wright.

In attendance: The Honourable D. C. Abbott, K.C., Minister of Finance, and the same witnesses as indicated for the morning session.

Clause 1 of Part III of the bill relating to *Public Disbursements* was called.

Mr. Sinclair moved that subclause (6) of the said clause be amended by deleting the whole of subclause (6) and inserting therefor the following:

31 (6) Whenever the Comptroller is of the opinion that a doubt exists as to the legality or otherwise of a proposed charge to an appropriation provided for the expenses of the Senate, the House of Commons or the Library of Parliament, he shall forthwith, through the Minister, draw the matter to the attention of the appropriate Minister who shall obtain a decision in accordance with such procedure as may from time to time be prescribed by the Senate or the House of Commons as the case may be or, in the case of the Library of Parliament, by the Senate and the House of Commons, and the Comptroller shall act in accordance with the decision.

After discussion the said amendment was agreed to.

Clause 31, as amended, was adopted.

Clauses 38 and 39 of Part III of the bill relating to *Public Disbursements* were called, considered and adopted.

By unanimous consent the Committee reverted to Clause 77 of Part VIII of the bill relating to *Crown Corporations*.

After discussion Mr. Kirk (*Digby-Yarmouth*) moved that the present clause be re-numbered subclause 77 (2) and that there be added a new subclause, to be subclause 77 (1), and to read as follows:

77 (1) Where, in respect of a Crown Corporation

(a) no provision is made in any Act for the appointment of an auditor to audit the accounts and financial transactions of the corporation, or

- (b) the auditor is to be appointed pursuant to the Companies Act, 1934, the Governor in Council shall designate a person to audit the accounts and financial transactions of the Corporation.

The amendment was adopted.

Clause 77, as amended, was adopted.

The Title was considered and adopted.

The Bill, as amended, was adopted, and the Chairman ordered to report the said bill to the House with amendments.

During the proceedings the Hon. Mr. Abbott answered questions in respect of certain clauses of the Bill.

The Committee then approved a draft report submitted by the Chairman.

Mr. Wright then moved that the Committee submit a separate report to the House recommending that the annual report of every Crown Corporation should be referred for study to a select committee of the House.

Mr. Sinclair moved that the motion of Mr. Wright be amended by adding thereto, "and that the annual reports of all Crown Corporations be published together in one section of the Public Accounts".

After discussion the amendment was agreed to.

The motion as amended was agreed to, and the Chairman ordered to make a separate report to the House incorporating the said recommendations.

At 10.00 o'clock p.m. the Committee adjourned to the call of the Chair.

R. J. GRATRICK,
Clerk of the Committee.

EVIDENCE

HOUSE OF COMMONS,
December 12, 1951.

The CHAIRMAN: Gentlemen, the meeting will now come to order. I think we should go on and take up today, with your consent, items 63 and 64 on page 19 which were left in abeyance yesterday at the request of Mr. Macdonnell. I wonder if the Auditor General would step forward because these articles deal with public accounts and concern him to a certain extent.

Item 63.

PART VI

PUBLIC ACCOUNTS

63. (1) The Minister shall cause accounts to be kept in such a manner as to show,

- (a) the expenditures made under and commitments chargeable against each appropriation,
- (b) the revenues of Canada, and
- (c) the other payments into and out of the Consolidated Revenue Fund.

(2) Subject to regulations of the Treasury Board, the Minister

- (a) shall cause accounts to be kept to show such of the assets and direct and contingent liabilities of Canada, and
- (b) may establish such reserves with respect to the assets and liabilities, as in his opinion are required to give a true and fair view of the financial position of Canada.

(3) The accounts of Canada shall be kept in the currency of Canada.

Mr. MACDONNELL: This raises the whole question, Mr. Chairman, of the method by which public accounts are kept. I wonder if I might ask a general question, particularly in view of the fact that this Act if published would set up a system which is likely to prevail for a long time: How far was consideration given to substantial alterations in the method of keeping public accounts which at the present, as you know, are purely on a cash basis?

I have here a report of a committee appointed at Westminster. It is called "Final Report of the Committee on The Form of Government Accounts", which discusses this question. Nobody pretends you could easily shift over to the ordinary business system which is called the income and expenditure basis; but I would like to ask how far those who prepared the bill considered whether some approach to methods prevailing in ordinary business enterprise might be made. I ask whether they have considered that, and whether they feel that anything can be done.

I think we all feel there is a certain anomaly in dumping everything that comes in into one pot and treating it as though it was all of the same nature. I think I have said enough to indicate my question, but I would like to ask whether in the preparation of the bill any opinion was asked from outside bodies, such as the Institute of Chartered Accountants, if I have got the right name.

Mr. CLARK: This is a problem, of course, that has been under very active consideration over a great many years, and it is a problem which comes up constantly in our own discussions in the department. I think it is a question, as you have said, Mr. Macdonnell, which has been decided on the basis of a substantial adherence to the cash accounting system. We depart from it in one or two respects but in so far as the government's own accounts are concerned, the cash accounting basis is predominant. That is so because we think it is the only way, really, in which you can get effective control by parliament over public moneys and over the expenditure of public moneys.

That I think is the decision that has been reached by the British committee to which you refer. That committee was appointed in 1947 and it made its report in 1950. They had before them representatives from many accounting bodies as well as from other experts, and they considered this thing very carefully and reached the conclusion which we have reached as a result of experience over quite a number of years.

I would like to call particular attention to appendix D in that report where they discuss the differences that exist between considerations relevant to commercial accounting and considerations relevant to accounting for government transactions. I would like to quote two or three sentences in it.

The CHAIRMAN: Might I say, Dr. Clark, that since we do not have that report, would you mind, when you refer to a clause, reading it so that all the members may know what it is all about, because we cannot get copies of this report.

Mr. CLARK: The report I am referring to is "The Final Report of the Committee on the Form of Government Accounts". It is the report of the so-called Crick Committee appointed by the British Government in 1947 to consider mainly this question, although they considered as well as a number of allied questions.

I referred a moment ago to appendix D of the official report which is devoted wholly to a discussion as to whether the principles applying to ordinary business and commercial accounting are appropriate for government accounting. They reached a negative decision; they confirmed the practice which has been followed by the British Government in substance for a great many years, and the practice that we have followed.

I should perhaps point out, lest I be misunderstood, that they as well as we think that those crown corporations which perform business operations should come under the ordinary type of business or commercial accounting, accrual accounting rather than income and expenditure accounting. But I shall speak primarily of government accounting as such. As I was saying, I would like to read one or two sentences from this appendix.

In paragraph 2 of that report they speak of the requirements of the law and they say:—

The requirements of law in respect of government accounting are in many ways unique; both the statutes and the rules and practices approved thereunder by the Treasury and accepted by the Comptroller and Auditor General are devised for a different purpose—the purpose, namely, of ensuring effective control by the House of Commons, as representing the community of taxpayers, over all spending for which it provides the money year by year in one way or another. When this difference is noted it becomes less irrational or archaic than some critics would seem to suggest that government accounting should still be conducted on a "cash basis".

A little further on, in paragraph 6, the report reads:—

In contrast, all the activities, however varied their nature, of a business undertaking are directed to one central purpose; the maintenance, over a long run, of such a surplus of current revenue over

current outlay as will at least keep the invested capital intact and allow of periodical distributions to the proprietors.

I quote that sentence to contrast it with the purpose of government accounting stated in the first sentence I read.

Now I would like to read paragraph eleven, the last paragraph in this appendix which relates to liability accounting.

A further disparity arises from the difficulty of attaching to the word "liabilities" in the context of government finance a meaning which, while sufficiently comprehensive, is closely comparable with what is understood by the word in relation to a business undertaking. One type of government liability on which it is particularly hard to put a figure arises from costed contracts and similar arrangements, where final payments may of necessity not be determinable until some time after completion of the work of delivery of goods. Another is the capital liability in respect of superannuation payments to employees of the government, the scale of which—and indeed the continuation of which on any scale—is entirely within the will of parliament to determine at any time it may seem fit. A still more striking contrast between government and business arises from the system of what may be called "delegated expenditure". Substantial amounts of government outlay take the form of grants to local authorities or other agencies, the computation of which is impracticable until the total expenditure of the agency has been determined. It is true that the best-informed "guess" has nevertheless to be made, for the purpose of the department's estimates, of the prospective outlay on this account during the year; but figures thus arrived at can hardly be firm enough for inclusion in accounting records leading up to a balance sheet. Further, the extent to which such subventions may ultimately take the form of grants on the one hand and recoverable loans on the other is sometimes impossible to foresee with substantial accuracy. There is nothing quite comparable in business with "liabilities" of this kind; and a reasonably reliable and inclusive estimation of liabilities at the beginning and end of each period is an indispensable element in efficient business accounting. Government liabilities are, much more than those in business, matters of policy rather than of contract; policy may undergo radical changes, often under pressure of unforeseeable circumstances; and the ultimate liability in respect of any particular provision—for example, war damage payments and the financing of local authorities' emergency housing activities—frequently turns out to be far different from the sum originally envisaged.

I could read what they say on the assets side, and develop for you certain differences between business and government accounting from the asset point of view but I am not going to take your time to do that. All I wish to suggest is that a very competent committee went into this problem very fully in the United Kingdom and we were interested to see that this Committee came to exactly the same conclusions that we have come to arising out of our experience over a good many years. I would also like to refer to the decision of the British government. According to the British *Hansard* of June 21, 1951, Mr. Benson asked the Secretary to the Treasury whether he was in a position to indicate the views of His Majesty's Government on the recommendations of the Final Report of the Committee on the Form of Government Accounts, and this is what Mr. Jay replied:

Mr. Jay: Yes. His Majesty's Government find themselves in substantial agreement with the views of the committee on the main questions canvassed in their report. In particular, they entirely agree

with the central conclusion of the committee that government accounts as a whole should remain on a cash basis. They regard this verdict by an expert and authoritative body of the standing of the committee, including as it did eminent members of the accountancy profession, as of great importance.

In a word, we are also convinced that the basis for effective control over expenditures of public moneys by parliament is a cash accounting system. When going over the provisions of some of the earlier parts of this bill, I called your specific attention to the fact that the definitions of consolidated revenue fund and public moneys and several sections in the disbursements part of the bill relating to estimates and appropriations, and so on, all speak in terms of a cash basis. We believe very strongly that if we were to change from that basis to accrual accounting, including depreciation charges and all the rest of it, we would greatly confuse the issue, make it more difficult for parliament to follow the financial operations of government and maintain its control.

Mr. MACDONNELL: I would not argue against a word that you have said because it seems to me that is borne out by the report of this committee, though they were to some extent tied because in the term of reference it says "the committee should assume the continuance of the system of parliamentary accounting". It seems that their own argument, as you have indicated, would substantiate that for the very purpose of maintaining parliamentary control—that is what you said—the present system in substance and in name has to be maintained. On the other hand, they do suggest throughout this report certain ways in which some minor departures from the pure and unadulterated system of cash accounting could give a more illuminating account, a better picture of the public finances. Now, do you in fact propose to make any changes? Are there any changes contemplated in the system at all?

Mr. CLARK: I would say, Mr. Chairman, that we have already, for some years, gone a good deal further than the British in some respects, and we will, I think, try to keep on improving our accounts and our accounting system as much as possible, taking advantage of any suggestions in that report that do seem to be applicable to Canadian conditions and which will help the main purpose we all have in mind. However, we already give in our public accounts a tremendous amount of information. We have a statement of assets and liabilities that goes considerably beyond what the British do. The British really give lists of certain items, they set up lists of certain categories of assets and lists of certain liabilities. We have gone further than that and we will, I hope, as time goes on be able to find some further improvements that we can make, designed to give parliament, more comprehensive information, and perhaps information in a better and more easily intelligible form than we have ever done in the past. Mr. Balls, are there any or the other specific recommendations in the British report that we have already incorporated in this bill?

Mr. BALLS: Well, I think that the principal ones relate to the public stores. The Crick Committee did make some recommendations with respect to the operation of trading accounts and suggested they might come under what they call the "income-and-expenditure" basis, or what we call the accrual basis of accounting. We have in our public stores part, I think, provided for the operation of certain revolving funds along the lines which the Crick Committee had in mind. I think, for the main part, the recommendations which the committee has made with respect to certain advances or changes towards the accrual basis are more to come up to the standards, to the progress that we have made in that direction.

Mr. MACDONNELL: I suppose the most important thing is to know whether there have been such amounts of capital coming in or going out in any one year that it would present a distorted picture. Now, I suppose that apart from war

assets and other things resulting from war there may not have been such large amounts of capital income or capital outgo as would throw the accounts out of balance. I suppose our large defence expenditure now is of that nature to some extent, but the minister has rather attempted to keep the two kinds of expenditure separate for the purpose of explaining the situation to us.

Mr. CLARK: We always report them separately.

Mr. MACDONNELL: Did you find during the war, for example, that there were such capital income and outgo distorting the position?

Mr. CLARK: No, I would think not, Mr. Chairman, and remember that some years ago we got away from the old system which had been used for a good many years. For a long time Canada had a system of separating the capital receipts and capital from so-called current receipts and current expenditures and reporting a budgetary surplus on the basis of what were recorded as current revenues and current expenditures although of course there is always a good deal of judgment that can be used in determining whether to put certain items above or below the line. I remember shortly after I came here I had a Minister of Finance who wanted to get rid of this bridge score method of budgeting altogether, and he cut out that distinction between current account surplus and over-all surplus. That old system was subject to a substantial amount of abuse. I think if you go back over the history of Canada you will find a good many cases where a very arbitrary judgment was used in deciding what was to be put into the capital account, depending on whether it was desired to show a surplus that was large or small, as the case might be.

Mr. MACDONNELL: Railway subsidies, for example?

Mr. CLARK: We thought we had made a distinct improvement when we got away from that kind of thing.

The CHAIRMAN: Any further questions on item 63?

Mr. FLEMING: I suppose this question of mine relates as much to the crown corporations—in the explanation Dr. Clark has given I wonder could he designate for us the crown corporations which follow the government method of cash accounting and those that follow the system of accrual accounting?

Mr. BALLS: Well, Mr. Chairman, I think that it is a rather difficult question to answer. I may say I think that possibly the Auditor General may be able to give us a better answer. Still, I think that you will find for the most part the crown corporations do follow accrual accounting, possibly a modified accrual accounting basis. In some cases I think capital assets are set up and probably normal depreciation practices apply. There may be certain cases—I think probably Crown Assets Disposal is an example in which capital assets are not set up and depreciated. However, without an examination of each individual account, Mr. Fleming, I am afraid I cannot give you any more of an answer than that.

The CHAIRMAN: I would not like to limit questions here but we will in a short while revert to item 80 which is in the Crown corporations part, and I would like to have all questions on Crown corporations at that time—so that we may deal with these matters in an orderly way. We will carry on with the public accounts part if you do not mind.

Mr. FLEMING: One other question in connection with this part. It has to do with the showing in the accounts of properties owned by the government. We have discussed this in the Public Accounts Committee before, as to the desirability of the public accounts containing more information about the properties owned by the government. Are there any departures contemplated by the department in that respect in the preparation of the public accounts?

Mr. CLARK: I think I can say, in answer to Mr. Fleming's question, that we have given a great deal of consideration to this problem. You will note that in

an earlier section of this bill there is provision for the Treasury Board to make regulations in regard to keeping of those property records. We will give it a good deal more consideration yet before we finalize our views on the matter. After such study as we have been able to give it so far, I would think it would shape up something like this. First we would be inclined to believe we should be careful not to undermine the responsibility of the various departments for their own administrative functions in regard to the particular prices of real property that come naturally within their jurisdiction—for instance those under Resources and Development. I do not think we in the Treasury Department, for instance, should be given the responsibility for maintaining that record, either duplicating what Resources and Development are doing, or alternatively interfering with them and doing it ourselves.

We are inclined to believe we can work out a system whereby undivided responsibility for the administrative job remains with the department itself. However, we would have regulations requiring the various departments to maintain ample records and providing for some degree of uniformity in the way in which they maintain their records. Under such a system, be the Comptroller of the Treasury's Officers in the various departments would assist departmental officials in maintaining the records and in submitting copies of the essential records to the Department of Finance. We could then maintain these copies in the Finance Department, either in the Comptroller's division or in our own accounting division—and report in the public accounts on a basis that would be as revealing to parliament as we could make it. Perhaps we would not need to give a list of every single piece of land, its legal description, and so on, which I think would probably be so voluminous that nobody would read it. However, we are still thinking of the problem and I am sure we can go a very long distance in meeting what you have in mind.

Mr. FLEMING: Can you be a little more specific, Dr. Clark, as to when it is likely your efforts in that regard will result in some change in the public accounts and the form in which they are reported?

Mr. CLARK: If this bill is passed at this session we intend to spend the next two or three months in working out the various sets of regulations which will now be required for the first time, including this one, and my own hope would be that we can have this Act proclaimed say from the beginning of the next fiscal year—April 1st next. Certainly I think we should be able to include this information in next year's accounts. It may not be possible in all respects to include it this year—the present fiscal year—which will be reported in the next volume of public accounts. I would ask Mr. McIntyre if he thinks we can go further than that.

Mr. McINTYRE: I am quite sure, sir, that you cannot hope to get anything very complete until the accounts for next year—1952-53. There is much work to be done and it will vary from department to department. It first depends very much on the state of the department's present records and the amount of time that it will take to complete the records.

Mr. FLEMING: Is it fair for us to hope that we may find reports giving reasonable information in the public accounts for the fiscal year ending March 31st, 1953?

Mr. CLARK: Yes.

Mr. McINTYRE: I should think so.

Mr. FULTON: In answer to a question by Mr. Macdonnell, Mr. Balls mentioned there was one change made along the lines of adopting this revolving fund method of accounting. I wonder if I might ask a question about that?

The CHAIRMAN: Would you mind speaking a little louder?

Mr. FULTON: I have noticed that the schedule of Acts to be repealed includes the Department of Transport Stores Act. I have assumed that is because the general set-up of the accounting system now to be instituted provides for that method of accounting and keeping your accounts, without the necessity of a special Act in any one department. I personally have never, and I do not mind confessing it, quite understood the revolving fund principle. I have never been sure that the method does give parliament more control over expenditure, which I understood was the object of the general change you are now making.

I would ask Mr. Balls if he would, and if not him one of the other witnesses, comment and say where provision is found in the bill before us which makes the revolving fund, as I understand it, of general application—and therefore removes the necessity for any special Act? Second, would you say a word about the revolving fund system generally, so that we may understand it better.

Mr. BALLS: First of all I think I did mention yesterday that this public stores part does not automatically provide for the creation of revolving funds. We are proposing in the bill to repeal the Department of Transport Stores Act but in Section 101 of the bill there is specific provision authorizing the continuance of the Department of Transport stores account and also provision for setting the maximum amount that may be charged to that account at any one time of \$4 million.

Mr. MACDONNELL: If I may interject a question, why is that dealt with specially?

Mr. BALLS: If it were not, and if we repealed the Department of Transport Stores Act, sir, without making special provision for the continuation of the operation, there would be no authority for the continued operation of the Department of Transport stores account.

Mr. MACDONNELL: Not in your section here?

Mr. BALLS: No. I was going to say that the bill itself provided for the continued operation of the Department of Transport Stores Act but it does not automatically set up revolving funds for every department. Those will require special authority of parliament possibly through the inclusion of a special item in the estimates—first, authorizing the department to establish a revolving fund, and second, fixing the maximum amount that might be charged to the account at any time.

Once a departmental revolving fund had been authorized it would not be necessary to seek authority in succeeding years for its continued operation unless it were proposed to increase the amount of the fund.

Mr. FULTON: The method of bookkeeping involved or the method of reflection of that in the public accounts is covered by some general part of this Act? Is it covered by Section 63?

Mr. BALLS: In our public stores part, and specifically Section 58, there is provided a description of the mechanism for the operation of a revolving fund when one has been authorized to be operated by a department.

The CHAIRMAN: May I point out we dealt with this at length yesterday.

Mr. FULTON: I was going to ask Mr. Balls if he had made a statement on that?

The CHAIRMAN: Yes, you will find it in the report of our proceedings.

Mr. FULTON: In the answer you just gave you said it would be done in future or could be done by an item in the estimates. Would that be another of these \$1 items having legislative effect, about which we have heard before?

Mr. BALLS: I would think not, sir. I think it would be an item in the Loans and Investments section of the estimates, authorizing the moneys to be advanced by the department for the purpose of acquiring stores, and it probably

would be included in the estimates at the amount which parliament was proposing to permit the department to spend.

Mr. CLARK: I think I might add to that, that this is the legislation. This bill provides the real basic legislation and by an item in the estimates you only bring one more department in under it. This provides the regulatory power for that sort of thing.

The CHAIRMAN: Shall item 63 carry?

Mr. FLEMING: Now that Mr. Fulton has raised the \$1 items that have legislative effect, could we ask Dr. Clark what this bill contains to safeguard that practice which this committee has frowned on in its more recent reports?

Mr. SINCLAIR: Just a minute, Mr. Fleming. "Frowned on"—in our recent reports we have pointed out that there were occasions where the \$1 item had to be used.

Mr. FLEMING: I used the words "frowned on" deliberately. The committee did not condemn out of hand the practice of legislating by means of \$1 items in the estimates but it expressed disapproval of the practice in general. It did not say that it could never be followed in some special case.

The CHAIRMAN: The committee thought this practice should be curtailed or used only to solve problems that could not be solved otherwise.

Mr. CLARK: Mr. Chairman, I think it is hardly a point that can be dealt with by legislation. I do not see how you can effectively deal with it by legislation, but perhaps Mr. Abbott might speak on that.

Mr. FLEMING: There is nothing in this bill that can be said to deal with that problem?

Mr. MACDONNELL: Going back to this section Mr. Clark read, and to develop the reasons for the pure cash basis—this appears on page 17 of that report—I would like just to read a short excerpt from it and ask Mr. Clark if perhaps he would explain it. I do not think it is very serious, it would not be regarded as being very serious; but it is a sentence at the middle of paragraph 37, referring to the cash basis and it says: "it may thus have the effect of curtailing the year's expenditure and even, conceivably, of avoiding a supplementary estimate or an excess vote—" and so on.

