DOMINION OF CANADA

OFFICIAL REPORT

OF

DEBATES
HOUSE OF COMMONS

FIRST SESSION—EIGHTEENTH PARLIAMENT

1 EDWARD VIII, 1936

VOLUME IV, 1936

COMPRISING THE PERIOD FROM THE TWENTY-SEVENTH DAY OF MAY, 1936, TO THE TWENTY-THIRD DAY OF JUNE, 1936, INCLUSIVE

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OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1936

CANADA

House of Commons Debates

OFFICIAL REPORT

Wednesday, May 27, 1936

The house met at three o'clock.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

DISMISSAL OF OFFICIAL RECEIVERS

Mr. PERLEY (Qu'Appelle):

1. Have W. R. Kinsman, senior official receiver, province of Saskatchewan; Walter Burns, official receiver, Regina district; and James Paul, registrar of the board of review, been dismissed?
2. If so, were their services not satisfactory, and in what particular?
3. Have these positions been filled?
4. If so, by whom and on whose recommendation?

Mr. DUNNING:

1. Yes.
2. A change was considered desirable in the public interest.
3. Yes.
4. Edwin Sneath, Edward Lovell and Charles W. Hoffman have been appointed pursuant to the Farmers' Creditors Arrangement Act on the authority of the governor in council.

GEOLOGICAL SURVEYS—EMPLOYMENT OF STUDENTS

Mr. FERLAND:

1. Did the dominion government organize in 1935 a number of geological surveys under the direction of the Department of Mines?
2. How many students took part in these surveys last summer?
3. How many of such students, so employed, were French Canadians?

Mr. CRERAR:

1. Yes.
2. Five hundred and forty-six.
3. Twenty-five. It might be added that in organizing geological field parties of the Department of Mines, it is the practice to employ students proceeding to a degree in geology or mining engineering and who have completed at least two years of their course. These appointments are made on merit and, on first employment, the recommendation of a member of the faculty of the university is a consideration when rating a candidate. In the French Canadian universities little emphasis is placed on geological or mining engineering courses, with the result that it is difficult to secure from them students qualified in these branches of learning.

ASSISTANT TO CHIEF ELECTORAL OFFICER

Mr. HYNDMAN:

1. Has the government appointed an assistant, to the chief electoral officer, and, if so, who was appointed, and at what salary?
2. Is he related to Alfred D. Stewart, the president of the West Ottawa Liberal Association, and, if so, what is the relationship?
3. How old is he?
4. Is he a married man?
5. Where does he live?
6. When did the position become vacant?
7. Is he a war veteran?

Mr. RINFRET:

1. (a) Yes. (b) Donald Stewart. (c) $3,120 per annum less five percent deduction under Salary Deduction Act.
2. (a) Yes. (b) Son.
3. Twenty-six years of age.
4. No.
5. 251 Clemow avenue, Ottawa.
6. July 1, 1927.
7. No.

MANYBERRIES, ALTA., POSTMASTER

Mr. MITCHELL:

1. Who holds the position of postmaster at Manyberries, Alberta?
2. On whose recommendation did he obtain the appointment?
3. Is he a Canadian or imperial returned soldier?
4. How is he remunerated?
5. How much did his predecessor receive in the year 1934?
6. Who has the contract to carry mail from the station to the post office at Manyberries, Alberta?
7. How did he receive his appointment, by tender or otherwise?
8. Who recommended him?
9. How much does he receive for his services?

Mr. ELLIOTT (Middlesex):

1. R. M. Hedley.
2. Dr. F. W. Gershaw.
3. Imperial returned soldier.

REVISED EDITION

4. By percentage on post office revenue, based on scale governing all revenue post offices.

5. $1,036.38, out of which $36.38 was deducted under the statutory deduction act, leaving a net amount paid, $1,000 for fiscal year commencing 1st April, 1934.

6. Charles E. Burr.

7. By tender.

8. No recommendation.

9. $281.47.

CANADIAN PACIFIC RAILWAY—$60,000,000 LOAN

Mr. POULIOT:

When was the "draft of the proposed order in council regarding a loan to the Canadian Pacific Railway Company," referred to in a letter dated August 31, 1933, of the acting Prime Minister to the general manager of the Bank of Montreal (a) recommended to council; (b) prepared; (c) submitted to the council?

Mr. RINFRET: (a) 28th November, 1933; (b) 28th November, 1933; (c) 28th November, 1933.

Note: The word "drafted" is interpreted as referring to the recommendation to council signed by the Prime Minister, the Minister of Finance and the Minister of Labour.

Mr. POULIOT:

1. Was the letter of guarantee of a $60,000,000 loan to the Canadian Pacific Railway by the dominion government, dated May 31, 1933, signed by the then Prime Minister and addressed to Sir Charles Gordon, president of the Bank of Montreal, initialed by his colleagues?

2. If so, by whom, and when?

Mr. RINFRET: Nothing on file at present time; correspondence was tabled on March 13, 1934.

ACTING MINISTERS, MAY 31, 1933

Mr. POULIOT:

1. Was the then Prime Minister, acting Minister of Finance and Railways and Canals, on May 31, 1933?

2. If not, who were the minister or ministers for those departments on that date

Mr. RINFRET:

1. No.

2. Minister of Finance: Hon. E. N. Rhodes; Minister of Railways and Canals: Hon. R. J. Manion.

MOTIONS FOR PAPERS

CANADIAN PACIFIC RAILWAY—$60,000,000 LOAN

Mr. POULIOT:

For a copy of first recommendation to council for order in council regarding a loan to the Canadian Pacific Railway Company, referred to in a letter dated August 31, 1933, of the acting Prime Minister to the general manager of the Bank of Montreal.

[Mr. J. C. Elliott.]

Mr. POULIOT:

For a copy of joint reports, dated November 28, 1933, and June 20, 1934, from the Right Honourable the Prime Minister, the Minister of Finance and the Minister of Labour to the council with regard to the guarantee of a $60,000,000 loan to the Canadian Pacific Railway.

NATIONAL HARBOURS

ACCIDENTS TO LONGSHOREMEN—INQUIRY AS TO LABOUR CONDITIONS AND INSPECTION OF APPARATUS

On the orders of the day:

Hon. H. H. STEVENS (Kootenay East): Mr. Speaker, I should like to ask a question of the minister who is about to become minister of transport, but possibly my question might be more properly directed to the ministry of marine. First, has the minister's attention been drawn to the fact that since the opening of navigation five men have been killed in Montreal in connection with the longshoring and storing of cargoes on ships? Inasmuch as the federal government has taken over the administration of harbours in Canada, have any steps been taken to investigate the causes of these accidents? Second, what conclusion has the Department of Marine arrived at with regard to the inspection of apparatus in harbours? This question has been before the department for some years, and the fact