The CHAIRMAN: Why don't you complete the sentence: "though this procedure would raise difficulties in regard to the estimates for the succeeding year,".

Mr. MACDONNELL: That is right.

The CHAIRMAN: It is better to complete the sentence.

Mr. MACDONNELL: I think that would be very clear. It would raise difficulties for the next year.

The CHAIRMAN: Yes.

Mr. MACDONNELL: I just wanted to know whether there are ways of guarding against that, that there might be distortion. I don't suggest that there would be, or that it would be very serious, but I want to know whether the deputy minister or the comptroller feels it should be guarded against.

Mr. MCINTYRE: Section 35 (b) provides a 30 day period beyond the end of the fiscal year for the payment of accounts belonging to that year before the books are closed.

The CHAIRMAN: That is section 35 of this Act?

Mr. MCINTYRE: Yes.

Mr. MACDONNELL: Yes, I know that.

Mr. CLARK: Mr. Macdonnell, if you read on in that paragraph you will find there this sentence: "the first line of defence against distortion of this

kind is to be sought in adherence to principle and in prompt and effective control and audit”.

Mr. MACDONNELL: That is exactly why I am asking the question, just to see what you have done on that point.

Mr. CLARK: Yes. Mr. McIntyre, would you answer that?

Mr. MACDONNELL: I am not saying that they are quite substantial ones but I do think it would be helpful if we had a complete answer on that point.

Mr. MCINTYRE: In our practice, in our experience, we have found that 30 days is sufficient, quite ample, in which to complete payments and bring the accounts into balance as of the end of the fiscal year. I should say in practically all cases. There are always a certain number of accounts that will be delayed for two or three months, but usually they are small amounts.

Mr. CLARK: I might add also on this point that the present tendency is the reverse of that, it is to speed up payments.

Mr. MACDONNELL: Have they got that 30 day period in England?

Mr. MCINTYRE: No, I do not think so, unless it has been introduced recently.

The CHAIRMAN: Shall section 63 carry?

Carried.

Shall section 64 carry?

Mr. FLEMING: I have one question on section 64. Is December 31st the earliest date on which public accounts can be prepared, assembled and printed?

Mr. CLARK: Mr. Fleming, I think the answer to that is that it is the earliest date that we can be sure of. We may, we hope we will, in certain years at any rate, be able to bring it down somewhat more quickly. This year we got it down on the 10th.

Mr. MCINTYRE: Yes.

Mr. CLARK: We will try to bring it down as much as we can in advance of that date, if the volume can be printed.

Mr. SINCLAIR: The King's Printer has pointed out that when parliament is not in session there is not the pressure to print all these *Hansard* reports, but when parliament is sitting then the pressure sometimes is very great. It is only in cases of special urgency that we get them down much in advance of that date. We had them down for December 10th of this year, you will recall.

The CHAIRMAN: Shall section 64 carry?

64. (1) An annual report, called the Public Accounts, shall be laid before the House of Commons by the Minister on or before the thirty-first day of December, or if Parliament is then not in session, within fifteen days after the commencement of the next ensuing session thereof.

(2) The Public Accounts shall be in such form as the Minister may direct, and shall include:

- (a) a report on the financial transactions of the fiscal year.
- (b) a statement, certified by the Auditor General, of the expenditures and revenues of Canada for the fiscal year;
- (c) a statement, certified by the Auditor General, of such of the assets and liabilities of Canada as in the opinion of the Minister are required to show the financial position of Canada as at the termination of the fiscal year;
- (d) the contingent liabilities of Canada; and

- (e) such other accounts and information as are necessary to show, with respect to the fiscal year, the financial transactions and financial position of Canada, or are required by any Act to be shown in the Public Accounts.

Carried.

Shall we go back now to where we left off yesterday? Crown corporations, clause 80 on page 24. Are there any questions on item 80? That is where we left off yesterday.

Mr. MACDONNELL: I want to go back to the question asked by Mr. Fleming, to which Mr. Balls referred, and that is as to their methods of accounting; how many Crown corporations use the income-expenditure method which Dr. Clark said in general terms was required of certain Crown corporations. Will it not be possible for us—I appreciate it is nearly 1 o'clock, Mr. Chairman, should we continue?

The CHAIRMAN: Carry on.

Mr. MACDONNELL: Would it not be possible for us to find out exactly the details with respect to each one; could we have that?

Mr. CLARK: Yes, we will look that up for you.

Mr. MACDONNELL: I just want to ask a question—I do not know whether this is the right section or not—as to the powers of crown corporations. Some of them are spelled out in various ways while others, I understand quite a number—I would like to know how many—are individual corporations incorporated under the Ontario Companies Act or the Dominion Companies Act and therefore have almost infinitely wide powers, under section 14 of that Act, and some of the other sections in it too; but section 14 gives them very wide powers. I would like to have that information. Perhaps it is readily available. I would like to know if they are incorporated with the powers under the Companies Act as against the powers spelled out in the Special Act, why that is, what the reason is?

Mr. BALLS: Well, first, Mr. Macdonnell, the companies that are incorporated under part I of the Companies Act which are listed in schedules "C" and "D" are: Canadian Arensals Limited, Canadian Patents and Development Limited, Canadian Sugar Stabilization Corporation Limited, Commodity Prices, Stabilization Corporation Limited, Defence Construction (1951) Limited, Park Steamship Company Limited, Eldorado Mining and Refining (1944) Limited, Northern Transportation Company (1947) Limited, and, Polymer Corporation Limited. The others are all incorporated under the provisions of specific statutes; the Canadian Commercial Corporation under the Canadian Commercial Corporation Act; the Crown Assets Disposal Corporation under the Surplus Crown Assets Act and so on.

Mr. MACDONNELL: Is it a fact that those incorporated under the Companies Act were incorporated in that form so as to qualify them to do business just like any other corporation, except that they happen to be owned by the government? Would that be the distinction?

Mr. BALLS: I do not think, sir, that would necessarily be the distinction. As I recall it there were certain provisions in the Department of Munitions and Supply Act which authorized the minister to cause the incorporation of certain companies under part I of the Companies Act and it was to take advantage of the incorporating powers of the Companies Act, and all these companies which are referred to, with the exception of three, were incorporated in that way. There is a similar provision in the Research Council Act authorizing the incorporation of companies under part I of the Companies Act; for instance, Canadian Patents and Development Limited, was incorporated pursuant to that

Act. On the other hand, the Commodity Prices Stabilization Corporation and the Canadian Sugar Stabilization Corporation were incorporated under the Companies Act pursuant to the powers granted to the Minister of Finance under the War Measures Act.

Mr. MACDONNELL: Do you think that these companies were incorporated under the Dominion Companies Act just because it was the most convenient way of doing it and any other way would have been more cumbersome; or, do you think that there was a definite feeling that these very wide powers were necessary—was it a case of giving a man a job and not keeping his hands tied when doing it—do you think that was the reason for the decision where these wide powers were needed?

Mr. BALLS: I would not, of course, sir, know what the incorporators had in mind, what the reasons may have been for the incorporation in that form, but I would assume that it was a convenient device to cause the incorporation of these companies because they were urgently needed at the time they were created. I might add one point in connection with these companies and that is that they were all, I believe, incorporated after an Order in Council was passed authorizing the minister to enter into an agreement with the company concerned to carry on certain specified functions and that agreement clearly set forth the powers and responsibilities and the extent of the operations involved.

Mr. MACDONNELL: Am I to understand then that in such cases the main purpose was in fact to give these companies those wide powers? Is there any objection to seeing one of those agreements?

Mr. CLARK: Mr. Henry will speak to that, Mr. Chairman.

Mr. MACDONNELL: You know what Mr. Balls said about these powers or understandings or instructions embodied in departmental memoranda to these companies. I would like to know whether those things in effect superseded or became in effect their powers in lieu of the powers herein?

Mr. HENRY: No, sir. The powers in The Companies Act would be superseded only in so far as the charter of the company altered them. That, I take it, is ordinarily provided for in the statute, such as the Munitions and Supply Act which authorizes the company to be incorporated at the instance of the minister. At any rate, most of the ancillary powers of the corporation would be found in The Companies Act and the general powers would be found in the Letters Patent which incorporated the company.

Mr. MACDONNELL: Did I understand Mr. Balls correctly as saying that there was a third document which also contained instructions and understandings?

Mr. HENRY: That is quite correct, because the Munitions and Supply Act provided that the minister could delegate certain powers to the company. That was the reason the company was to be formed; and the minister would accordingly enter into an agreement with the company after it had been formed, setting out the scope of its powers.

Mr. MACDONNELL: Yes, the company would be the agent.

Mr. HENRY: The company would be an agent, yes. But the minister did not delegate all his responsibilities; only the functions which the minister wanted the company to perform as his agent. So, of course, they must be specified.

Mr. MACDONNELL: In order to set up an understanding between the minister and his agent?

Mr. HENRY: Yes, sir, and the incorporation of the company was done just to bring a legal person into being so that the minister could make an arrangement with it.

Mr. SINCLAIR: Mr. Chairman, it is now 1.00 o'clock.

The CHAIRMAN: Should we not keep on for a full hour?

Mr. SINCLAIR: Why not adjourn now and meet again at 2.45?

The CHAIRMAN: Very well.

Mr. SINCLAIR: I have been talking to the minister and he suggested that as far as actual technical matters of administration are concerned, Dr. Clark, Mr. Bryce, Mr. Balls, and Mr. Henry can probably give you immediate answers. But on the other hand, as far as questions of policy and so forth are concerned, I have here items 38, 71, and 76 as policy items, and the minister said that he would be glad to come to us as soon as we are ready for him.

Mr. MACDONNELL: I would like to see a list of the directors of these crown companies, particularly the ones which are under the Dominion Companies Act.

The CHAIRMAN: It can be produced, but maybe not this afternoon.

Mr. MACDONNELL: I know. I was just asking for the document.

The CHAIRMAN: The committee stands adjourned until 2.45 this afternoon.

AFTERNOON SESSION

The CHAIRMAN: Gentlemen, when we adjourned at 1:00 o'clock today we were still on clause 80, page 24. Are there any further questions on clause 80?

Mr. FLEMING: I have several questions, Mr. Chairman.

The CHAIRMAN: May I ask before we start, so that no one will think it applies to him, that members limit the questioning to items which are under discussion so that we can carry on our work and complete our study of the bill. There are many questions which may come to the minds of many members on any of these items, but those questions may not be relevant to the item itself. So may we limit discussion to the item in the bill which is under consideration, when it is called.

Mr. CLARK: Mr. Balls has had to leave the room to take a telephone call but he will be back in a minute or two. Might I ask if we could go back to section 76, subsection (2) of which had been left in abeyance?

The CHAIRMAN: Yes.

76. (1) In this Part

- (a) "agency corporation" means a Crown corporation named in Schedule C;
- (b) "auditor" means, in relation to a corporation, the person authorized by Parliament to audit the accounts and financial transactions of the corporation;
- (c) "Crown corporation" means a corporation that is ultimately accountable, through a Minister, to Parliament for the conduct of its affairs, and includes the corporations named in Schedule B, Schedule C and Schedule D;
- (d) "departmental corporation" means a Crown corporation named in Schedule B; and
- (e) "proprietary corporation" means a Crown corporation named in Schedule D.

(2) The Governor in Council may by order delete the name of any corporation from Schedule B, Schedule C or Schedule D.

(3) The Governor in Council may by order

- (a) add to Schedule B any Crown corporation that is a servant or agent of His Majesty in right of Canada and is responsible for administrative, supervisory or regulatory services of a governmental nature;

- (b) add to Schedule C any Crown corporation that is an agent of His Majesty in right of Canada and is responsible for the management of trading or service operations on a quasi-commercial basis, or for the management of procurement, construction or disposal activities on behalf of His Majesty in right of Canada; and
- (c) add to Schedule D any Crown corporation that
 - (i) is responsible for the management of lending or financial operations, or for the management of commercial and industrial operations involving the production of or dealing in goods and the supplying of services to the public, and
 - (ii) is ordinarily required to conduct its operations without appropriations.

Mr. CLARK: To meet the point raised by the committee yesterday, we suggest adding at the end of that subsection, these words:

and shall thereupon add the name of that corporation to the appropriate schedule in accord with subsection (3).

The subsection would then read:

The Governor in Council may by order delete the name of any corporation from schedule B, C or D and shall thereupon add the name of that corporation to the appropriate schedule in accordance with subsection 3.

I think that wording would meet the point raised yesterday.

Mr. SINCLAIR: That was the intent of the section anyway.

Mr. FLEMING: I would be satisfied with that. I think it meets the point I raised yesterday.

The CHAIRMAN: Shall we say that section 76 as amended shall carry?

Carried.

Now, section 80.

80. (1) Each agency corporation shall annually submit to the appropriate Minister an operating budget for the next following financial year of the corporation for the approval of the appropriate Minister and the Minister of Finance.

(2) For each corporation the appropriate Minister shall annually lay before Parliament the capital budget for its financial year approved by the Governor in Council on the recommendation of the appropriate Minister and the Minister of Finance.

(3) The Treasury Board, on the joint recommendation of the Minister of Finance and the appropriate Minister, may by regulation prescribe the form in which budgets required by this section shall be prepared.

Mr. FLEMING: Mr. Balls, in connection with section 80 in regard to the submission of the operating budget for the approval of the Minister of Finance, what is the present practice, and to what extent may it or may it not involve a departure from it?

Mr. BALLS: It is a departure from the present practice. With respect to most of the corporations at the present time, the Minister of Finance does not normally see the operating budget of the corporation.

The CHAIRMAN: I must ask you to begin over again, Mr. Balls. This brings us back to what I have said so often before, that if we want to have good reporting of what is going on we will have to have a louder voice and also slower speech on the part of the witnesses and members.

Mr. SINCLAIR: Yes, and less noise.

The CHAIRMAN: Now, may we start all over again?

Mr. BALLS: There is a change in respect to subsection (1) of section 80 in that provision is made for the approval of the operating budget by the appropriate minister, or the Minister of Finance. In the past it has not been the normal practice for the Minister of Finance to see these budgets. And while I cannot speak as to what the practice has been with respect to the appropriate minister, I would think that in some cases it has been a matter for the corporate officers to determine the budget possibly without the specific approval of the minister.

There are one or two cases in which budgets are required to be submitted. The Federal District Commission has a requirement that their budget shall be submitted to the President of the Privy Council; and that no expenditure shall be made by the Commission under the Federal District Commission Act, until the expenditure has been approved by Council.

There is a similar provision in the National Battlefields at Quebec Act under which the National Battlefields Commission operates. But for the rest, I do not believe there has been any statutory requirement for the submission of operating budgets of agency corporations, either to the appropriate minister, or the Minister of Finance. With regard to proprietary corporations there are at the present time requirements in one or two cases whereby the budgets of the proprietary corporations shall be submitted to parliament. There is such a provision, for example, with respect to the Canadian National Railways.

Under the Canadian National-Canadian Pacific Act, section 12 requires:

The annual budget of the National Railways shall be under the control of the Board of Directors. Estimates of the amounts required for income deficits, for interest on obligations outstanding in the hands of the public, for capital expenditures and for refunding or retirement of maturing securities shall be submitted by the Board of Directors to the Minister of Transport for the consideration and approval or disapproval in whole or in part of the Governor in Council and thereafter presented to parliament. Income deficits shall not be funded. Amounts provided by parliament to meet capital expenditures shall not be diverted to cover deficits in operation unless with the express authority of parliament.

Mr. FLEMING: Has any thought been given yet to the form in which the operating deficits will be required to be submitted by agency corporations?

Mr. BALLS: There is one further corporation in the proprietary group which at the present time has a statutory direction to submit both an annual capital budget and an annual operating budget to the minister for his consideration and approval; and it is furthermore provided that the budget as approved shall be submitted to parliament.

The name of the corporation is Canadian Overseas Telecommunications Corporation. Those are the only two instances, to the best of my knowledge, in which there are budgetary directions with respect to proprietary corporations.

Mr. SINCLAIR: Do you not mean operating budgets? You said "operating deficits"?

Mr. FLEMING: Oh, I am sorry, I meant "operating budgets", which will be required to be submitted by agency corporations.

Mr. BALLS: No. And if you will notice subsection 3 of section 80 it says:

The Treasury Board, on the joint recommendation of the Minister of Finance and the appropriate minister, may by regulation prescribe the form in which budgets required by this section shall be prepared.

I presume that consideration would be given to this when the Treasury Board deals with these matters.

Mr. FLEMING: I wondered whether the department has had in mind uniform operating budgets, uniform in the matter of form and content, something of a standardized nature?

Mr. BALLS: I can see some difficulties in requiring complete uniformity and standardization with respect to the submission of budgets. The extent of detail and the nature of the information which would be required for proper consideration of the budget might vary with the nature of the operations of the organization.

The CHAIRMAN: Shall section 80 carry?

Mr. FLEMING: What have you to say about reporting to parliament on these operating budgets, after they have been approved by the ministers?

The CHAIRMAN: I think that was one of the matters we were supposed to ask the minister about as being a question of policy. Shall section 80 carry?

Mr. FLEMING: I think there is nothing more than policy involved here.

Mr. BALLS: I wonder if you would repeat your question.

Mr. FLEMING: I asked if there was any difficulty in the way of reporting and submitting those operating budgets to parliament after they have been approved by the ministers?

Mr. BALLS: I should think—

Mr. FLEMING: For the information of parliament.

Mr. BALLS: I should think first of all that the matter is essentially one of policy. But it well may be that in some cases the amount of information that can be provided and anticipated with respect to the operations as distinct from the capital requirements of these corporations may make it somewhat difficult to give information with respect to the estimates?

Mr. MACDONNELL: Do you think it would be cumbersome and unnecessary to treat the other corporations' budgets in the way that the Canadian National budget is treated?

Mr. BALLS: Yes, I would be inclined to think so, sir, in some cases.

Mr. BROWNE: Where there is a big difference in the revenues and expenditures so that there is a large deficit, should not the minister come before parliament and explain it?

Mr. BALLS: In that regard, I would say that in any event where there is a deficit which has to be provided for by an appropriation by parliament, then, of course, the estimates would be before the House and there would be an opportunity to discuss the requirements of the corporation.

Mr. MACDONNELL: Why should we only know when the news is bad?

The CHAIRMAN: Because that is the only time you need to vote more money.

Mr. BALLS: There will, of course, be an opportunity to discuss the affairs of the corporation on the presentation of the annual report. There is a provision that the annual reports of these corporations shall be laid before the House.

Mr. BROWNE: Yes, but when these annual reports are laid before the House, there is no discussion on them. They are simply laid there as a matter of course and routine.

Mr. SINCLAIR: That is not a matter for the Department of Finance, I think, to deal with, but rather one for parliament. The report is made to parliament and what parliament chooses to do with it certainly does not concern the

Department of Finance. It is the House of Commons which decides, not the minister or his deputies.

Mr. WRIGHT: Mr. Chairman, I have a motion to move on section 85 with regard to that.

The CHAIRMAN: But we are not yet on section 85, Mr. Wright.

Mr. WRIGHT: I know, but when we are dealing with it.

The CHAIRMAN: When we get to section 85, I will accept your motion, Mr. Wright.

Mr. WRIGHT: My motion is to the effect that these annual statements be placed before a select committee of the House.

The CHAIRMAN: All right. As I say, when we get to section 85, I will give you the floor right away. Are there any questions now on section 80?

Mr. MACDONNELL: Mr. Chairman, is this the proper place to pursue the question raised this morning as to the powers of companies under the Dominion Act? I want to ask more about that.

The CHAIRMAN: Shall we go on with the text of each article? You are a good enough lawyer to know that this question is very broad and that it may not fall within this particular chapter on crown corporations. But if you can find no item that covers what you intend to ask, I will give you the floor after this part is carried and you can raise any other question that is not covered under this. I will give you the floor then, but I would like to proceed now article by article and keep to the item under discussion.

Mr. SINCLAIR: I raise a point on this. All this discussion is for the financial administration. Each crown company and each of the proprietary companies have their own statutes or acts of incorporation, and their powers are spelled out in those documents. This is not the appropriate place or committee to discuss them. Actually, the powers given to crown companies are set out in their statute or in their act of incorporation.

Mr. MACDONNELL: I asked before lunch to be informed as to which of the crown corporations come under the Dominion Companies Act, and that information, I presume, will be forthcoming. Then I wish to raise certain questions as to the propriety of their having all these powers. Many of them are absolutely absurd for a crown corporation. You may well say "What is the matter with them having all these powers even if they are absurd"—the power to carry on any other business, the power to promote any other company, the power to lend money to any other company. We do not intend to give these powers to crown corporations.

The CHAIRMAN: My intention up to now has been to give as much leeway as possible in order to get the information on the record. I did not want to tie the hands of the committee too closely, but it seems to me that we should now proceed item by item. When a question like that raised by Mr. Macdonnell is asked, I am inclined, as chairman, to allow it to a certain limit, but now we are extending much too far on questions that have nothing to do with the item. I would like to call item 80, and if there are no more questions on that I will put the question.

Mr. BROWNE: Does article 80 now enshrine in its provisions the practice that has been followed up to the present time, or is it something new that is being set up?

Mr. BALLS: This does go beyond the present practice. As I mentioned in regard to one or two of the corporations, there is at the present time provisions with respect to the submission of operating or capital budgets—one or two of

the agency corporation group are now required to submit budgets, and proprietary corporations like the C.N.R. and the Canadian Overseas Telecommunication Corporation, are also required to submit budgets yearly.

Mr. MACDONNELL: There is one point I am still not clear about. This section says each agency corporation shall annually submit . . . Now, the agency corporations are set out in one of the schedules, but they exclude a lot of others. Does that mean only agency corporations, or are the others going to be dealt with elsewhere?

Mr. BALLS: With respect to subsection (1), we are dealing with the operating budgets of agency corporations only. The departmental corporations will be dealt with as departments of government and will be covered normally by the ordinary appropriation requirements of parliament.

Mr. MACDONNELL: But then that excludes schedule D, the proprietary corporations?

Mr. BALLS: With respect to the proprietary corporations, we are requiring in subsection (2) that both agency and proprietary corporations shall submit capital budgets, to be approved by the Governor in Council on the recommendation of the two ministers, that is the appropriate minister and the Minister of Finance, and the capital budgets of both agency and proprietary corporations shall be laid before parliament.

Mr. MACDONNELL: Why is it only a capital budget, say, in the case of Polymer?

Mr. BALLS: The principal reason, I should say, is that in regard to corporations like Polymer, which are normally required to pay their own way that there should be a certain independence, a greater degree of independence with respect to their operations. We have tried to make some distinction between the degrees of control which should be exercised over the three groups of corporations, but a departmental corporation will be dealt with in all respects, subject to any specific terms in its legislation, as a department of government. The agency corporation, we are requiring, shall be subject to some lesser degree of control, and the proprietary corporation to some lesser degree of control again.

Mr. MACDONNELL: Perhaps my illustration of Polymer was not the best one, because I am inclined to think there is force in what you say. Let us take one or two of the others in schedule D, the Canadian Farm Loan Board, Central Mortgage and Housing Corporation. Now, do you make the same argument with regard to them? They are rather different forms of activities, they are not in business the way that Polymer is.

Mr. BALLS: Well, all I can say, sir, on the corporations listed in schedule D is that those are ones which should be granted in their management a greater degree of managerial responsibility than would normally be the case of those corporations listed in schedule C, which are agencies, bodies performing essentially agency operations on behalf of the crown.

Mr. MACDONNELL: May I interrupt you. Would you make that argument, for example, for the Farm Loan Board as against Park Steamship Company? I am not very familiar with the operations of Park, but would you make that same argument?

Mr. BALLS: Yes, I would say so.

Mr. FULTON: I was wondering what the difference is between the C.N.R. and Park Steamship. How is one more the agent of the government than the other?

Mr. BALLS: I think one answer to that is the fact that Park Steamship Company operates under the provisions of the The Government Companies

Operation Act, which expressly declares a company under it to be an agent of His Majesty for all its purposes. There is no such similar provision with respect to the Canadian National (West Indies) Steamships, Limited.

The CHAIRMAN: Shall section 80 carry?

Carried.

Shall section 81 carry?

81. (1) A corporation may, with the approval of the Minister of Finance, maintain in its own name one or more accounts in the Bank of Canada or in such bank in Canada or financial institution outside of Canada as the Minister of Finance may approve.

(2) The Minister of Finance may, with the concurrence of the appropriate Minister, direct a corporation to pay all or any part of the money of the corporation to the Receiver General to be placed to the credit of a special account in the Consolidated Revenue Fund in the name of the corporation, and the Minister of Finance may pay out, for the purposes of the corporation, or repay to the corporation, all or any part of the money in the special account.

(3) Notwithstanding the other provisions of this section, where the appropriate Minister, and the Minister of Finance, with the approval of the Governor in Council, so direct, a corporation shall pay to the Receiver General so much of the money administered by it as the appropriate Minister and the Minister of Finance consider to be in excess of the amount required for the purposes of the corporation, and any money so paid may be applied towards the discharge of any obligation of the corporation to His Majesty, or may be applied as revenues of Canada.

Mr. WRIGHT: Which of these corporations use the Bank of Canada for their accounts as between a chartered bank? I notice that this makes provision that they may carry accounts in either the Bank of Canada or the chartered banks. To what extent do they do that?

Mr. BALLS: The only corporation that uses the Bank of Canada to my knowledge, is Commodity Prices Stabilization Corporation.

Mr. WRIGHT: Why would they use the Bank of Canada?

Mr. BALLS: I could not tell you the reason, sir. It was just simply the arrangement which was made at the time of the incorporation of Commodity Prices Stabilization Corporation some ten years ago.

Mr. WRIGHT: I would like to pursue this a little further. If one corporation uses the Bank of Canada they must use it for some specific reason, that it suits them better or they get a better deal. I would like to know why one corporation would use the Bank of Canada, while others do not. It seems to me if it is good business for one corporation to use the government bank, it should be good business for other corporations doing similar business and carrying similar accounts, to use the Bank of Canada. I would like to know the reasons for the use of the Bank of Canada as against the chartered banks.

Mr. CLARK: I think, Mr. Chairman, the reason for that is historical. This is a corporation that was part of the Finance Department, very closely connected with the Finance Department. The head at that time was the former Deputy Governor of the Bank of Canada. The corporation was also carrying pretty large balances for a time for subsidy purposes, and in connection with its operation of price control, and for those reasons it seemed natural at the time to use the Bank of Canada as its fiscal agent. I would say, Mr. Wright, it would not get a better "deal" from the Bank of Canada than from another bank. The Bank of Canada cannot allow interest on its deposits and, normally,

the Bank of Canada does not like to get into this business to any great extent. It is not its essential business. So, I think the fact that this corporation happens to have the Bank of Canada as its banker while others use a chartered bank is not very significant.

Mr. WRIGHT: There are none of the others who carry accounts, then, in the Bank of Canada?

Mr. CLARK: I cannot think of any others at the moment. I am not quite sure whether the Export Credits Insurance Corporation may have a small account with the Bank of Canada. On the whole I cannot remember any others that I am sure have an account at the Bank of Canada.

Mr. WRIGHT: Is there any logical reason why they should not use the Bank of Canada when they are carrying large deposits?

Mr. CLARK: Mr. McIntyre reminds me that with a company like Polymer, for example, having its plant in Sarnia, it would not be convenient at all for them to operate through the Bank of Canada here at Ottawa.

Mr. WRIGHT: I realize that, but there are some of the others that are not in that position. I can understand a corporation that is doing a large checking business, naturally they would have to use the chartered banks, but companies that are not doing a large checking business and where there are large sums of money involved laying there over a period of time might find it advantageous to use the Bank of Canada.

Mr. CLARK: There would not be many cases of that sort of thing where they are just carrying large balances and not having a considerable amount of checking and bank draft business and that kind of thing.

The CHAIRMAN: Shall section 81 carry?

Carried.

Shall section 82 carry?

82. (1) At the request of the appropriate Minister, and subject to the approval of the Governor in Council, the Minister of Finance may from time to time lend money to a corporation for working capital out of money in the Consolidated Revenue Fund.

(2) The aggregate amount of loans outstanding made to any one corporation under this section shall not at any time exceed five hundred thousand dollars.

(3) A loan under this section is subject to such terms and conditions as the Governor in Council approves and is repayable within a period not exceeding twelve months from the day on which the loan was made.

(4) A report of every loan to a corporation under this section shall be laid by the Minister of Finance before Parliament within fifteen days after it is made or, if Parliament is not then in session, within fifteen days after the commencement of the next ensuing session thereof.

Mr. FLEMING: On section 82, Mr. Chairman. I am wondering about the application of the provision such as we find in this section to corporations like the Canadian Broadcasting Corporation, in the light of provisions in the Canadian Broadcasting Act for the making of capital advances to the corporation by the government under certain conditions set forth in the Act. Should not this section be made subject to the provisions of any other relevant Acts pertaining to any individual corporations appearing in the schedules?

Mr. BALLS: Mr. Chairman, in reply to that I would state, first of all, that section 78 of this part does provide that in the event of any inconsistency between the provisions of sections 79 to 88 of the bill and the provisions of any other Act, the provisions of such other Act shall prevail. However, I might also

point out in regard to section 82 they are subject to two limitations which I mentioned yesterday: (1) No loan can be made for a term exceeding 12 months, and (2) no loan can be made for an amount exceeding \$500,000. This provision is to meet temporary requirements for working capital, and is expressly required to be repayable within 12 months.

Mr. FLEMING: Those two final safeguards to which Mr. Balls has just made reference are, I think, not relevant to my concern in this matter. Questions of parliamentary policy are involved in the making of loans to the Canadian Broadcasting Corporation. That is the reason you have specific provision for it in the Canadian Broadcasting Act. I am a little bit doubtful as to whether section 78 goes far enough to meet the need of the situation. It simply provides that where there is any inconsistency between two Acts then the special Acts rather than the general Act shall prevail. But what we have here is a provision under 82, which, read with a specific provision in the Canadian Broadcasting Act, could very conceivably be construed as not being inconsistent with one another or as being in addition to one another. So, loans might be made under the Canadian Broadcasting Act in addition to loans made under this section. I do not think, surely, that is the policy of this particular bill.

Every time we have had that question of loans to the Canadian Broadcasting Corporation parliament has concerned itself very closely with the purpose for which the loan was to be made. This is not just for cases of inconsistency, and the two Acts could be construed as providing for loans to the Canadian Broadcasting Corporation under the Broadcasting Act and then another loan under this section?

Mr. CLARK: I would ask Mr. Fleming has not the concern of parliament been with loans for capital purposes essentially? This is just for working capital, tied to a very short term situation, and it would have to be repaid within a short period—a period not exceeding twelve months.

Mr. FLEMING: With great respect I do not think that is the answer because there have always been questions of policy, very broad policy too, in these loans to the C.B.C. For instance, loans for the purpose of developing television, or loans for a particular type of physical development.

Mr. CLARK: I was thinking that both of those would involve capital expenditure.

Mr. FLEMING: Yes, they do, but they have included working capital. That is the historical fact in the administration of the financial affairs of C.B.C., and parliament has retained quite close control over loans that have been made to the C.B.C.

Mr. FRASER: That clause there—

The CHAIRMAN: Just a moment, I think there will be an answer.

Mr. CLARK: There was a similar provision to this in the Government Companies Operation Act.

First, Mr. Chairman, I would like to be sure that the correct legal interpretation is that the loan of \$500,000 would be in addition to any loan possible under any other Act.

The CHAIRMAN: Mr. Henry could give the answer so it could be put on the record.

Mr. HENRY: The additional loan could be made under Section 82 if the additional loan did not contravene some limit that was in the special Act. However, Section 16 of the Canadian Broadcasting Act provides as follows: "The Governor in Council, on the recommendation of the minister, may authorize the Minister of Finance to place to the credit of the Corporation working capital advances from any unappropriated moneys in the Consolidated Revenue

Fund, but the aggregate amount of such advances outstanding at any one time shall not exceed \$100,000..."

I would say that that provision would preclude the Governor in Council from making any advance under Section 82, to the extent it would exceed the \$100,000 limit in Section 16 of the Canadian Broadcasting Act.

The CHAIRMAN: We shall adjourn temporarily to go down to the House for a vote.

The committee adjourned for a division in the House.

Mr. CHAIRMAN: Gentlemen, we were considering item 82 when we were called down to the Chamber. Shall it carry?

Mr. FLEMING: I was wondering if there is any further safeguard which Mr. Henry might suggest in addition to subsection (1) of section 82—having regard to the point I was raising?

The CHAIRMAN: Since Mr. Henry is not here shall we leave the section stand?

Agreed.

83. The Governor in Council may make regulations with respect to the conditions upon which an agency corporation may undertake contractual commitments.

Carried.

84. Subject to any order of the Governor in Council made on the joint recommendation of the Minister of Finance and the appropriate Minister, a corporation may make provision for reserves for depreciation of assets, for uncollectable accounts and for other purposes.

85. (1) A corporation shall keep proper books of account and proper records in relation thereto.

(2) Subject to such directions as to form as the Minister of Finance and the appropriate Minister may jointly give, a corporation shall prepare in respect of each financial year statements of accounts, which shall include

(a) a balance sheet, a statement of income and expenditure and a statement of surplus, containing such information as, in the case of a company incorporated under *The Companies Act, 1934*, is required to be laid before the company by the directors at an annual meeting, and

(b) such other information in respect of the financial affairs of the corporation as the appropriate Minister or the Minister of Finance may require.

(3) A corporation shall, as soon as possible, but within three months after the termination of each financial year submit an annual report to the appropriate Minister in such form as he may prescribe, which shall include the statement of accounts specified in subsection two, and the appropriate Minister shall lay the report before Parliament within fifteen days after he receives it or, if Parliament is not then in session, within fifteen days after the commencement of the next ensuing session thereof.

(4) A corporation shall make to the appropriate Minister such reports of its financial affairs as he requires.

The CHAIRMAN: Mr. Wright has a question here.

Mr. WRIGHT: My question is on 85 (3) which states:

A corporation shall, as soon as possible, but within three months after the termination of each financial year submit an annual report to the . . . minister.

And then it states: The minister must within fifteen days after he receives this, or if parliament is not in session, within fifteen days after the commencement of the next ensuing session thereof, lay the report before the House.

Some of these corporations today are handling very large sums of money and their annual statements are laid before the House, but it is very difficult to get all of the information which I think some of use would like from the minister on his estimates. That is the only place where we would have an opportunity of questioning him. He might have the members of the corporation before him or he might not when he is being questioned, and it seems to me a much more direct method of keeping check on corporations and a much better method of getting information would be to have these corporations appear before some select committee, some select standing committee or some select special committee of the House. The time has come when the government is in business in a big way and parliament has a responsibility to the people of Canada with regard to these Crown corporations.

I think our responsibility can best be carried out by having these corporations appear annually, as is the case with the Canadian National Railways, Trans-Canada Air Lines, and the Canadian Broadcasting Corporation, before some select standing committee or special committee of the House wherein the officers can be questioned.

Take, for instance, Eldorado Mining and Refining Company. It not only operates a mine but it has a department which does exploration work. They have many aeroplanes in parts of Northwest Canada and in some of the provinces. They have a refinery and several subsidiary companies. It is very difficult in the House, as the minister knows, to get information which might be useful to members of parliament.

I would like to move that in Section 85 there be a further section which would be better, I think, to come in as number 4, renumbering subclause 4 as (5):

That at each session the annual reports laid before parliament for that year of companies in schedules C and D shall be submitted to a standing select committee or a special committee of the House for consideration.

I think the companies in those two schedules are corporations whose business we should, as members of parliament, have fairly close knowledge of, and I do not know of any way we can get that close knowledge except by having them appear before a select committee of the House.

The CHAIRMAN: Before I open the discussion I will read the motion again.

Mr. WRIGHT: Perhaps you had better let me read it, my writing is not too good.

The CHAIRMAN: It is all right.

It is moved by Mr. Wright that a further paragraph which would carry the number 4 be included after paragraph 3 of Section 85 reading:

At each session the annual reports laid before parliament for that year of Crown corporations shall be submitted to a standing or select committee of the House for their consideration.

The discussion is open and, after the discussion I will give a ruling on the motion. My ruling will not be open for discussion so that any member who is about to speak now may assume that the ruling might be that the motion is out

of order, although I approve of the principle contained in it. I adopt this course to give you a fair chance of entering into the discussion from any angle you wish.

Let us say we start around the table this way, to the left.

(Division Bell).

Mr. SINCLAIR: I think we might dispose of this before we go down to vote. I think most of us believe that the effect is desirable but the fact of the matter is that the House of Commons is the master of its own destiny. When a report is submitted to it the House of Commons decides what it is going to do with that report. If it is referred to committee it is referred there by a motion of the House and not by legislation. I think this is very desirable and we would like to see it but I think the place for the provision is not in this bill but in the House of Commons when a report is presented a member may move that it be referred to whatever standing or select committee he wishes.

Mr. FRASER: Could this committee make a recommendation?

The CHAIRMAN: I think it is only fair to give all members an opportunity to express their points of view. Therefore, I think I would rather adjourn than hurry this.

Mr. WRIGHT: Has the committee the right to make a recommendation?

The CHAIRMAN: We will adjourn for the vote, I think that is better than rushing this.

The committee adjourned for a division in the House.

(Upon resuming.)

The CHAIRMAN: We are now dealing with Mr. Wright's motion which I read before we went down to the House. I have asked members who have observations to make them now, because after I give my ruling on the motion they will not have an opportunity of doing so.

Mr. SINCLAIR: I have one more point to make, Mr. Chairman, to add to what I said just before we adjourned. All of the corporations listed in schedule "C" and "D" have balance sheets and operating statements included in the public accounts now, with the exception of the Canadian National Railways, Trans-Canada Air Lines and the Canada-West Indies Steamship Service. As you know, the reports and budgets of those companies are referred direct to the sessional committee on the railways and shipping owned, operated and controlled by the government. The two others which are not included are the Canadian Farm Loan Board and the Central Mortgage and Housing Corporation. It is the intention of the Department of Finance in future to place in a separate volume in the public accounts a section dealing entirely with the crown corporations. We could, if it were deemed useful, include statements of these five companies as well, but it would be a duplication in the case of the Canadian National Railways group; and then, irrespective of whether the House should send individual crown company statements to committees there is always the public accounts committee. We would have them there, and this committee would probably do its best to deal with them if it were so decided by the committee.

Mr. WRIGHT: Well, I do not think the public accounts committee would necessarily be the best committee to deal with certain of these reports; for instance, the Wheat Board might be included but I think that report should go to the agricultural committee.

Mr. SINCLAIR: And the Canadian Farm Loan Board.

Mr. WRIGHT: Yes, the Canadian Farm Loan Board. There are other select standing committees of the House. Then there is the Canadian Overseas Telecommunication Corporation, which might have a connection with our railway committee and go to that committee. I do think that they all should go to some select committee. There are also The National Harbour Boards and the Park Steamship Lines. I think this committee would be overloaded with work if all the annual statements of these companies were referred to it or had to be dealt with by it. There is another point there also. If my memory serves me right I think there have been years when this committee has not considered the public accounts.

Mr. SINCLAIR: That is probably true, but it has sat for the last three or four years.

Mr. WRIGHT: Yes, it has sat the last three or four years, but it has not always sat; and I do think that under our present set-up of government with the number of crown corporations that we have in operation that we should see that they go to some committee of the House for consideration. If my motion is out of order—

The CHAIRMAN: I have not said so yet.

Mr. WRIGHT: No, but it has been indicated that it may be out of order. I would think that a recommendation from this committee to the House that this procedure be adopted in the future might be in order.

The CHAIRMAN: We have already made a recommendation to that effect, we made one last year or the preceding year. And now, it will be open to you to move a similar recommendation this time, at a later stage, if you want to.

Mr. WRIGHT: I feel strongly in this matter because it is a matter of confidence in the government and if confidence is to be maintained in our present set-up, using crown corporation to do business, I feel that the country would feel much better if they knew that these annual statements were to be considered by committees of the House.

Mr. JUTRAS: I do not think the motion does what Mr. Wright has in mind. He has in mind particularly the annual reports of these crown corporations going to special select committees. There is already provision with respect to many of them being sent before this public accounts committee. Then there is a question of principle involved, that it is a matter for parliament to decide, not this committee. In any case all these matters are referred to committees at the present time.

Mr. MACDONNELL: It seems to me that what Mr. Wright has said as to the desirability of dealing with these accounts is manifest good sense. And now, as to the point of procedure raised by Mr. Sinclair. I wonder if there is some common sense way we can get around this. Is a recommendation the only thing that we can do? I think it would be a real help to the House of Commons if there were something available, some common sense plan worked out whereby these accounts would go to the committees most competent to handle them. And now, Mr. Chairman, you are very good on these things, could you not devise a way that that could be done; because I think Mr. Wright's suggestion is chock-full of common sense?

The CHAIRMAN: Are there any further comments?

Mr. FRASER: As I said before, I agree with Mr. Wright; but I think that instead of just saying those in schedules "C" and "D" you would say "and any other companies".

The CHAIRMAN: At the moment it says all crown corporations. There is an amendment.

Mr. FRASER: He mentioned schedules "C" and "D".

Mr. WRIGHT: Yes.

The CHAIRMAN: They were not mentioned before.

Mr. FRASER: He mentioned "C" and "D", and I think there should be included in that any other companies that might be formed that would be in that class; and as was also mentioned I think that if we cannot have a motion to have them referred to this committee, if that is out of order, then I think a recommendation should again go to parliament that these be put before the proper committees of the House for investigation.

The CHAIRMAN: Any further comment? I, personally, am in sympathy with what Mr. Wright has said because last year, if you remember, when I was drawing up the first draft of our report I included such a recommendation, and also the year before, and the recommendation was approved by the committee to the effect that reports of crown corporations be referred to a committee of the House, without being specific. Now, no action has been taken so far. Now, at a later stage, after we have completed our consideration of this bill, if Mr. Wright wants to, he may move a motion that we would incorporate in a separate report to the House a recommendation to that effect, but at this moment I think the motion is out of order because we would be legislating in a field in which we are not competent. This amendment would incorporate into an Act of parliament something that is for the House to decide itself, by way of an amendment to the standing orders of the House. It would require special action by the House. A committee which is a creature of the House cannot instruct the House to do this or that, that is for the House itself to decide after a motion has been made in the House. It can decide whether it should alter its procedure and decide to send reports of this kind to a committee.

There is just one thing further I want to say before I give my ruling, and it is this: Even at the moment not all matters are referred to committees. However, the public accounts committee has the right to go into the accounts of all the departments, and so have we the right to go into the accounts of all these different corporations that have balance sheets reported in the public accounts. We have that right at the moment. Of course, I understand what Mr. Wright wants, and that is what we intended two years ago. By his motion he would have these reports referred to special committees. I think that is not within the competence of this committee and so I rule his amendment to the bill out of order.

Mr. WRIGHT: Well, if I might say just one word more, supposing the government of the day had a clause in this bill which stated that the companies in schedules "C" and "D" shall be referred to a select committee of the House, that would be perfectly within the competence of the government, to place that in the bill?

The CHAIRMAN: It would not, because the House of Commons would be the one to decide its own procedure—

Mr. WRIGHT: It would decide.

The CHAIRMAN: —in an amendment to standing orders but not in any other way. In the first place, the government would not have done it because their advisers would have told them it was not legal; and even if somebody had made a mistake it would have been taken out because attention would have been drawn to the fact that they could not decide what the procedure of the House would be. It is the House itself which decides its rules, and any such prescription, if you want to have it in law, should be incorporated into standing orders and not in a general bill like this one which deals with administration. However, at any time, if you press it, I have no objection, if the committee consents, to entertaining a motion, after we are through with this bill which we have before us, that we as a committee make a recommendation that matters of this kind be referred to committees of the House. I do not think we could

do it in the form of an amendment to this special measure, but I would not object to putting the question to the committee if it were put in the form of a motion after we are through with this bill.

Mr. WRIGHT: While Mr. Clark is here, I would just like to ask him if he would see any objection to that—to the annual statements of these corporations being referred to a committee?

Mr. CLARK: It is probably not competent for me to say so, but I think that from our point of view we would be very happy about that. I believe we have the same objective as this committee. The Department of Finance and the Minister of Finance want to see that there is a maximum of control over expenditures and as many safeguards as possible on this kind of thing. We would therefore very much like to see this committee discuss the accounts and statements, for instance, of the corporations which are already reported in the public accounts.

Mr. WRIGHT: Thank you.

Mr. FRASER: Mr. Chairman, in regard to that, at the present time there are Trans-Canada Air Lines, Canadian National Railways, and the steamship lines. We have their annual reports and they are up to date when they are presented in the House, but when we get the public accounts, of course, they are over a year old.

Mr. SINCLAIR: No.

Mr. FRASER: Yes, they are over a year old.

Mr. SINCLAIR: When the report of the Canadian National Railways is tabled in the House the minister then moves that it be referred to the special committee. I think that in this recommendation moved by Mr. Wright we should incorporate this other suggestion that they all be listed in a special section of the public accounts, that is, in one package, so that we may have all the reports. I would like to suggest a small amendment to section 85 because the officers of the department feel that in section 85, as far as ordinary company practice is concerned, it is better to say "statement of income and expenses". Whereas the government uses the word "expenditure". The company usually uses the word "expense".

Mr. CLARK: I think that "expense" is a more apt and appropriate word to employ in accrual accounting, and as you will recall it is intended that crown corporations should generally use accrual accounting. I may say that while private accountants in their audits of ordinary private companies are not fully consistent, the general tendency for them is to concentrate more and more on the use of "income and expense" in their audit reports.

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

Mr. CLARK: And in section 87 we will have to make the same change.

Mr. SINCLAIR: I so move.

The CHAIRMAN: I am sorry, Mr. Sinclair, would you mind repeating your motion?

Mr. SINCLAIR: I move that in section 85, subsection 2, paragraph (a), the word "expenditure" be deleted and replaced by the word "expense".

The CHAIRMAN: Which line?

Mr. SINCLAIR: In section 85, subsection 2, paragraph (a), the first line.

The CHAIRMAN: That is right.

Mr. SINCLAIR: So that it will read:

(a) a balance sheet, a statement of income and expense . . .

The CHAIRMAN: Will you kindly give us the wording exactly as it should be?

Mr. SINCLAIR: In line 32, the word "expenditure" should be replaced by the word "expense".

The CHAIRMAN: Shall the clause carry as amended?

Carried.

Clause 86.

86. The auditor is entitled to have access at all convenient times to all records, documents, books, accounts and vouchers of a corporation, and is entitled to require from the directors and officers of the corporation such information and explanations as he deems necessary.

Mr. MACDONNELL: "The auditor" there means, I take it, the auditor of the relevant crown corporation. That raises this question: Is there any inherent right on the part of the Auditor General? What are his rights with respect to the inspection of a crown corporation if he desires to do it? Should we not, as members of parliament, feel that our representative, and he is about the only one we have, should have the full right? And also, the question arises of duties; we do not want to load up Mr. Sellar with impossible duties, but I would like to feel that the Auditor General has the full right to examine into the affairs of any crown corporation.

Mr. SINCLAIR: I moved that amendment to a private bill a few years ago and at that time, as I recollect it, not one Conservative voted for it.

Mr. MACDONNELL: We are always ready to learn from you, Mr. Sinclair.

Mr. SINCLAIR: And in the following year the C.C.F. moved it, and again not one Conservative voted for it, so that convinced me to that extent, and I agree with section 77.

Mr. WRIGHT: I was really afraid that you were slipping. I know it now.

Mr. MACDONNELL: In view of that, I think we should have an expression of views on it from the Auditor General.

The CHAIRMAN: Mr. Sellar?

Mr. SELLAR: Mr. Chairman, I am not exactly clear what Mr. Macdonnell has in mind. Is it his idea that I should be the auditor of everything?

Mr. MACDONNELL: Oh, no.

Mr. SELLAR: Or that I should have access?

Mr. MACDONNELL: Yes.

Mr. SELLAR: Frankly, I am not interested in any company that I am not the auditor of. When you engage a firm or firms of chartered accountants to make an audit, they should be responsible for their audit. They should not be allowed to pass the buck to me to discover something that they might not do. I do not believe in the principle of divided responsibility.

If the desire is that I simply have the right, so that I could be sent in there, all right. But the section which has to do with the auditing, section 71, reads as follows:

The Auditor General shall, whenever the Governor in Council, the Treasury Board or the Minister directs, inquire into and report on any matter relating to the financial affairs of Canada or to public property and on any undertaking or service that has received financial aid from the Government of Canada or in respect of which financial aid from the Government of Canada is sought.

I think that would take in a public corporation. I may be wrong, but I assume that the government could tell me to go in and audit any of these corporations, if that was their desire. Perhaps the lawyers could tell me better about that.

But the problem you have raised, Mr. Macdonnell, has come up in England and they have not formulated a set opinion on it yet. I was interested in Mr. Wright's point because that has been up at Westminster several times in the last few years, yet they have not got a formula for it.

We should bear in mind that as far as I am concerned I carry out whatever the House tells me to do to the best of my ability. If they wish to tell me to look into other things, I will do so, and there will be no hesitation on my part, in trying to perform my duties.

Mr. MACDONNELL: I had not the slightest intention of contravening what you said at the outset. If there was an auditor charged, it would be his job, and we could say to him: "This is your job; you go in." But in section 71 I think your rights only arise if you are requested by the government. That is not the point I had in mind. I wonder if there is some way by which you can be either set in motion by parliament, or have an inherent right?

Let me read section 71.

The Auditor General shall, whenever the Governor in Council, the Treasury Board or the Minister directs, inquire into and report on any matter relating to the financial affairs of Canada or to public property and on any undertaking or service that has received financial aid from the Government of Canada or in respect of which financial aid from the Government of Canada is sought.

Now, do you see any way by which the gap which I suggest exists can be filled? That is, you would have no right unless you were set in motion by the government. That is the point I am raising.

Mr. WRIGHT: Would that not be accomplished, Mr. Macdonnell, if the Auditor General were in fact the auditor of all crown corporations?

Mr. MACDONNELL: It would, but I am not prepared to advocate that.

Mr. WRIGHT: I think that would be the only way in which your suggestion could be effectively put into effect. As a matter of fact, I think the Auditor General should be the auditor of all crown corporations. I realize it would be putting a large load on him, nevertheless, he can build up his staff. That can be done. He is the man who is appointed by parliament to audit the books of the Government of Canada, and the Government of Canada now includes a lot of crown corporations which are operating under the Government of Canada. Personally, I think that parliament should appoint the Auditor General as the auditor for all government agencies. It would create a larger amount of work, but it simply would mean more staff. I do not know why the Auditor General could not just as easily employ more staff as do the chartered accountants, or the other agencies that are presently doing that work of auditing. The Auditor General, as the representative of parliament, would then in effect be doing the very thing you are suggesting.

Mr. MACDONNELL: Perhaps I should say a word about making the Auditor General the auditor of all crown companies. My reason for being against it is twofold: first of all, I think it would mean a tremendous addition to his staff; and secondly, that commercial auditors who are engaged in the audit of commercial accounts all the time, quite apart from telling a company that its books are right, should be able to bring in a wealth of business experience which could be useful. So, for both of those reasons, I would be against it. I wonder, Mr. Chairman, if we are not certain to finish this afternoon, would it be possible to allow section 71 to stand?

The CHAIRMAN: It is held over now. It is open. Section 71 is one of the three clauses which have not been definitely approved yet. We are now on section 86. Section 71 is still in abeyance.

Mr. MACDONNELL: I would like to have a chance to think it over.

The CHAIRMAN: Does section 86 as amended carry?

Carried.

Section 87.

87. (1) The auditor shall report annually to the appropriate Minister the result of his examination of the accounts and financial statements of a corporation, and the report shall state whether in his opinion

(a) proper books of account have been kept by the corporation;

(b) the financial statements of the corporation

(i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,

(ii) in the case of the balance sheet, give a true and fair view of the state of the corporation's affairs as at the end of the financial year, and

(iii) in the case of the statement of income and expenditure, give a true and fair view of the income and expenditure of the corporation for the financial year; and

(c) the transactions of the corporation that have come under his notice have been within the powers of the corporation under this Act and any other Act applicable to the corporation;

and the auditor shall call attention to any other matter falling within the scope of his examination that in his opinion should be brought to the attention of Parliament.

(2) The auditor shall from time to time make to the corporation or to the appropriate Minister such other reports as he may deem necessary or as the appropriate Minister may require.

(3) The annual report of the auditor shall be included in the annual report of the corporation.

(4) Notwithstanding section seventy-eight, this section operates in lieu of section one hundred and twenty of *The Companies Act, 1934*.

Mr. CLARK: Mr. Chairman, in lines 25 and 26 I think the word "expenditure" should be changed to "expense", for the same reasons that were involved in the change in section 85.

Mr. SINCLAIR: I so move.

The CHAIRMAN: It is moved by Mr. Sinclair to delete the word "expenditure" in line 25 and the word "expenditure" in line 26 and insert the word "expense" in both cases. Shall the amendment carry?

Carried.

Shall clause 87 carry as amended?

Carried.

Clause 88.

88. In any case where the auditor is of the opinion that any matter in respect of a corporation should be brought to the attention of the Governor in Council, the Treasury Board or the Minister of Finance, such report shall be made through the appropriate Minister.

Mr. FULTON: In clause 88, Mr. Chairman, shall we make the same insertion of the word "forthwith" after the word "made" as we did in clause 73?

The CHAIRMAN: I do not see any objection to it personally. Is this amendment acceptable to the committee? Mr. Fulton moves that we add the word "forthwith" on the 47th line, or at the beginning of the 48th line.

Carried.

Shall the clause as amended carry?

Carried.

Now we are through with part VIII which deals with Crown corporations.

Mr. MACDONNELL: Mr. Chairman—

The CHAIRMAN: If you do not mind, Mr. Macdonnell, I want to refer to what I said a day or two ago because I want to be consistent. Some of the officials drew my attention to something we did yesterday which might have violated a principle I enunciated, and they are willing to have altered an item that we voted yesterday. Yesterday in clause 31 on page 11 we gave instructions to the House. I mean, we gave instructions to the minister to refer something to the attention of a select committee. I think an amendment would be in order to this paragraph which might read—

Mr. MACDONNELL: What line?

The CHAIRMAN: Line 44 on page 11, instead of “expenses of the Houses of Parliament”, it should read “expenses of the Senate or House of Commons”, and carry on; or “library of parliament”, and carry on, and “shall report forthwith to the minister who shall draw the matter to the attention of the—” and strike out the following words and replace them by “Senate or House of Commons as the case may be”.

Mr. SINCLAIR: The appropriate minister. By this the comptroller is empowered to tell the appropriate minister.

The CHAIRMAN: No, it is the Houses of Parliament.

Mr. SINCLAIR: Earlier they say, in 2 (a) (iii) with respect to the Senate and the House of Commons the respective Speaker, and with respect to the Library of Parliament, the Speakers of the Senate and the House of Commons. So, all we have to do is to draw the matter to the attention of the appropriate minister.

The CHAIRMAN: You mean the Minister of Finance?

Mr. SINCLAIR: No, the Speaker of the House of Commons, or the Speaker of the Senate, or, if it concerns the library, the Speakers of the Senate and the House of Commons. That is provided for in 2 (a) (iii).

The CHAIRMAN: Yes, but the minister in this act is always the Minister of Finance, and the comptroller “. . . shall report forthwith to the minister, who shall draw the matter to the attention of the appropriate select standing committee”, and it shall decide.

You see, Mr. Wright, if there is something that is being done outside of our powers we should go back and correct it.

Mr. WRIGHT: It is peculiar that that was not noticed till I made my motion.

The CHAIRMAN: I admit that.

Mr. MACDONNELL: I prefer to think that you were right yesterday, Mr. Chairman.

The CHAIRMAN: Shall we revert to item 31? It is moved by Mr. Sinclair and seconded by Mr. Wright that clause 31, as amended by Mr. Sinclair, carry.

Mr. FULTON: How does it stand now?

The CHAIRMAN: In paragraph 6—

Whenever the comptroller is of the opinion that a doubt exists as to the legality or otherwise of a proposed charge to an appropriation provided for the expenses of the Houses of Parliament or the Library of Parliament, he shall forthwith report to the Minister who shall draw the matter to the attention of the appropriate minister.

Mr. SINCLAIR: And he shall decide.

The CHAIRMAN: I do not know if we should leave that in. It would be up to the House to refer it to a standing committee.

Mr. WRIGHT: What is the sense of that? It is to be drawn to the attention of the minister, who again brings it to his own attention. It just does not make sense.

The CHAIRMAN: That is right. I would not say "to the attention of the appropriate minister", I would say "to the attention of the Senate or the House of Commons", because the minister drawing the matter to the attention of the appropriate minister would mean that a minister whose offices had done something wrong that the comptroller did not like would have the decision to give.

Mr. FULTON: I think we should leave it the way the officials recommended that it be changed—that it be drawn to the attention of the House of Commons.

Mr. WRIGHT: How can it be brought to the attention of the House of Commons except by the minister?

Mr. SINCLAIR: When the comptroller draws to the attention of the Speaker that there is something wrong, the Speaker will have to bring it before the House.

The CHAIRMAN: We refer it to the House to decide.

Mr. SINCLAIR: When the comptroller makes a direct observation on the House of Commons and refers it to the Speaker, the Speaker has to refer it to the Internal Economy Committee of the House. What does Mr. Sellar think of this, because this is a reference back.

Mr. MACDONNELL: Surely when he has reported to the Minister of Finance he has done everything he can.

Mr. SINCLAIR: For a department of government, yes, but this is one group that does not come under the government. The Speaker of the House of Commons is not responsible to the government, nor is the House of Commons responsible to the government.

The CHAIRMAN: Whenever the comptroller is of the opinion that a doubt exists as to the legality or otherwise of a proposed charge to an appropriation—well, that proposed charge will already have been approved, we can assume by the Speaker, so what is the purpose of referring it back to him? I think it should read: ". . . he shall report forthwith to the minister who shall draw the matter to the attention of the Senate or the House of Commons, as the case may be, to decide." It is for them to decide, and if they want to send it to a committee it is up to them to decide on that procedure, but it is not up to us to tell them they should send it to a committee.

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

Mr. SINCLAIR: How does the comptroller, who normally reports to the Minister of Finance, report this matter? How does the Minister of Finance draw the attention of the House or the Senate to these things? What would be his routine?

The CHAIRMAN: I am not an expert on constitutional law, but the minister can draw the attention of the House to anything he wants to.

Mr. FULFORD: Perhaps Mr. Sellar could give his opinion on this.

Mr. SELLAR: I think I can tell you the history of this. It goes back a number of years when Mr. King was the Prime Minister and a particular transaction came up. At that time I was Comptroller of the Treasury. I think Mr. King was anxious for a certain thing to be done. It was proposed the Treasury Board should authorize it, but in the interval the Minister of Finance had referred the matter to me and Mr. King phoned me and I took the view that the Treasury Board had no status whatsoever regarding the management

of the House of Commons, that that was a parliamentary matter outside of the executive government and that the Internal Economy Committee was the proper body to decide that. He agreed with me and in due course action was taken by the Internal Economy Committee and ratified later by the House of Commons by resolution. I think in the drafting of this section the problem arose over what is the comparable body in the Senate. I think that the draftsman would have no trouble when he said the Internal Economy Committee is the authority for it, because that is a statutory body.

The CHAIRMAN: Is there a corresponding body in the Senate?

Mr. SELLAR: No. That is the problem.

The CHAIRMAN: Yes, but even the Internal Economy Committee of the House is a creature of the House.

Mr. SELLAR: No, it is set up by statute, it is in the Act.

The CHAIRMAN: It is not a creature of the House? And you say there is nothing comparable in the Senate?

Mr. SELLAR: I think the Governor in Council makes nominations to it, but only persons who are privy councillors are eligible to be members of the Internal Economy Committee.

Mr. SINCLAIR: What do you suggest, Mr. Sellar?

The CHAIRMAN: I think it should read ". . . who shall draw the matter to the attention of the Senate or the House of Commons", and it is up to them to refer it to the appropriate authority.

Mr. CROLL: I think Mr. Sellar is right. Why go beyond the House of Commons or Senate? Beyond that let the ordinary machinery take its course. Is that your suggestion, Mr. Sellar?

Mr. SELLAR: Yes. If I might interrupt again—the only thing is there might be a delay.

Mr. CROLL: In the House of Commons? Don't say that!

Mr. SINCLAIR: The House of Commons may not be sitting.

The CHAIRMAN: Paragraph 6 of item 31—I will read it again.

Whenever the comptroller is of the opinion that a doubt exists as to the legality or otherwise of a proposed charge to an appropriation provided for the expenses of the Houses of Parliament or the Library of Parliament, he shall report forthwith to the minister—
that is, the Minister of Finance

—who shall draw the matter to the attention of the Senate or the House of Commons, as the case may be, to decide.

Draw it to their attention to decide.

Mr. MACDONNELL: Is that practical? What happens when something is referred to the House of Commons?

The CHAIRMAN: What happens when it is referred to a select standing committee?

Mr. CROLL: Mr. Macdonnell gets up and asks "what has the minister done about so-and-so?"

Mr. MACDONNELL: But how does it get before the House?

Mr. CROLL: The minister has to do it.

Mr. FULTON: How does the minister refer it to the House?

Mr. CROLL: When the House is sitting he does it in the ordinary way by reading an ordinary statement and says this is a matter for the House to decide. Ministers have those privileges. It is done every day.

Mr. MACDONNELL: What are they going to do to decide?

Mr. CROLL: He says this is a problem and leaves it up to the Speaker.

Mr. SINCLAIR: The Speaker is the appropriate minister under this Act as far as the House of Commons is concerned.

The CHAIRMAN: Then you would be reporting to the minister whose own department had done something that the comptroller had doubt about.

Mr. SINCLAIR: The Minister of Finance would normally draw the attention of the ordinary minister to the matter. If something was irregular in the Department of Transport, would that not be the procedure? The Minister of Transport would be the one who would have to correct it, otherwise it would be in the report of the Auditor General the following year. In this case the Minister of Finance reports to the appropriate minister, who is the Speaker.

Mr. MACDONNELL: Who approves the appropriations for the expenses of the Houses of Parliament, the Speaker?

Mr. SINCLAIR: No, the parliament itself.

Mr. MACDONNELL: Who approves the charge to an appropriation?

Mr. SINCLAIR: Mr. McIntyre could speak on that.

Mr. MACDONNELL: Here we have a case where the comptroller is of the opinion that doubt exists as to the legality of a charge to an appropriation. Who will have authorized that charge in the first place?

Mr. MCINTYRE: The officers of the department concerned.

Mr. MACDONNELL: But this is the Speaker's department.

Mr. FULTON: The Senate and the House of Commons.

Mr. MCINTYRE: The Clerk of the House. He will approve the proposed expenditure and if there is any doubt as to the legality of the charge this section sets out the steps to be taken to clear it up and arrive at a decision. In the case of other departments, if a similar matter arises it goes to the Treasury Board and the Treasury Board makes the decision.

Mr. MACDONNELL: In the case of another department, is it not, as Mr. Sinclair read, that the appropriate minister would have the irregularity drawn to his attention? Would that not be natural?

Mr. MCINTYRE: He may in the first place, but if the proposed charge is not a proper charge to the appropriation of the department, or if the comptroller has any doubts about it, they have the right under this section to refer it to Treasury Board and get a ruling.

Mr. MACDONNELL: Would it not be brought to the attention of the parties primarily concerned, the Speaker of the House of Commons in this case?

Mr. MCINTYRE: Yes.

Mr. MACDONNELL: Well, would it not be the appropriate language to say the Speaker of the House of Commons? It is the clerk who will have approved if a mistake has been made.

The CHAIRMAN: May I ask Mr. Henry to give us an opinion on this. Mr. Henry, we want your opinion as to the advisability of the wording that has been suggested here, the Senate or the House of Commons, or as the appropriate minister, the Speaker. We ought not to impose something on parliament we have no right to impose.

Mr. HENRY: The wording that I had informally suggested was the one suggested by yourself, Mr. Chairman—

Mr. FLEMING: You are right again, Mr. Chairman!

Mr. HENRY: —because it seemed to me that the House would have its own procedure for dealing with a matter of this kind. Now, it might be that the wishes of the House or the Senate would be that the Minister of Finance would draw the matter to the attention of the appropriate Speaker. I do not know,

to tell you the truth, whether or not that is the proper way to do it, but it seems to me you cannot be wrong in drawing it to the attention of the House or the Senate. To do that, I should have thought that the minister would simply say "here is a matter that has been referred to me by the comptroller under section so-and-so, I move that it be referred to the Internal Economy Commissioners, or other appropriate committee." It seems to me it could be worked out on that basis. I am not sure, because I have not thought about it, whether it can be worked out by referring it to the Speaker because I am not sure what the Speaker does in a case like that.

Mr. SINCLAIR: Suppose the Clerk of the House wanted to get a couple of dictaphones for the stenographers' pool, and the comptroller might doubt that this was a legal charge against the authority, the appropriation for stationery. Is that going to be held off till next spring for the decision of the House?

That is the type of thing you come across, Mr. McIntyre, is it not?

Mr. MCINTYRE: That is what we have in mind.

Mr. SINCLAIR: Let us look at that. Do you mean to say that the House of Commons has to decide whether or not a dictaphone should or should not be bought?

Mr. MAJOR: Are you not referring it to the Speaker and the Speaker may refer it to the standing committee?

The CHAIRMAN: If we want to correct something that we have not the right to do, we are taking a roundabout way of doing it. I thought, if we left it as Mr. Henry himself considered appropriate, we should leave it to the "Senate and the House of Commons".

Mr. MACDONNELL: No, no, I do not think so.

May I ask Mr. Henry this question? If this was another department—Transport, Agriculture, or whatnot, am I right in thinking, as has been suggested, that the proper person to have this directive would be the minister of the respective department, is that correct?

Mr. HENRY: Yes, sir, for the purpose of drawing it to his attention, but he would not decide—

The CHAIRMAN: That way we will not get the decision.

Mr. CROLL: Why not leave the decision with the Speaker?

Mr. MACDONNELL: I was going on to ask if that was the proper procedure, would not the analogy in this case be the Speaker?

Mr. CLARK: No, I do not think the proper analogy is the Speaker. I suppose the Speaker is in the same position as the minister of the appropriate department—the minister whose official has made a request for a cheque which is illegal in some respects, in excess of the appropriation or something of that sort. In such cases the comptroller has to argue with the appropriate department and it gets up to the minister, presumably, before it is actually referred to the Treasury Board. But he cannot get the issue settled with the department—whether it is the deputy minister, another official, or the minister—so in the preceding subsections of this section he has to refer it to the Treasury Board and the Treasury Board makes the final decision between the disputants.

Here, you are trying to deal with a case where there has been a dispute. The Clerk of the House has requested a cheque which for some reason the comptroller thinks is illegal and a proposed illegal application of public funds. Presumably, it has been called to the attention of the Speaker by the official, the clerk, or the comptroller, and it may be that the Speaker upholds this particular official. You have the question then of who will decide as between the comptroller and the Speaker or, if you like, the Clerk of the House. You have to find something that corresponds to the Treasury Board in the case of another department.

The original form of this subsection assumed that the appropriate select standing committee of the House, let us say the internal economy committee, was the body that would provide the independent judgment and would arbitrate, but if you cannot do it that way, I do not know what to do.

The CHAIRMAN: The internal economy committee is not a select standing committee of the House, so, if we do that, if there is any hesitation as to choosing between the words "the Senate or the House of Commons" and the wording "the appropriate minister" I might suggest "the internal economy committee of the House."

Mr. MACDONNELL: Who are on the internal economy committee?

The CHAIRMAN: They sit all the time—three ministers plus the Speaker. Paragraph 16 of the House of Commons Act reads:

The Governor in Council shall appoint four members of the King's Privy Council for Canada who are also members of the House of Commons who with the Speaker of the House of Commons shall be commissioners for the purposes of this and the four next following sections.

Then you come to 18:

All sums of money voted by parliament upon such estimates or payable to members of the House of Commons, . . . etc., . . . shall be subject to the order of the commissioners or any three of them of whom the Speaker shall be one.

So, the internal economy committee is not a select standing committee and it would be the appropriate body here—

Mr. SINCLAIR: What about the Senate? The Senate have not got one? And what about the library?

Mr. WRIGHT: That is the difficulty; the Senate has not got the same body we have.

The CHAIRMAN: I stick to my first opinion, the select standing committee should not be included.

Mr. SINCLAIR: The internal economy committee might apply to the House of Commons but it does not apply to the Senate nor the joint committee for the library. On the question of the comptroller giving his views to the Minister of Finance, and the Minister of Finance formally informing the Speaker, the Speaker is going to take a very good look at it.

The CHAIRMAN: But who will decide?

Mr. SINCLAIR: The Speaker will decide. If he is wrong, then six months later in the Auditor General's report Mr. Watson Sellar will mention the matter referred by the minister to the Speaker pointing out that he feels that the Speaker has exceeded his authority—I think it will be a long time before we have a Speaker getting himself reported in the Auditor General's report.

The CHAIRMAN: In all other cases you have the Treasury Board as the judge. In this case you leave the minister and his officials who have done the thing to be the judge. I think we can say the internal economy commission—

Mr. SINCLAIR: But that leaves the Senate and the library—the other two—out in the cold.

Mr. FULTON: May I ask Mr. Sellar if the Senate has any committee that corresponds to our internal economy committee?

Mr. SELLAR: Yes, sir.

Mr. FULTON: Can we not say—

The CHAIRMAN: What is the name of the committee?

Mr. SELLAR: I think it is what they call the Committee on Expenditures, although I do not want to swear to it.

Mr. FULTON: Why not say "refer it to the appropriate committee"?

Mr. WRIGHT: I suggest we leave this over until we find out who are the appropriate people.

Mr. CROLL: I am informed it is the Internal Economy and Expenditures Committee of the Senate.

The CHAIRMAN: Well then, let us say ". . . to the Internal Economy and Expenditures Committee of the Senate or the Internal Economy Committee of the House to decide."

Mr. SINCLAIR: Then Mr. Wright's motion is back in order.

The CHAIRMAN: No, because the Internal Economy Committee is not a standing committee of the House.

Mr. SINCLAIR: But on the Senate it is—then what about the library? The library is run by a joint committee of both Houses.

The CHAIRMAN: Well, I will probably be accused of having delayed the proceedings of the committee, but I think we should leave this open and try to get agreement among the legal authorities on the wording.

Mr. KIRK (*Digby-Yarmouth*): Before you leave that, could we have Mr. Sellar comment on Mr. Sinclair's last remark?

Mr. SELLAR: Mr. Chairman, I have been discussing this with hon. members around me and I think Mr. Sinclair is wrong.

Mr. SINCLAIR: Good.

Mr. SELLAR: He says that if the Speaker makes a payment that is not in my opinion correct, six months later it will appear in my report. I say no: that under the Act the Speaker has a statutory discretion and whatever he decides is right, and I have nothing to say about it. I may be wrong, but that is my impression.

The CHAIRMAN: We will try to iron it out during the dinner recess.

At this point I should say that Mr. Macdonnell had asked for the privilege of putting a few questions on Crown corporations' powers.

Mr. MACDONNELL: I hope that is not a privilege.

The CHAIRMAN: Yes, it is, because what I told you in a way amounts to giving a privilege because you are not dealing directly with the bill we have now.

Mr. MACDONNELL: But I asked earlier at what point I should speak. There must be some place where we can discuss the powers of Crown corporations.

Mr. SINCLAIR: In their Act.

Mr. CROLL: Mr. Chairman, may I suggest to Mr. Macdonnell that the powers of Crown corporations are discussed on the floor of the House—and they are either extensive or narrow.

Mr. SINCLAIR: Speak on the matter when their bills of incorporation are being presented. We might just as well discuss the powers of various ministers in departments under this bill.

Mr. CROLL: As I recall it, in the last four or five years we have had crown corporations. There have been bills before us wherein the powers were set out and they varied from time to time, depending upon the kind of work these corporations intended to do. The Maritime Commission was one, and I think Polymer was up one time.

Mr. MACDONNELL: Just looking at it for the moment, let us take clause 83. I let clause 83 go past with the understanding that this question of powers could come up.

Mr. CROLL: It is all right with me to bring it up.

Mr. MACDONNELL: The clause in question, I submit—

Mr. FLEMING: Go ahead and ask the question.

Mr. SINCLAIR: On agency corporations?

Mr. MACDONNELL: What I want to raise I think is a question that has considerable interest, at any rate, and it may at least involve a recommendation of this committee which could be dealt with later on.

I want to raise the question of what is the reason for the broad powers that several of the companies have? We have been given a list here, and several companies are incorporated with broad powers—some of them I think are perfectly irrelevant and quite improper for crown corporations. The answer may be that they are never exercised, but I do want to raise the question of whether they should carry on any other business, have the power to lend money to any other company, the power to sell and dispose of undertakings—are those proper and relevant powers for crown corporations?

The CHAIRMAN: Would not the minister be the one to answer? Those are questions of policy. The powers given to each corporation was a matter of policy discussed in cabinet and recommended by the appropriate minister, and acceded to by the Minister of Finance.

Mr. MACDONNELL: If I may discuss this with the minister—

Mr. SINCLAIR: Are we not getting an awful long way away from this bill? The various Acts of parliament setting up crown companies spell out the powers and responsibilities of those companies. All this Act is doing is giving us some control, some audit. In their Act of incorporation they are given powers to buy and sell, but this is not an Act for the administration of crown companies. This is the Financial Administration Act. If we are going to have each minister responsible for crown companies to come before us as if we were a committee on crown companies and ask what powers they have and what they can and cannot do—

Mr. MACDONNELL: I do not suggest that.

Mr. SINCLAIR: But very close to it.

The CHAIRMAN: Section 83 which we approved says:

The Governor in Council may make regulations with respect to the conditions upon which an agency corporation may undertake contractual commitments.

Now, Mr. Macdonnell knows that some of these corporations undertake contractual commitments according to their present charter but he wants to get further information as to what their powers are. I am in the hands of the committee. I think it was agreed that within reasonable limits you could in a short time ask a few relevant questions on the matter once we had the chapter approved. If the committee does not want to stand by my agreement—

Mr. JUTRAS: Section 83 applies in awarding contracts?

The CHAIRMAN: Contractual commitments and Mr. Macdonnell wants to refer—

Mr. JUTRAS: Mr. Macdonnell referred a moment ago to the various powers. He referred to powers generally and he referred specifically to many powers that he did not expect would be used. In other words, he refers to the general powers and surely that is completely out of order.

The CHAIRMAN: Maybe he would like to get on with contractual commitments.

Mr. MACDONNELL: If you will say to the minister when he comes here that I raised this question and open the door for me to just raise it with him—

The CHAIRMAN: He will be at liberty to answer or not.

Mr. MACDONNELL: If he refuses I will be content.

Mr. JUTRAS: I do not think it is a matter that should be left with the minister.

The CHAIRMAN: We cannot force him to answer a question but we can tell him that a member has raised such a point.

Mr. FLEMING: May I ask Mr. Sellar this question on the point, please?

May I ask Mr. Sellar on this point if he has had occasion at any time to report that any of the crown corporations have exceeded their corporate powers or proper functions?

Mr. SELLAR: Let me narrow that question down so when I am thinking I do not have to cover too much territory. You are referring to companies created under The Companies Act?

Mr. FLEMING: Not necessarily, I am speaking of crown corporations.

Mr. SELLAR: In my present report which is before the committee, I am raising the point that the Federal District Commission charged certain expenses which I considered as being beyond the authority given them by the Act—if that is what you mean?

Mr. FLEMING: Well, I am thinking more particularly of the question of powers. That would be one phase: expending money for some unauthorized purpose. Is there any other type of situation you have encountered which has involved an excess on the part of a crown corporation of its proper corporate powers and its functions?

Mr. SELLAR: I have been consulted twice as to whether they had the power to do certain things.

Mr. FLEMING: Were they in excess of the powers of the corporation?

Mr. SELLAR: Well, they did involve the application of ancillary powers in section 14 in the Act.

Mr. WRIGHT: There is another point I want to raise with regard to Mr. Sinclair's statement that the powers of these various corporations are set out in their Acts of incorporation and that they do come before parliament. I see at least one corporation here that I do not think was ever set up in that way, the Canadian Sugar Stabilization Corporation, which I think was set up by Order in Council under the War Measures Act and therefore its powers would be indicated in the Order in Council which while it was tabled in parliament was never discussed in parliament.

The CHAIRMAN: The purpose of this committee at the moment is to study bill number 25. I do not see anything wrong in what Mr. Macdonnell has just stated, that he would be satisfied when the minister comes here to ask him questions. I think the minister is a responsible person and if he feels that a matter, in his opinion, does not come within the purview of this Act, then it is up to him so to answer.

Mr. MACDONNELL: The other point that I raised was this: I asked for a list of the directors of the various crown corporations. Am I able to have that?

The CHAIRMAN: Whether you would have that today or not—

Mr. MACDONNELL: I want to discuss that with the minister; about a question of policy.

The CHAIRMAN: That goes much beyond the Act and much beyond Section 83. As far as we are concerned I think it is fair for me to ask that we should not pursue those questions now. When the minister is here—he is a responsible person—if he feels that the information requested is not relevant to bill number 25 he will say so and that will end the matter. Now, shall we go on with the bill, section—

Mr. CLARK: Mr. Chairman, I have here a list of the directors of the crown corporations that come under the Department of Defence Production. We have not been able to get the others as yet. Would those of the Department of Defence Production be of use?

The CHAIRMAN: I would think that tonight or tomorrow when the minister is here would be the time to bring up questions about that matter. If we finish this Bill now we will have him tonight. We are now on part IX, civil liability and offences, section 89:

89. (1) Whenever the Minister has reason to believe that any person
- (a) has received money for His Majesty and has not duly paid it over,
 - (b) has received money for which he is accountable to His Majesty and has not duly accounted for it, or
 - (c) has in his hands any public money applicable to any purpose and has not duly applied it,

the Minister may cause a notice to be served on such person, or on his representative in case of his death, requiring him within such time from the service of the notice as may be named therein, duly to pay over, account for, or apply such money, as the case may be, and to transmit to the Minister proper vouchers that he has done so.

(2) Where a person has failed to comply with a notice served on him under subsection one within the time stated therein, the Minister shall state an account between such person and His Majesty, showing the amount of the money not duly paid over, accounted for or applied, as the case may be, and, in the discretion of the Minister, charging interest on the whole or any part thereof at the rate of five per cent per annum from such date as the Minister may determine, and in any proceedings for the recovery of such money a copy of the account stated by the Minister, certified by him, shall be *prima facie* evidence that the amount stated therein, together with interest, is due and payable to His Majesty, without proof of the signature of the Minister or his official character, and without further proof thereof, and such amount and interest may be recovered as a debt due to His Majesty.

Mr. FULTON: I would like to ask Mr. Henry just as a matter of curiosity whether clause 89 is wide enough to cover the procedure for the recovery of arrears of taxes or whether this only applies to other types of debts to the crown?

Mr. HENRY: No, sir, section 89 is not intended to be a tax collecting provision. It is intended to provide recourse to the crown for the purpose of recovery of money that is accountable to the crown, that has been paid to somebody to be paid to the crown; in other words, it is to cover the case where an officer of the crown or some other person on behalf of the crown has received money which has not been paid over. In the case outlined—

Mr. FULTON: It does not cover taxes?

Mr. HENRY: No, taxes that have not been paid by the taxpayer are not yet moneys that belong to the crown.

Mr. FULTON: I notice here that clause (b) says: "has received money for which he is accountable to His Majesty and has not duly accounted for it, or—" I was wondering—

Mr. HENRY: Unfortunately, I do not think we can say that there is any recourse under this section against such persons.

The CHAIRMAN: Order, gentlemen. How do you expect the reporter to be able to take down our proceedings with all this noise.

Mr. HENRY: I may say that section 89 is in practically the same form as sections 58 and 59 in the other Act. It has just been clarified a little bit by some paraphrasing. There is no change in the substance at all.

Mr. FULTON: The other point I wanted to make applies to a similar provision in this part—

The CHAIRMAN: Let us deal with 89, the clause we are on.

Mr. FULTON: This is 89 as well. I just wanted to ask how long it has been a provision of the law under this heading that accounts stated by the minister and certified by him, "shall be *prima facie* evidence that the amount stated therein, together with interest, is due and payable to His Majesty, without proof of the signature of the minister or his official character, and without further proof thereof, and such amount and interest may be recovered as a debt due to His Majesty," and that is repeated in the same form in other sections under this Act.

Mr. HENRY: My recollection of this, Mr. Chairman, is that that section goes back to 1867.

Mr. FULTON: In that form?

Mr. HENRY: The words may not be exactly the same but to my recollection that provision does go back that far.

Carried.

The CHAIRMAN: Shall section 90 carry?

90. Where it appears

(a) by the books or accounts kept by or in the office of any person employed in the collection or management of the revenue,

(b) in any accounting by such person, or

(c) by his written acknowledgement or confession

that such person has, by virtue of his office or employment, received money belonging to His Majesty and has refused or neglected to pay over such money to the proper persons at the proper times, an affidavit deposing to such facts, taken by any person having knowledge thereof, shall, in any proceedings for the recovery of such money, be received in evidence and shall be *prima facie* proof of the facts stated therein.

Carried.

Section 91.

91. Where by reason of any malfeasance, wilful neglect of duty or gross negligence by any person employed in collecting or receiving any public money, any sum of money is lost to His Majesty, such person is accountable for such sum as if he had collected and received it and it may be recovered from him as if he had collected and received it.

Carried.

Mr. FULTON: Isn't that rather wishful thinking?

Mr. CHAIRMAN: Pardon me?

Mr. FULTON: I said, is not 91 wishful thinking?

The CHAIRMAN: It is for you to decide whether you have any questions to ask on it or not.

Shall 91 carry?

Carried.

Section 92.

92. Every officer or person acting in any office or employment connected with the collection, management or disbursement of public money who

- (a) receives any compensation or reward for the performance of any official duty, except as by law prescribed;
 - (b) conspires or colludes with any other person to defraud His Majesty, or makes opportunity for any person to defraud His Majesty;
 - (c) designedly permits any violation of the law by any other person;
 - (d) wilfully makes or signs any false entry in any book, or wilfully makes or signs any false certificate or return in any case in which it is his duty to make an entry, certificate or return;
 - (e) having knowledge or information of the violation of any revenue law by any person, or of fraud committed by any person against His Majesty, under any revenue law of Canada, fails to report, in writing, such knowledge or information to his superior officer; or
 - (f) demands or accepts or attempts to collect, directly or indirectly, as payment or gift or otherwise, any sum of money, or other thing of value, for the compromise, adjustment or settlement of any charge or complaint for any violation or alleged violation of law,
- is guilty of an indictable offence, and is liable on conviction to a fine not exceeding five hundred dollars, and to imprisonment for any term not exceeding five years.

Carried.

Shall 93 carry?

93. Every person who
- (a) promises, offers or gives any bribe to any officer or any person acting in any office or employment connected with the collection, management or disbursement of public money, with intent
 - (i) to influence his decision or action on any question or matter that is then pending, or may, by law, be brought before him in his official capacity, or
 - (ii) to influence such officer or person to commit, or aid or abet in committing any fraud on the revenue, or to connive at, collude in, or allow or permit any opportunity for the commission of any such fraud, or
 - (b) accepts or receives any such bribe,
- is guilty of an indictable offence, and is liable on conviction to a fine not exceeding three times the amount so offered or accepted, and to imprisonment for any term not exceeding five years.

Carried.

Shall 94 carry?

94. All books, papers, accounts and documents kept or used by, or received or taken into the possession of any person who is or has been employed in the collection or management of the revenue or in accounting for the revenue, by virtue of that employment, shall be deemed to be chattels belonging to His Majesty; and all money or valuable securities received or taken into the possession of any such officer or person by virtue of his employment shall be deemed to be money and valuable securities belonging to His Majesty.

Carried.

Now we come to Part 10—Miscellaneous.

Shall section 95 carry? Are there any comments?

95. (1) Where, in the opinion of the Minister of Justice, any person is indebted to His Majesty in right of Canada in any specific sum of money, the Treasury Board may authorize the Minister of Finance to retain by way of deduction or set-off the amount of any such indebtedness out of any sum of money that may be due or payable by His Majesty in right of Canada to such person.

(2) Where, in the opinion of the Minister of Justice, any person is indebted in any specific sum of money on account of taxes payable to any province, and an agreement exists between Canada and the province whereby Canada is authorized to collect the tax on behalf of the province, the Treasury Board may authorize the Minister of Finance to retain by way of deduction or set-off, out of any sum of money that may be due or payable by His Majesty in right of Canada to such person, the amount of such indebtedness, but the amount so retained shall not exceed the amount that might under the laws of the province be seized or attached under execution or garnishee proceedings.

(3) Where, in the opinion of the Minister,

(a) any person is indebted to a province in any specific sum of money by reason of his having received from the province a payment, in respect of which Canada has contributed under the provisions of any Act, to which he was not entitled, and

(b) the province has made reasonable efforts to effect recovery of the amount of such indebtedness,

the Treasury Board may authorize the Minister to retain by way of deduction or set-off the amount of such indebtedness out of any sum of money that may be due and payable by His Majesty in right of Canada to such person, and the amount so deducted less the portion thereof that in the opinion of the Minister is proportionate to the contribution in respect thereof made by Canada, may be paid to the province out of the Consolidated Revenue Fund.

Carried.

Mr. WRIGHT: Could we get some explanation of what additions there are in this section 95? I see that (3), (a), and (b), are new.

Mr. BALLS: Well, Mr. Chairman, the new provision gives the Treasury Board authority to authorize the Minister of Finance to retain out of any money due and payable by His Majesty in right of Canada to any person, any specific sum of money for which such person is indebted to a province by reason of his having received from the province a payment in respect of which Canada has contributed under the provisions of any Act and to which he is not entitled and in respect of which the province has made reasonable efforts to effect recovery of the amount of such indebtedness. This is the type of case in which a person may have a debt due to the Crown in the right of a province but in respect of money in which the federal government has made some contribution.

Mr. WRIGHT: Such as old age security?

Mr. BALLS: Old age security, for instance, where overpayment has been made by a province to an individual, part our money and part provincial. This section would help to collect it.

Mr. WRIGHT: What is that?

Mr. BALLS: It would help collect the over-payment out of the money we would be paying to that particular person.

Mr. KIRK (*Digby-Yarmouth*): In similar cases in the past was the only method of collection through the provincial authorities or through the courts?

Mr. BALLS: Yes, but now we will be able to do it by withholding the amount from moneys that we would otherwise have to pay out.

Mr. CLARK: We had no such law in the past.

The CHAIRMAN: Shall section 95 carry?

Carried.

Shall section 96 carry?

96. Whenever it appears to the Governor in Council that any account, statement, return or document required by any Act of Parliament or otherwise to be laid before one or both Houses of Parliament contains the same information as or less information than is contained in the Public Accounts, the Governor in Council may direct that the account, statement, return or other document be discontinued, and thereafter it need not be prepared or laid before either House of Parliament.

Carried.

Shall section 97 carry?

97. Subject to any other Act of Parliament, no transfer, lease or loan of property owned by His Majesty in right of Canada shall be made to any person, except in accordance with regulations or on the direction of the Governor in Council.

Carried.

Shall section 98 carry?

98. (1) There shall be established in the Consolidated Revenue Fund a special account to be known as the Public Officers Guarantee Account to which shall be transferred or credited, in accordance with the regulations,

- (a) the balance of the Government Officers Guarantee Fund,
 - (b) amounts paid by departments by way of premiums, and
 - (c) amounts recovered by His Majesty in respect of payments out of the said Account or the Government Officers Guarantee Fund,
- and payment may be made out of the said Account, in accordance with the regulations, by way of indemnity for losses suffered by His Majesty or others by reason of defalcations or other fraudulent acts or omissions of public officers.

(2) The Treasury Board may make regulations

- (a) prescribing the conditions upon which payments may be made out of the Public Officers Guarantee Account,
- (b) requiring departments to deposit amounts to the credit of the said Account, and
- (c) governing the operation of the said Account by the Minister.

(3) Every payment out of the Public Officers Guarantee Account and the amount of every loss suffered by His Majesty by reason of defalcations or other fraudulent acts or omissions of a public officer, together with a statement of the circumstances, shall be reported annually in the Public Accounts.

Mr. FLEMING: May we have a word of explanation about section 98?

Mr. CLARK: This refers to the public officers guarantee fund, which we discussed the other morning. You may remember that this is the legislative framework for the scheme that we have had in effect since 1936. It provides for a guarantee fund, a system of bonding of employees of the government, particularly those engaged in the collection of moneys, or those who have in their custody public moneys.

Each of the departments pays a premium out of its estimates in respect of a number of employees which they wish to have bonded. That premium is paid into the fund and losses are paid out of the fund. That scheme has been in operation, as I said the other day, since 1936 and it has been, I think, a very effective device which has resulted in the building up of a fund of around \$600,000 or \$700,000 with losses so far paid out of only about \$50,000.

The CHAIRMAN: Shall section 98 carry?

Carried.

Shall section 99 carry?

99. No bank shall make a charge for cashing a cheque or other instrument drawn on the Receiver General or on his account in the Bank of Canada or any other bank, or for cashing any other instrument issued as authority for the payment of money out of the Consolidated Revenue Fund, or in respect of any cheque or other instrument drawn in favour of the Receiver General, the Government of Canada or any department thereof or any public officer in his capacity as such, and tendered for deposit to the credit of the Receiver General.

Mr. FRASER: Why is it necessary to put this in here when it is in the Bank Act and it is only referring to the Bank Act.

Mr. HENRY: In the first place, there is included a provision to cover cheques drawn in favour of the Receiver General of Canada. It is not provided for in the Bank Act; and in the second place, when the Bank Act is revised, as it will have to be, this will be left out at that time.

Mr. FRASER: I just want to ask if cheques at the present time for deposit have ever been charged for? Have charges been made to collect, when those cheques were made out to the Receiver General?

Mr. CLARK: Not for a great many years anyway.

Mr. FRASER: That has always been something that the bank has given free, has it not?

Mr. CLARK: Yes.

The CHAIRMAN: Shall section 99 carry?

Carried.

Shall section 100 carry?

100. The Governor in Council may make regulations for carrying the purposes and provisions of this Act into effect.

Carried.

We are now up to Part XI—Repeal.

Shall section 101 carry?

101. (1) The enactments set out in the first column of Schedule E are repealed to the extent specified in the third column of that Schedule.

(2) Upon the coming into force of this Act, Parliament shall be deemed to have authorized the Department of Transport to operate a revolving fund for the purpose of acquiring and managing stores and to have fixed the amount of four million dollars as the amount that may be charged to that fund at any one time, against which shall be charged the value of stores then on hand.

Carried.

Shall section 102 carry?

102. This Act or any Part thereof shall come into force on a day or days to be fixed by proclamation of the Governor in Council.

Carried.

Gentlemen, we have concluded the Act except for clause 31 which we have to consider for redrafting, and clauses 38 and 39 on page 13. Also, clause 71 on page 22, and the schedules.

On page 32 there is schedule A. Shall Schedule A carry?

SCHEDULE A

Department of Agriculture.
Department of Citizenship and Immigration.
Department of Defence Production.
Department of External Affairs.
Department of Finance.
Department of Fisheries.
Department of Insurance.
Department of Justice.
Department of Labour.
Department of Mines and Technical Surveys.
Department of National Defence.
Department of National Health and Welfare.
Department of National Revenue.
Post Office Department.
Department of Public Works.
Department of Public Printing and Stationery.
Department of Resources and Development.
Department of the Secretary of State of Canada.
Department of Trade and Commerce.
Department of Transport.
Department of Veterans Affairs.

Carried.

Shall Schedule B carry?

SCHEDULE B

Agricultural Prices Support Board.
Atomic Energy Control Board.
Canadian Maritime Commission.
Director of Soldier Settlement.
The Director, The Veterans' Land Act.
Dominion Coal Board.
Fisheries Prices Support Board.
National Gallery of Canada.
National Research Council.
Unemployment Insurance Commission.

Carried.

Shall Schedule C carry?

Canadian Arsenals Limited.
Canadian Commercial Corporation.
Canadian Patents and Development Limited.
Canadian Sugar Stabilization Corporation Ltd.
Commodity Prices Stabilization Corporation Ltd.
Crown Assets Disposal Corporation.
Defence Construction (1951) Limited.
Federal District Commission.
National Battlefields Commission.
National Harbours Board.
Park Steamship Company Limited.

Carried.

Shall Schedule D carry?

Canadian Broadcasting Corporation.
 Canadian Farm Loan Board.
 Canadian National (West Indies) Steamships, Limited.
 Canadian Overseas Telecommunication Corporation.
 Central Mortgage and Housing Corporation.
 Eldorado Mining and Refining (1944) Limited.
 Export Credits Insurance Corporation.
 National Railways as defined in the *Canadian National-Canadian Pacific Act, 1933*.
 Northern Transportation Company (1947) Limited.
 Northwest Territories Power Commission
 Polymer Corporation Limited.
 Trans-Canada Air Lines.

Carried.

Shall Schedule E carry?

<i>Title</i>	<i>Citation</i>	<i>Extent of Repeal</i>
The Consolidated Revenue and Audit Act, 1931.....	1931, c. 27.....	the whole.
Department of Finance and Treasury Board Act.....	R.S.C. 1927, c. 71.	sections 1 to 13.
The Department of Transport Stores Act.....	1937, c. 28.....	the whole.
Board of Audit Act.....	R.S.C. 1927, c. 10.	the whole.
Contingencies Act.....	R.S.C. 1927, c. 31.	the whole.
Debts due to the Crown Act	1932, c. 18.....	the whole.
The Government Companies Operation Act	1946, c. 24.....	secs. 3, 4, 5, 6 and 10.

Carried.

Mr. WRIGHT: Mr. Chairman, with regard to these schedules I wish to have something more to say with respect to incorporating the Wheat Board in them.

The CHAIRMAN: I think that would be something for the minister when he comes before us. You will have an opportunity then when the minister is here to raise that matter.

Mr. WRIGHT: But if you have already passed the Schedules, you might say that I could not discuss them.

The CHAIRMAN: Oh, no. It has been agreed that when the minister is here we will first bring up the matters which have been specially asked to be brought to his attention, and then other questions that may be relevant to the Act may be asked of him and it is up to him as to what he wants to say. As I say, we have four clauses left in abeyance, with the minister's evidence, so I would suggest, if you do not mind, that we get together tonight at 8.30 to conclude this.

Mr. FRASER: Mr. Clark said he would give me the figures regarding section 23.

Mr. CLARK: Mr. Chairman, I asked immediately one of my officials to get the facts together on that. I will give them to you just as soon as I get them.

Mr. FLEMING: Are amendments ready on those other sections, Mr. Chairman? You can tell us now so that we might ponder them between now and 8.30.

The CHAIRMAN: On section 71, page 22, the amendment is as follows: substitute "person or organization" in place of "undertaking or service", in line 33.

Mr. FLEMING: I subscribe to that.

The CHAIRMAN: Shall section 71 as amended carry?

Carried.

Mr. CLARK: Mr. Chairman, we are ready on section 60.

The CHAIRMAN: That was approved yesterday.

Mr. CLARK: Oh, yes. We are not ready on section 38.

Mr. FRASER: Did not sections 38 and 39 stand?

The CHAIRMAN: Yes. The officials will be ready tonight to give us information on these.

The committee adjourned to meet at 8.30 p.m.

EVENING SESSION

The CHAIRMAN: Order, gentlemen. We have with us this evening the Minister of Finance, Mr. Abbott. I wonder if the committee will agree that we should proceed with the minister or would you prefer that we should clear up the only three items that are outstanding still to be definitely approved of. We have only section 31 (6), on page 11, and 38 and 39, on page 13. As the minister may be busy, perhaps we had better hear him right now.

Mr. SINCLAIR: My understanding was that these sections were held over because we wanted to hear the minister on them.

The CHAIRMAN: Not necessarily in the case of 31 (6), but especially for Mr. Wright who has some questions to ask about the wheat board, as to why it was not included. Is it the desire of the committee that we should take the items and look into them item by item?

Agreed.

The CHAIRMAN: All right, section 31 (6), on page 11. The matter was brought to our attention this afternoon that there was nearly a crime committed in that Mr. Wright's motion brought our attention to what we had done yesterday when we stated in line 46, page 11 that the matter should be referred to the attention of the appropriate select standing committee and it was decided that was wrong because no standing committee can decide anything, it can only report to the House. Now, I am in duty bound to submit two amendments, and probably we can then decide which we prefer. I saw the law clerk of the House and he proposed one, and in the meantime the solicitor for the treasury brought in another one. The one which came from the law clerk of the House was this:

That all the words after "the" in line 43 be deleted and the following be substituted therefor:

. . . Senate, the House of Commons or the library of parliament he shall report forthwith to the minister who shall draw the matter to the attention of the Senate, or the House of Commons as the case may be or to both the Senate and the House of Commons in cases respecting the library of parliament, for appropriate action.

Now, that is one version. Another one which comes from the solicitor for the treasury would substitute an entirely new subsection which I will read to you now:

Whenever the comptroller is of the opinion that a doubt exists as to the legality or otherwise of a proposed charge to an appropriation provided for the expenses of the Senate, the House of Commons or the library of parliament, he shall forthwith, through the minister, draw the matter to the attention of the appropriate minister who shall obtain a decision in accordance with such procedure as may from time to time be prescribed by the Senate or the House of Commons as the case may be or, in the case of the library of parliament, by the Senate and the House of Commons, and the comptroller shall act in accordance with the decision.

Hon. Mr. ABBOTT: I think I should say that the department would have no objection to either one. I think the section as drawn overlooked an important procedural point, but probably either one of those would more accurately reflect what the procedure should be.

Mr. SINCLAIR: I move that the second one be adopted.

Mr. FRASER: That is what I was going to do too, Mr. Chairman.

The CHAIRMAN: There is a motion by Mr. Sinclair that the second clause that I just read should replace subsection 6 of section 31.

Shall the motion carry?

Carried.

Then, section 31 is carried in its entirety. We now go over to section 38. I think the solicitor for the treasury has an amendment to offer on this section 38.

38. It is a term of every contract providing for the payment of any money by His Majesty that payment thereunder is subject to there being an appropriation for the particular service for the fiscal year in which any commitment thereunder would come in course of payment.

Hon. Mr. ABBOTT: I did not think that there was any thought about an amendment. I understand the question was raised here that it was perhaps unfair to people who are contracting with the government that their rights should be contingent upon, at least, their right to recover money, should be contingent upon parliament voting an appropriation at a subsequent session. In fact, as the committee knows, the constitutional practice has always been that votes lapse at the end of the year and any contract which was entered into is always subject to the implied condition that parliament will vote the moneys to carry it out. This section, as I understand it, was intended to put into statutory terms what has in fact been the practice. There has never been a case of which I am aware that a successor government has refused to honour the obligations incurred by a predecessor. There has never been a case where parliament has refused to vote the necessary moneys to carry out contracts which have been entered into. The purpose of this section, I think, is that it is desirable that the government should have to go to parliament each year for a vote to carry through a contract which is entered into. And there is this further point too, I think, that the government of the day, the Minister of Finance of the day, must estimate as accurately as he can his expenditures for the 12-month period and if he over-estimates or under-estimates that shows up when he has to go to parliament for revotes or for supplementaries. I would not think that any person dealing with the government would be prejudiced by the inclusion of a condition of this kind and it does seem to me that it imposes a little greater parliamentary control over the expenditure required. That is the only reason for putting it in. As far as the Department of Finance is concerned, or as far as the executive is concerned, we would be better off without such a section. It is a check, and I

do not think that any citizen is prejudiced in his dealings with the government. I would say this is a desirable section to have in a general Act dealing with public moneys.

Mr. MACDONNELL: It will not have the effect of discouraging persons from taking on government contracts?

Hon. Mr. ABBOTT: I have never known of anybody refusing a government contract because they were afraid parliament would refuse to vote in the next year the moneys necessary for carrying out contracts. That is our reason for putting it in.

Mr. MACDONNELL: Is there any specific clause in a contract to cover that situation?

Hon. Mr. ABBOTT: Mr. McIntyre would know more about that than I do.

Mr. MCINTYRE: Every purchase order is a contract and there are thousands of them. In the larger contracts, in the construction contracts, there would be no objection to specific mention of this in the contract. It can be done. But in any case it is well known by those who are taking on larger government contracts that this is a constitutional requirement and that moneys have to be voted by parliament before they can be paid over on account of the contract price in the same way that the civil service know that if there is not enough money voted in the appropriations each year, they cannot get an increase in salary.

Mr. CAVERS: I think the suggestion the other day was that when a contract was drawn, the solicitor should make it a term of the contract rather than the term being made in a statute to apply to every contract.

The CHAIRMAN: That is right. That is one of the main arguments.

Hon. Mr. ABBOTT: It has been standard practice under the British parliamentary system that moneys to carry out previous contractual obligations must be voted by parliament and that the votes will lapse at the end of the year, and that, speaking as Minister of Finance, I try to estimate each year, in order to reflect accurately what our out-go is likely to be, an amount which will be required to be paid out under outstanding contracts during the fiscal period.

If I under-estimate the amount, I have to come back for a supplementary estimate at the end of the year. But I do think there is some value in the executive being obliged to come frequently and say what amounts they require to carry out current obligations. I do not think there is chance of any private citizen contracting with the government being prejudiced by a rule of that kind. It is a rule which is intended to impose some measure of control on the executive.

Mr. MACDONNELL: Does anyone object to this clause?

Hon. Mr. ABBOTT: I would not think there was any danger.

The CHAIRMAN: Yes. The idea was expressed by some of the members of the committee that somebody might in good faith enter into a contract with the government and that he might have recourse to the courts to get judgment in order to get paid; and that in the meantime the appropriation would not have been voted by parliament and there would not be the money with which he could be paid even if he had a judgment from the Exchequer Court. I am trying to find it.

Hon. Mr. ABBOTT: Mr. McIntyre informs me that it is now standard practice to include a clause or a statement setting out this condition in construction contracts. I suppose it is done more as a matter of information, or is it a contractual obligation? Yes.

The CHAIRMAN: The gentleman who was most concerned about it was Mr. Fleming. Mr. Campney also asked a question about it.

Hon. Mr. ABBOTT: I was hoping the committee would feel that this could stay in because I do not think anybody would be prejudiced by it.

The CHAIRMAN: Does section 39 carry?

Carried.

Mr. MACDONNELL: I would like to say this, Mr. Chairman: Mr. Fleming is not able to be here, but I would not like to feel that he would be precluded from saying something about it in the House of Commons.

The CHAIRMAN: Oh no. If Mr. Fleming gets here tonight before the minister has gone, I do not see why he should not be able to put a question on it.

I received a communication from the secretary, or the assistant general manager of the Canadian Construction Association. I have his letter before me and I think I am bound to read it to the committee. It deals more with bill 26 and it concerns public works more than this one, but since a public body of that importance has communicated to the committee, I think we should take notice of their letter. So I shall read the letter as follows:

Re: Bill No. 25 and Bill No. 26

Dear Mr. PICARD:

In introducing bill No. 26 in the House of Commons on November 23, Mr. Fournier stated that it would be consequential on the passing of bill No. 25 (The Financial Administration Act). The present Act provides that the minister shall invite tenders by public advertisement except in cases of pressing emergency, where work is being carried out by government employees or "where the estimated cost of the work is less than \$5,000 and it appears to the minister, in view of the nature of the work, that it is not advisable to invite tenders". This latter exception is changed in bill No. 26, however, to read that tenders may not be invited publicly if "the minister is satisfied that the nature of the work renders a call for tenders by public advertisement impracticable...".

Officials of the Department of Public Works have advised us that a stipulation setting an amount over which tenders on federal construction jobs would have to be publicly invited would likely be included in the regulations provided for in section 39 of bill No. 25. While this section states that "Governor in Council may make regulations with respect to the conditions under which contracts may be entered into...", it is understood that present intentions in this regard only contemplate the setting of an amount over which contracts will have to be approved by the Governor in Council or the Treasury Board. In summary, therefore, bills No. 25 and 26 would seem to enable ministers to award contracts to up to, say \$25,000, without approval of the Governor in Council or the Treasury Board and to refrain from publicly inviting tenders if considered impracticable to do so. No details are given with regard to the conditions where public tenders calls might be deemed "impracticable" nor is any limit placed on the size of such projects.

It is appreciated that the purpose of bill No. 26 is intended to legalize current government practice in the awarding of contracts without the calling of competitive tenders with regard to repair or renovation jobs and some projects in remote areas. Such a procedure, it might be added, is the accepted practice throughout the industry. At the same time, members of the construction industry on being advised of the contents of bill No. 26 expressed concern that it might tend to facilitate the relaxation of current practices concerning the public invitation of tenders on federal projects in some departments.

The policy of advertising for tenders for construction work, as required for in the present Public Works Act, is generally followed by federal departments and has served to ensure that all members of the public have an equal opportunity in tendering on public works. This fact, together with public tender openings or the publicizing of the names of all bidders and their respective tender amounts, has served to increase the number of contractors bidding on these jobs and has given the government and the public the benefit of greater competition. It has also served to counteract adverse publicity concerning methods followed in the awarding of federal contracts.

The Canadian Construction Association, representing all phases of the construction industry throughout Canada, has adopted a continuing statement of policy at its annual meetings advocating "the calling of competitive tenders of all construction work involving public funds and the public advertisement and opening of these tenders except with regard to work in the 'secret category'". This principle was again endorsed by the C.C.A. Management Committee at a meeting in Toronto on November 13th.

This association therefore strongly recommends to the Public Accounts Committee that the terms concerning the size or nature of public works for which tenders do not have to be publicly invited should not be included in the regulations to be set up with regard to section 39 of bill No. 25 but that they be directly specified in section 36 of bill No. 26. It is felt that such a procedure will not serve to restrict the actions of ministers in negotiating contracts where conditions warrant this practice, but will rather serve to support their actions. It is suggested therefore, that in addition to the exceptions listed in section 36(a) and (b) in bill No. 26, reference should be made to the fact that tenders need not be publicly invited for work in the secret, repair, etc., categories. Then a further exception could be added stating that if the estimated cost of a project is below a certain amount, the minister may decide it advisable not to invite tenders. It is submitted, however, that the place for these provisions is in the Public Works Act rather than in the regulations pertaining to the Financial Administration Act.

Of course, I do not think that this pertains much to the work of our committee because the item we are passing on is article 39 and we are not dealing with the regulations themselves. But in all fairness I thought I was bound to put the letter from the association before the committee. I think it should be transferred to whatever authority will look into bill 26 as well as to the officials who will be drafting the regulations concerning item 39.

Mr. SINCLAIR: The regulations with regard to section 39 are only for security.

Hon. Mr. ABBOTT: And specify the size limits as to contracts which require approval by the Governor in Council or the Treasury Board.

The CHAIRMAN: Shall article 39 carry? It had been left in abeyance only on account of the request which we received from the Canadian Construction Association.

Mr. FRASER: Wait, now, Mr. Chairman. On this section 39, what limit can be put on there? Can there be any limit at all, or is there any limit?—"in excess of such amount or amounts as the Governor in Council may prescribe . . ."

The CHAIRMAN: I think it would be up to the officials who are here to answer that.

Hon. Mr. ABBOTT: Mr. Bryce is familiar with the detail there.

Mr. BRYCE: I think perhaps there might be a guide in the Defence Production Act, which covered a question similar to this, and in that case it was specified that the Governor in Council must approve contracts of over \$25,000 in any case except those where the lowest tender was accepted, and in that case must approve contracts over \$50,000. Now, that was the latest legislation which, I think, reflected the government's view on the matter. In general, the \$5,000 limit has been in effect for many years, in fact it was, I believe, established around the turn of the century when a \$5,000 contract was much larger than it is today. As far as I know the mind of the government, it has been their view that it would be proper to raise that limit to some multiple of \$5,000.

Mr. FRASER: Yes. \$25,000 would not be in line with that; \$15,000 might be.

Mr. MACDONNELL: What multiple have you in mind?

Mr. BRYCE: The only thing I can say, sir, to that, as far as I know the Governor in Council or the Treasury Board has not yet considered what ought to go in, here, but, as I said, the Defence Production Act might be used as a guide.

Mr. FRASER: Well, in that letter which was received from the Canadian Construction Association \$25,000 was mentioned and that is likely where they got that.

Hon. Mr. ABBOTT: I think they would be thinking of the Defence Production Act when they mention that.

Mr. FRASER: Yes, and on account of receiving that letter from them I feel we should have some guide as to what the amount should be set at.

Hon. Mr. ABBOTT: They are referring particularly, Mr. Fraser, to bill 26, which is the bill on the public works, and they say that in this letter. As Mr. Bryce has pointed out, neither the government nor the Treasury Board has given consideration to the limit which would be fixed in the regulations, but just speaking offhand, I would think we probably would be likely to take the same sort of limit, as a starter, that has been fixed by parliament in the Defence Production Act. I do not think we would take any higher limit in ordinary contracts. It might be eventually desirable to take a somewhat lower limit, but I do think there should be some flexibility left in there, and that is the purpose of drafting the section in this form.

Mr. FRASER: I see how a contractor and the association feel if you are going to call tenders for \$25,000 and over. If it is only for contracts of that size that tenders will be called, they are a little dubious about whether their men are going to receive word of those contracts.

The CHAIRMAN: The proper place for you to have anxieties about it is when bill 26 is being discussed.

Mr. FRASER: On the public works?

The CHAIRMAN: On the public works, yes, which does not prevent the passing of section 39 as it is, and the regulations to be made, but if bill 26 contains a different amount or overrides any regulations made under this—

Hon. Mr. ABBOTT: You appreciate, Mr. Fraser, the limit we are speaking about, the \$25,000 limit, or the \$10,000 limit has no relation to the calling of tenders, it merely provides for cases where there must be an order in council or a Treasury Board minute.

Mr. FRASER: But that letter, the way I understand it, gave the impression that there were only tenders called for \$25,000 or over.

Hon. Mr. ABBOTT: I think the Canadian Construction Association were concerned with the provisions of bill 26, suggesting that they might be a little

too broad, enabling contracts to be let without tenders being called, but that is a question that I think perhaps should be discussed when we are either in the House on bill 26 or if that bill should be referred here.

The CHAIRMAN: Now, gentlemen, we have concluded our consideration of bill 25.

Hon. Mr. ABBOTT: I wonder if I might be permitted—I do not wish to hold up the bill, gentlemen, but there has been some discussion as to section 77 relating to the eligibility of the Auditor General as an auditor for crown corporations, and I think some concern was expressed that in the case of these companies which are incorporated under the Companies Act it might be competent for the directors of those companies to appoint an auditor without reference to the Governor in Council or anybody else. So, with that in mind I would be happy if someone would move an amendment to section 77 adding this as subsection (1):

Section 77 (1)

Where, in respect of a Crown Corporation

(a) no provision is made in any Act for the appointment of an auditor to audit the accounts and financial transactions of the corporation, or

(b) the auditor is to be appointed pursuant to the Companies Act, 1934,

the Governor in Council shall designate a person to audit the accounts and financial transactions of the corporation.

Subsection (2) will be "notwithstanding any other Act, the Auditor General is eligible to be appointed the auditor, or the joint auditor of a Crown corporation".

It seems to me that would meet the points which have, very properly, been raised, that it might be competent to the directors of one of these crown corporations, without consulting the government or anybody else, to appoint someone they wanted as auditors.

Mr. MACDONNELL: Which clause is the clause that provides the Governor in Council may ask—oh, yes, section 71.

Hon. Mr. ABBOTT: Could we just move this?

The CHAIRMAN: Mr. Kirk moves that section 77 be amended by adding subsection 77 (1):

Section 77 (1)

Where, in respect of a Crown Corporation

(a) no provision is made in any Act for the appointment of an auditor to audit the accounts and financial transactions of the corporation, or

(b) the auditor is to be appointed pursuant to the Companies Act, 1934,

the Governor in Council shall designate a person to audit the accounts and financial transactions of the corporation.

Mr. GIBSON: Mr. Chairman, that would allow the Governor in Council to appoint the auditors for the Canadian National Railways?

The CHAIRMAN: It makes them eligible.

Mr. GIBSON: It would save a bill being put through parliament each year?

Hon. Mr. ABBOTT: That is right, the effect of it is that the Auditor General is eligible to be appointed auditor of any crown corporation.

The CHAIRMAN: It does not mean that he will be. There will still have to be an Act to appoint him.

Mr. GIBSON: It will save parliament having to pass a bill each year.

Mr. SINCLAIR: You are not forgetting that section 77 now becomes section 77 (2).

Hon. Mr. ABBOTT: The amendment is to insert as subsection (1), the words read by the chairman.

The CHAIRMAN: Shall section 77 as amended carry?

Carried.

Now, gentlemen, the title of the Act has to be approved.

Mr. MACDONNELL: Just one thing, Mr. Chairman, I think that in connection with clause 71 there was some discussion and I would like to feel that this is not finally concluded:

The Auditor General shall, whenever the Governor in Council, the Treasury Board or the minister directs, inquire into and report on any matter . . .

Now, I think the view was that that was broad enough to include crown corporations, that was my understanding of the interpretation. The point I raised was that there was nothing in there which enabled the Auditor General who, after all, is the guide, philosopher and friend of parliament, to go in under any other impulse than the pressure of the minister. I do not want to take time on that now, but I do not want to feel that I am precluded from bringing in any bright ideas that I may get on that.

The CHAIRMAN: You will have to get the bright ideas tonight.

Hon. Mr. ABBOTT: He means in the House.

The CHAIRMAN: I thought you meant here in the committee?

Mr. MACDONNELL: No, no, I am not going to keep you here.

Hon. Mr. ABBOTT: Mr. Macdonnell is entering what my late friend Ernie Bevan used to call a "caveat".

The CHAIRMAN: We now have the title of the bill, an Act to Provide for the Financial Administration of the Government of Canada, the Audit of the Public Accounts and the Financial Control of Corporations.

Shall the title carry?

Carried.

I took the liberty this afternoon or yesterday of telling Mr. Wright that he would be the first one to ask questions of the minister on certain matters of interest.

Mr. WRIGHT: Well, Mr. Chairman, you have passed the bill and the title and everything, so I do not see that there is much object.

Mr. SINCLAIR: I do not know as far as the discussion is concerned—

The CHAIRMAN: If after your comments there should be anything to change—

Hon. Mr. ABBOTT: The bill still has to go through the House in committee.

Mr. WRIGHT: I asked the committee why the Canadian Wheat Board Act is not included in one of the schedules to the bill?

Hon. Mr. ABBOTT: I understand that Dr. Clark, my deputy minister, gave some explanation as to that. The primary reason, of course, was that the Canadian Wheat Board is the agent of and acts for the wheat producers. It is governed by a special statute which outlines the basis on which it will operate and to whom it will report.

I think it was felt that to include it in this general Act which relates to corporations which are essentially government corporations, either agency or proprietary, would perhaps not be entirely appropriate.

I think that was the main reason, although I must confess, frankly, that I gave it no special personal consideration.

This bill, as the committee appreciates, is a very important measure but it is a very technical one. Its whole purpose is to assure that the public moneys are properly accounted for and that parliament is in a position to exercise its constitutional control over the expenditure of public moneys.

I understand that it was felt by those who spent a great deal of time in drafting the bill, that by reason of its character, the Canadian Wheat Board should not be subject to these general rules. It is quite open to parliament, if it feels that the operations of the Canadian Wheat Board should be subjected to some additional safeguards or some additional scrutinies, to amend the Canadian Wheat Board Act.

That is my understanding of the thinking behind it.

Mr. WRIGHT: I think, Mr. Minister, you have outlined practically what Mr. Clark stated the other day.

Hon. Mr. ABBOTT: Yes.

Mr. WRIGHT: And you have stated that you felt as the board were not handling government money but the money of the wheat producers or the grain producers, that they should have some responsibility with respect to their own moneys; but you also said that under the Act the board reports to the House.

Hon. Mr. ABBOTT: I understand that under the Act it reports through a minister, yes.

Mr. WRIGHT: It reports to parliament through a minister?

Hon. Mr. ABBOTT: Yes.

Mr. WRIGHT: Therefore, you, under the Act, assume responsibility for the funds of the producers?

Hon. Mr. ABBOTT: Well, not necessarily—I think there is a distinction.

Mr. WRIGHT: Well, now, Mr. Minister, you said that the annual statement must be submitted to parliament?

Hon. Mr. ABBOTT: That is true.

Mr. WRIGHT: It is turned over to the minister and within fifteen days he tables it in the House. Now, the only authority there is to examine that report is this House of Commons—unless you change your Wheat Board Act.

Hon. Mr. ABBOTT: That is my point.

Mr. WRIGHT: As long as we have that responsibility then I claim it should be in one of these schedules?

Hon. Mr. ABBOTT: Well, that is a matter of opinion, is it not? My view is this is a matter which should be raised in the House of Commons. Parliament is the body which has created the Canadian Wheat Board Act. The funds of the Canadian Wheat Board are not public moneys; they are moneys which belong to the wheat producers of Canada.

It is a creature of parliament, it is a board, and it reports to parliament. It is incumbent upon anyone who feels that the provisions of the Canadian Wheat Board Act are inadequate in either reporting or supervision to raise the question in parliament, in an endeavour to obtain an amendment to the Canadian Wheat Board Act. It does not fall within the category of corporations listed in the schedules here whose moneys are public moneys.

Mr. WRIGHT: The Wheat Board does on occasion spend public moneys, it distributes public moneys?

Mr. SINCLAIR: Only when it goes in the hole.

Hon. Mr. ABBOTT: Only when we vote \$65 million.

Mr. WRIGHT: There is an instance which might easily occur—where the market dropped below the initial payment, then it would be spending public money and certainly should be included in these schedules?

Hon. Mr. ABBOTT: Well, that again is a matter of opinion. I would think it is not desirable to include this special corporation in here.

Mr. WRIGHT: It is a matter of fact, not a matter of opinion at all. If the Wheat Board makes an initial payment and, in disposing of the crop they find they have a deficit—

Hon. Mr. ABBOTT: They would not be using public moneys, Mr. Wright—unless parliament saw fit to vote it. The Wheat Board would borrow the money from the banks, presumably, in order to make the payment. It might be that parliament would have to fill up the hole—but I would hope it would not. However, at that stage they would not have spent public moneys; they would have spent corporation moneys that had been borrowed from the banks. It is true the taxpayers of Canada might have to make it good, but not at that point.

Mr. WRIGHT: On whose guarantee?

Hon. Mr. ABBOTT: Well, I do not know.

Mr. WRIGHT: You should know.

Hon. Mr. ABBOTT: The usual I suppose—'tous les jours—c'est le taxpayer qui paye'.

Mr. CROLL: Are they not borrowing some money for that purpose now?

Hon. Mr. ABBOTT: I cannot say. The Wheat Board makes its own arrangements with the banks, pays the rates of interest that the banks charge, and so on.

Mr. MACDONNELL: I think it is a matter of opinion after all—Mr. Wright has one opinion and the minister has another.

The CHAIRMAN: Mr. Wright felt the matter should be dealt with in the committee and before it went to the House. That is why we kept this open.

Hon. Mr. ABBOTT: I am not suggesting that it is not arguable that the Wheat Board should be in with these others but I am putting forward the view that in my opinion it should not.

Mr. SINCLAIR: What is the advantage you see, Mr. Wright, in having the Wheat Board included in the schedules?

Mr. WRIGHT: That its accounts will be checked as these accounts are by parliament.

Mr. SINCLAIR: The report is sent to parliament now.

Mr. WRIGHT: It is presented to parliament now but there has not been opportunity given to consider that report in a committee of the House—as promised by the minister in charge four years ago—by Mr. MacKinnon, when he was the minister.

Mr. SINCLAIR: But it does not necessarily follow that because it is in one of the schedules it is going to be referred to one of the committees of the House?

Mr. WRIGHT: Not necessarily, but it comes under your Act here then, and this Crown Corporations Act does give you closer check over Crown corporations than you ever had before—but it does not give you any check over the Wheat Board unless it is included in one of these schedules.

The CHAIRMAN: Are there any other proposals? Is there any motion? Or do you want to leave the matter stand?

Mr. WRIGHT: I would move that until there is some change in the Wheat Board Act which would provide for some closer supervision by the government over the funds that it should be included in one of the schedules to this Act—it should be included in C.

Mr. JUTRAS: Isn't Mr. Wright putting the cart before the horse? Did he not get started on this on the assumption that his other motion would have carried? That being the case then there would have been some point to what you have said, that this wheat board would automatically go in.

Mr. WRIGHT: I understand that this committee did consider the matter of making a recommendation. As a matter of fact, it had already made such a recommendation.

Mr. JUTRAS: Yes, and you had discussed the inclusion of the wheat board on the basis of it as it is now.

The CHAIRMAN: I do not know that there is anything wrong in that.

Mr. JUTRAS: Pardon me, Mr. Chairman, I haven't finished. I do not see that there is very much more that you gain.

Mr. WRIGHT: There is the gain that we would have them in that section of this Act dealing with crown corporations, if there was any advantage in that.

Mr. JUTRAS: Then what are you referring to now?

Mr. WRIGHT: I would say there was no objection to having the wheat board included, I think, but this section of this bill with regard to crown corporations does provide some check and I think that the wheat board should be included.

The CHAIRMAN: I think Mr. Wright's point is well taken, but whether it should be included or not is a matter of policy. That there would be an advantage to control in crown corporations—to have them in the Act—I would agree with him, but whether it is advisable in the case of the wheat board is another thing.

Mr. MACDONNELL: Might I ask whether the minister would say if he sees any objection to including that, to accepting Mr. Wright's motion?

Hon. Mr. ABBOTT: It does not fit in the pattern of these sections 80 and 81 which deal with the payment over of surplus amounts; for example subsection (2) of 81:

The Minister of Finance may, with the concurrence of the appropriate minister, direct a corporation to pay all or any part of the money of the corporation to the Receiver General to be placed to the credit of a special account in the consolidated revenue fund in the name of the corporation, and the Minister of Finance may pay out, for the purposes of the corporation, or repay to the corporation, all or any part of the money in the special account.

Then we can direct these crown corporations to pay over any money which we think is in excess of what they need, to pay it into the consolidated revenue fund. That does not fit into the picture of the Canadian Wheat Board whose assets are not public moneys at all.

Mr. WRIGHT: Well, if they build up too big a surplus you might decide to pay it back to us.

Hon. Mr. ABBOTT: We might decide to pay it back, yes.

Mr. WRIGHT: We will have to take a chance on that. Then there is this Price Support Board, the Agricultural Products Board which is being set up under the Agricultural Products Act. I suppose that would be included in one of these schedules when it passes, the Agricultural Products Board set-up.

Mr. MACDONNELL: Might I ask Mr. Wright if he does not think this case, of the wheat board, is somewhat in between; that it is susceptible of different treatment from what it is getting now; but, as the minister says, it does not seem to fit in with these other crown corporations.

Mr. WRIGHT: I would like to ask the minister if the wheat board has objected to being placed in this list?

Hon. Mr. ABBOTT: I do not think they were consulted or even gave any thought to the Act applying to them—did they, Mr. Bryce?—I do not think they were even considered as being a type of corporation which should be brought under it.

Mr. FRASER: But the question was, did they object; do you think they would have objected to being included?

Hon. Mr. ABBOTT: I do not think they would care—I don't know, I really don't know. But, frankly, it does not seem to me appropriate that this particular corporation, which is almost unique in Canada, should come under this general rule dealing with agencies of the crown who are performing functions of one sort or another for the government and which are handling public money. This is a special type of corporation formed for the purpose of marketing producers' wheat and its powers are covered by a special statute. It is required to report through the minister to parliament. There is every opportunity if parliament cares to insist that its affairs should be examined into most carefully by parliament. Really, I find it hard to see what particular advantage would be gained by including it in this schedule, even if it were desirable on other grounds to do so.

Mr. WRIGHT: I will tell you why it would be an advantage. I have always been strongly in favour of the wheat board, and it has done an excellent job, in my opinion, for the growers of western Canada; but I would like to see confidence built up in it. There are those who say: well, the wheat board's annual statement gets practically no consideration, it is tabled in the House; it is not examined; and they use that against the board. Now, I would like to see the board placed in a position where their yearly statements receive close consideration, where there is a chance to question the board, and where the board has a chance to justify the actions they have taken during the year; and I think that could be done by having them appear before a committee of the House each year.

Hon. Mr. ABBOTT: That is a matter for parliament; it is entirely free to do that.

Mr. WRIGHT: I think that if they were under this Crown Corporations Act that would be an additional safeguard for them.

Hon. Mr. ABBOTT: If they were included in this Act that would not insure that their report would be brought before the committee at all.

Mr. WRIGHT: Oh, I know, not at the present time; but, if we as a committee recommend that the crown corporations in schedules "C" and "D" submit their reports to the House and that they be referred by the House to a committee then the wheat board would, naturally, being one of these corporations, go before a committee of the House. I think it was the general opinion of this committee—if that opinion has not been changed since this afternoon—that a recommendation would go to the House similar to the one which was made last year. I may say that my only reason for asking that the wheat board be included is to protect the board itself against those who make certain statements about it.

Mr. JUTRAS: Well, Mr. Chairman, I must say that I cannot see how Mr. Wright's purpose would be served by putting the wheat board in with the crown corporations. There is nothing here which says that these crown corporations must go to a committee. That is a matter which must be left to the House, and should the House decide that a report should be considered by a committee then I would assume it would be referred to a committee. As the matter stands, I doubt very much the wisdom of including the wheat board in this part of the Act because actually during the last few years what we have been trying to do is to get the wheat board in the best possible

position. As a matter of fact, in the case of the wheat board they are not handling public funds and what we have been trying to do is to draw a line between those which use public money and those which are concerned with private funds, the money of the producers.

Mr. WRIGHT: They are concerned with the producer's money.

Mr. JUTRAS: What I mean is there are some bodies which go back to parliament every year, they have to come back to parliament every year to get authority from parliament to carry on, and to get funds for that purpose; and the reason they come back to parliament every year is because public money is concerned and funds have to be voted. I think to insist on having an organization like the wheat board forced to come to parliament every year would leave a wrong impression. I do not think it is desirable to place it with the other crown corporations because they are so far apart, and that is the reason why we have to look into them more closely.

Mr. SINCLAIR: What if we as a committee recommend—

The CHAIRMAN: As soon as we finish with this matter I think that would be in order; but, I think we should deal with the bill first, and that would not prevent us from making a second report in which we could repeat our recommendation made the year before, the session before. We did make a recommendation last session in which we said:

Most of the matters considered for recommendation by the committee and dealing especially with parliamentary control over Crown corporations and the regulating of special warrants as a source of authority for expenditures, are covered in bill 401, the Financial Administration Act, first reading of which was given on June 25, and your committee will therefore have further occasion to look into these matters when this bill is referred to the committee as has already been announced.

The year before the committee made a specific recommendation. So after we are through with this bill, it would be in order for Mr. Wright to bring up the matter. But as we are now, do you still persist in the idea of moving that the Wheat Board be included, Mr. Wright?

Mr. WRIGHT: There is not much object in my moving it because it would be defeated anyway.

The CHAIRMAN: I gave you the floor and you had three items this afternoon. Before I turn the witness over to Mr. Macdonnell, have you another question that you want to ask the minister?

Mr. WRIGHT: No, I do not think so.

The CHAIRMAN: Now, Mr. Macdonnell?

Mr. MACDONNELL: There are one or two matters I would like to speak about when the bill comes before the House and I would be glad to have the minister's comment, if he cares to make any at this time.

The first is the fact that a good many of the companies, I am quite sure, are incorporated under the Dominion Companies Act and as such have extraordinary wide powers under clause 14. Mr. Balls has been good enough to give me an order in council which sets out the relations with the Canadian Arsenals, one of those companies. The order in council sets out the limitation of those powers. I realize that the matter is highly technical but on the other hand it does seem a pity, unless there is some reason for it, and does seem to be an anomaly that these companies should be set up with powers, by virtue of section 14, many of which of course are utterly inapplicable to them, such as power to buy other companies, and power to sell property, and so on. So my question is really this: Was it merely a matter of convenience and to save trouble that that was done, or is there con-

sidered to be some substantial advantage in having it? On the face of it, at any rate, it does not seem to be very tidy to have a company incorporated with a whole lot of powers which are wholly improper for it to use.

Hon. Mr. ABBOTT: I do not know if I can answer your question very specifically. I have never had any personal responsibility for the incorporation of a crown company under the Dominion Companies Act which was used during the war. Perhaps it was done as a matter of convenience, I do not know. The only one I have ever had to administer is the Commodity Prices Stabilization Corporation which was a purely wartime corporation set up under the Dominion Companies Act.

It is true that a corporation created in that way has very wide powers. I think its powers go considerably beyond those which are set out in section 14. In the Bonanza Creek case letters patent companies are deemed to have, with certain limitations, the powers of a natural person and so on. But I think that is a legal theory we do not need to go into. I do not know how the practice arose, but it is a matter certainly of some importance and it has been raised in parliament and the question discussed there. I think it is a matter for parliament to decide and finally pass on. I suppose it is a question which I do not believe anyone would suggest should be dealt with in a bill of this kind, which is to provide for the check, direction and control of the financial operations of these crown corporations, and not the particular manner in which they are incorporated or the powers which they possess as corporations.

Mr. MACDONNELL: They take them as they are.

Hon. Mr. ABBOTT: Yes, they take them as they are and they manage their own business affairs and their moneys are correctly accounted for.

Mr. MACDONNELL: Another question is this: I have asked for a list of the directors of all the crown companies and I have got it. But it seems to me that beyond a certain point as to which are merely pure agencies doing ministerial jobs for a department, I think the directors of such companies are not exercising any discretion and will not be called on to do so, and it seems to me perfectly proper that the directors of such companies should be civil servants. But in other cases—and I need not say that this is not meant in disrespect to civil servants, at any rate any of the senior ones that one meets—I do question whether in the case of corporations where the directors have to make decisions comparable to what they do in non-government companies, that it is not desirable that those directors be civil servants, and for two reasons: first, either the people outside in ordinary business are utterly incompetent, or the fact that they are carrying on ordinary business ought to make them available to make some contribution to the affairs of crown companies. Secondly, I do not think it is fair, where decisions outside the scope of ordinary departmental decisions are to be made, to expect that civil servants are going to take a stand against their ministers. Unless they are supermen with independent incomes, how can they be expected to do it? The minister might not want to make any comment on that question at all, but I thought that as I intended to comment on it in the House I would like to raise it here in case it was a matter which interested other people too.

Hon. Mr. ABBOTT: I do not know whether I care to comment on it. It would be hard to say where the line should be drawn as between directors of a corporation which is entirely a public corporation, one whose moneys are entirely public moneys, as to what independent judgment and discretion they should exercise as directors, and the overruling powers the minister should

have, who after all is the one who is responsible to parliament for the administration of the affairs of the corporation. That is a very large question and as you know, Mr. Macdonnell, we have got a variety of these crown corporations. In the case of Central Housing and Mortgage Corporation there are some outside directors and some directors who are, as you know, civil servants. One director of Central Mortgage and Housing Corporation is really a representative of the Minister of Finance. Then, there is the Bank of Canada. I think its Board of Directors is entirely from outside. But the powers of the executive, such as the governor and so on are fixed by statute.

I think it is a subject which can quite properly be aired in parliament and as to which the views which any member may have should be expressed there, because that is the forum in which public matter of that kind is brought to the attention of parliament and to the country.

The CHAIRMAN: Have you any further questions you wish to ask the minister while we have him with us?

Mr. WRIGHT: Yes, I have one question I would like to ask. In schedule C there is mentioned the Canadian Sugar Stabilization Corporation. Now, if my memory serves me correctly, that organization was set up under the War Measures Act and by order in council. It was never an Act which was passed by parliament.

Hon. Mr. ABBOTT: I think it was incorporated under the Companies Act, Mr. Wright.

Mr. WRIGHT: Yes, but was it not incorporated through an order in council?

Hon. Mr. ABBOTT: No. Its incorporation may have been authorized by an order in council, but I think it was actually incorporated in the regular way under part I of the Dominion Companies Act.

Mr. WRIGHT: Could that procedure still be followed by the crown in setting up a corporation by an order in council through the Companies Act?

Hon. Mr. ABBOTT: Yes.

Mr. WRIGHT: Or was that done under the special powers under the War Measures Act?

Hon. Mr. ABBOTT: No. What is the situation?

Mr. BRYCE: I think that Mr. Balls can answer that.

Mr. BALLS: I think there are at least three statutory authorities at the present time which permit incorporation of crown companies under the Dominion Companies Act, 1934.

Mr. WRIGHT: By order in council?

Hon. Mr. ABBOTT: Not by order in council. They have to be by letters patent under the Companies Act.

Mr. FRASER: Defence Production?

Mr. BALLS: The Defence Production Act includes a clause authorizing the setting up of such companies, but there is also a similar provision in the Research Council Act, and similar authority is also given in the Atomic Energy Control Act.

Mr. GIBSON: Mr. Chairman, Mr. Clark suggested yesterday that we were probably investing some of our surplus funds from time to time in Canadian government victory bonds and he rather indicated we are buying them below par. It is a moral question whether that is correct or not, but I am no moralist and so I cannot argue on that. Of course, we found it expedient during the war to support the price of those bonds in order to sell the next issues as they came along. I have been wondering if the minister has directed his own initiative or that of his officials to the possibility that we might help out the

small investors who are suffering under present circumstances when they want to sell their bonds. After all, we sold those bonds during the war from a patriotic standpoint, and that was all very well. Now, is there any way that anyone can think of whereby we can protect the small investor? **I would** like to know, Mr. Chairman, if the Minister of Finance has done anything on that.

Hon. Mr. ABBOTT: Yes, I have had occasion to say in the House that the interest rate is a price just the same as anything else, and that in a security, whether it is a government security or anything else, you cannot have absolute security, absolute liquidity and a high interest rate all in the same instrument. We believe—at least you and I do—in a free enterprise economy. I believe in the law of supply and demand, with certain reservations. I do not believe there is any such thing as a fixed interest. I believe in the use of the interest rate and so far as the government securities are concerned I think that the holder of government securities must buy them on this basis. He buys them at a price which reflects at the time he purchases them the going interest rate. If he buys them at the time of issue he buys an obligation which guarantees him the return of his principal on the due date, and in the meantime the rate of interest which is stipulated in the contract. If for one reason or another interest rates go up, then the current value of his bond will go down, and if interest rates should go down, as they have done, then the market value of his bond will go up. In the case of the Dominion government bonds sold during the war, for four or five years after the war the issues all sold at a substantial premium. Now there has been a worldwide increase in interest rates and, inevitably, that means that the current market price of bonds is down. As to protecting the smaller holder: as the committee knows, the last three or four years there have been issued Canada savings bonds which bear quite an attractive rate of interest, but they are limited in two respects: they are limited as to the amount that can be purchased and they are, at any rate primarily, for the small holder. I am a firm believer in the use of the price mechanism and I do not think it is feasible to devise any means, to use your term, of protecting the small holder. It would be too easy for the large holders to convert themselves into small holders for the purpose of that transaction.

Mr. WRIGHT: Then why, Mr. Minister, did you change to the type of bonds you are selling now if you believe a complete free enterprise system operating in bonds was the one to follow?

Hon. Mr. ABBOTT: The reason for that is this, Mr. Wright: we are providing a security which carries a lower rate of interest than the long term government bonds, which are limited in the amount which anyone can hold and which is redeemable on demand but which cannot be sold, transferred nor assigned. It is a special type of security to enable people of small means to put their savings into a form of security which is very liquid and which pays a relatively high return. To adopt the suggestion that one should permanently peg the price of long term government bonds at any figure you like, would mean that you completely destroy any difference between short term and long term bonds, and that is something I do not think you are really going to have, a completely controlled economy where you just tell people what they are going to get and hold them to it, or you have a type of economy that a good many of us believe in.

Mr. GIBSON: You are not supporting the price now?

Hon. Mr. ABBOTT: No.

Mr. GIBSON: You are buying bonds, though?

Hon. Mr. ABBOTT: As we have funds to invest we will buy bonds.

Mr. GIBSON: You supported them during the war.

Hon. Mr. ABBOTT: I do not say that. The conditions were quite different during the war. There were very few other avenues for investment during the war. We were taxing very much more heavily than we are today and there were very few avenues within which current savings could be invested other than in government securities. All I think any government should ever attempt to do in the management of public debt is to see that there is an orderly and stable market for its securities, and the price that is paid for those should be determined, over the long pull, by the demand for them and by other matters of monetary policy in which, of course, no country can be entirely independent.

Mr. MACDONNELL: It is unfortunate, Mr. Minister, that some of your predecessors were not quite as careful in their choice of words as you are. I think it was your predecessor who, in 1945, said that we now had a mechanism where interest rates were going to be maintained. There was never a statement that bonds would not go below par. Mr. Ilsley never said that, but he and others came so close to saying it that I am sure the ordinary salesman did not have to go even a microscopic distance to say that government bonds will never go below par, and I am afraid that is what the salesmen did say.

Mr. WRIGHT: You made the statement, Mr. Minister, in the course of your remarks that to sell government securities you must maintain some stability in the market.

Hon. Mr. ABBOTT: No, I did not make that statement. I said the responsibility of the government is to maintain orderly and stable market conditions, and that has been done, Mr. Wright, and it is done today.

Mr. WRIGHT: It is done by the operation of certain controls by the government?

Hon. Mr. ABBOTT: It is not done by the operation of certain controls. The management of the public debt is a fairly continuous technical operation which requires the operation of good judgment on the part of central bankers and others.

Mr. WRIGHT: It requires controls, in other words?

Hon. Mr. ABBOTT: No, it does not require controls, it is the operation of the interest rate that does it, and it is the operation of the law of supply and demand today that tells you what you will get for your bonds. But if any large buyers come into the market for bonds in any large volume, the price of those bonds would go up just as it did after the war when victory bonds sold at a premium of 5 to 7 per cent. It was not government support that took them there.

Mr. WRIGHT: If they fluctuated too violently, this government would have to exercise certain controls?

Mr. MACDONNELL: Support.

Hon. Mr. ABBOTT: It all depends on what you mean by controls. Your idea of controls and mine differ, Mr. Wright.

Mr. WRIGHT: I do not think they are so different. What it comes to is that you can exercise the necessary controls, and that is all I infer by controls.

Hon. Mr. ABBOTT: I do not think there is much difference. My point is that I think it is completely impractical and, as a matter of fact, it is completely undesirable for any government to guarantee a 15 or 20 year bond and say that it will always be selling at a certain price.

Mr. WRIGHT: That is what you are doing now.

Mr. SINCLAIR: On a comment made by Mr. Macdonnell—as I remember, in 1945 a certain optimism was expressed, not by the Minister of Finance

at that time but by others in the government, but was that not in part done to offset the cries of blue ruin that the opposition were saying, that the country was going into the greatest depression, there would be thousands of unemployed—was it not, perhaps, the contrast that created that impression?

Mr. MACDONNELL: Is this a political meeting?

Mr. SINCLAIR: It may have prompted some optimistic phrases.

The CHAIRMAN: Mr. Fraser.

Mr. FRASER: I just wanted to say to Mr. Abbott that there is one thing that I think his department should not do, and that is issue small denomination bonds on call letters, because the public buy them and they are called in and the owners are disillusioned. They bought and were holding those bonds thinking they would run to 1961, and then you call them in and there are people who are trying to save and you stop their saving right there. They get their money back on redemption of the bonds and it is spent. I think those call bonds are not a right thing to issue.

The CHAIRMAN: Are the question over?

Hon. Mr. ABBOTT: I just wanted to say a word, Mr. Chairman, to express my appreciation of the time and attention that the committee has given to this measure. As they will have appreciated, the departmental officials have spent a tremendous amount of time drafting the bill. It probably will require some other improvements. From what Mr. Sinclair tells me the committee has spent a great deal of time going over the bill very carefully. I am very appreciative of the attention that has been given to it and I am sorry that I could not be here myself much of the time. However, I did feel that it was a bill in which the officials of the department could probably give better explanations than I could because a great many of the questions about it are essentially technical questions. It is not a bill in which there is any real controversy as to the object. The whole purpose is to get a measure which will bring up to date the law relating to the control of public moneys and the control by parliament. I think by and large—

Mr. MACDONNELL: I think we are all grateful for the minister coming and we all know why he has not been before. We are also deeply appreciative of the knowledge and experience of the civil servants who have come here.

Some Hon. MEMBERS: Hear, hear.

Mr. MACDONNELL: As for you, Mr. Chairman, you have absolutely exhausted us.

The CHAIRMAN: I have not anything to add to what Mr. Macdonnell has said. He expressed for us the thanks of the committee to the minister and to the Finance Department officials who have come here and have given of their time and given us all the explanation we wanted.

Now, the committee has approved the bill, shall I report the bill with amendments?

Agreed.

Before you go, gentlemen, I would like to have our report approved so that now we will sit for a few minutes longer in camera, but before doing so I believe that Mr. Wright intimated earlier in the proceedings that he wished to move that we make a recommendation to the House. Are you prepared to do that now, Mr. Wright?

Mr. WRIGHT: Yes. I would move that we make a separate report to the House recommending that the annual report of every Crown Corporation should be referred for study to a select committee of the House.

Mr. SINCLAIR: I would move an amendment to that, and add that your Committee recommends that the annual reports of all Crown Corporations be published together in one section of the Public Accounts.

The CHAIRMAN: You have heard the motion and the amendment, Gentlemen. Shall the amendment carry?

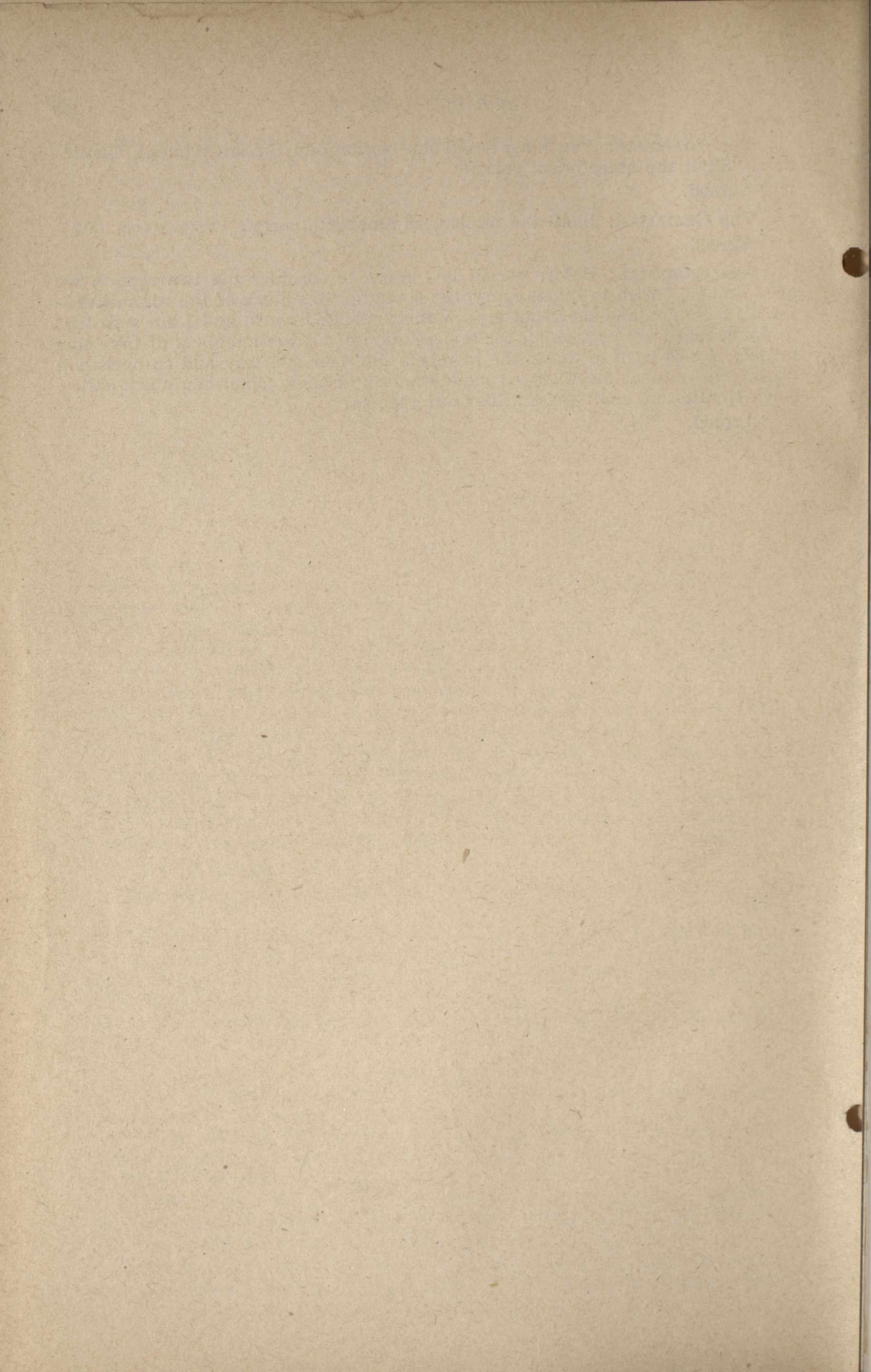
Agreed.

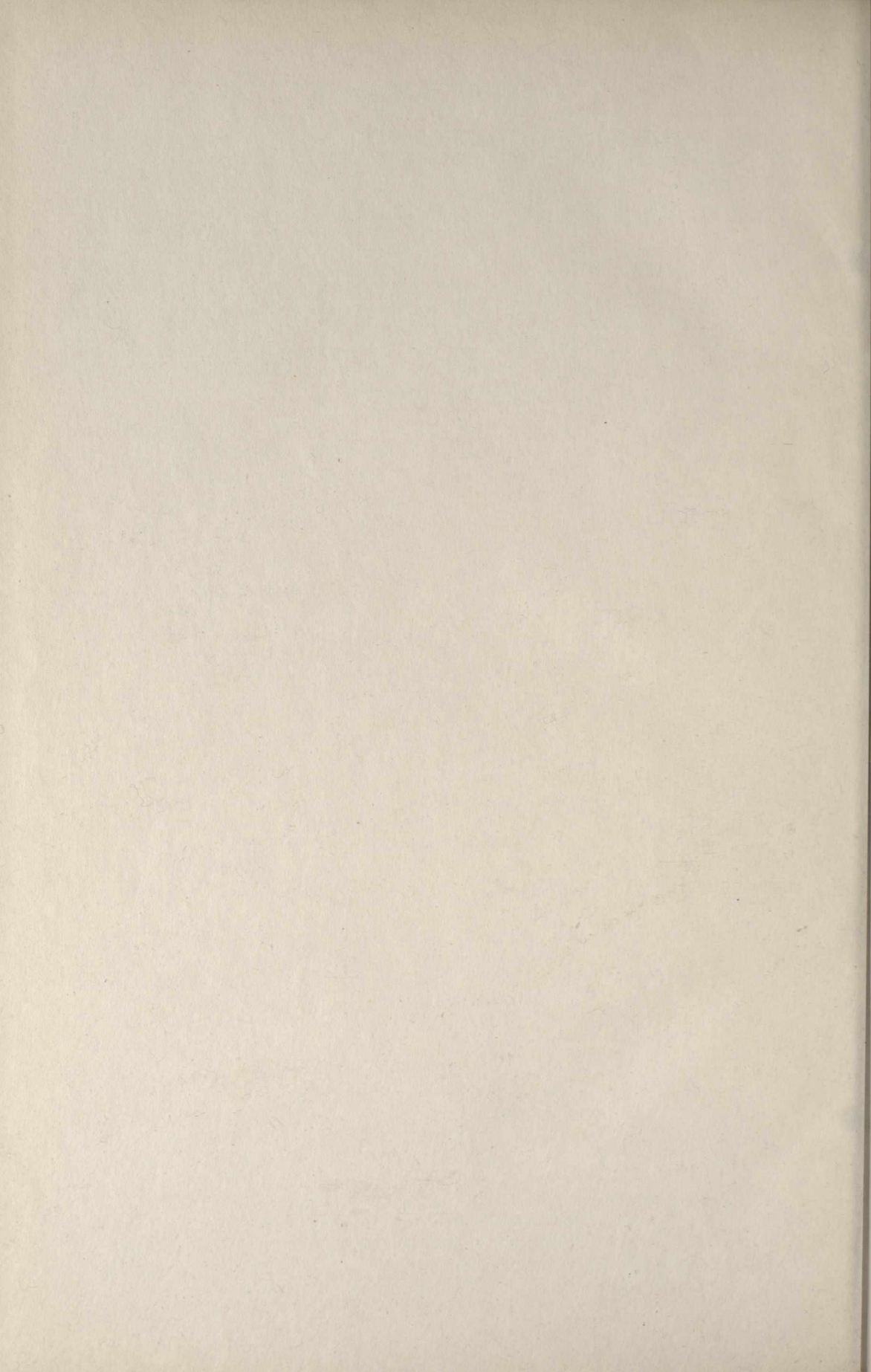
The CHAIRMAN: Shall the motion, as amended, carry?

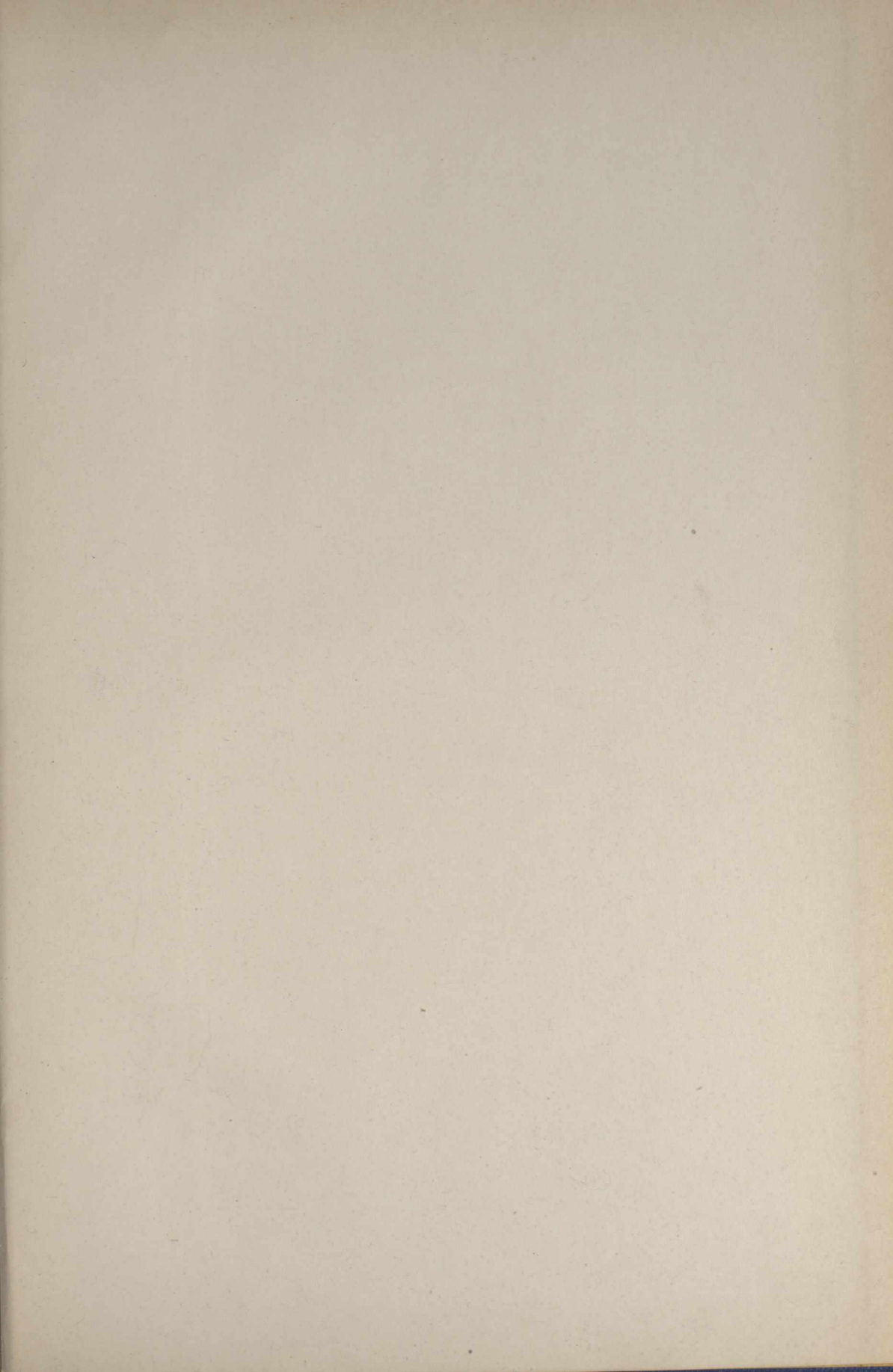
Agreed.

The CHAIRMAN: Before we sit in camera to consider the two reports we are to make, I wish to thank everyone—including the clerk of the committee—for his devotion, and the reporters for their splendid work, and I am sure that in doing that I am expressing the appreciation of all the members of the committee. I also wish to thank the members for their courtesy and co-operation during our arduous meetings—it made the task of being Chairman much easier. Now, Gentlemen, shall we consider our reports?

Agreed.











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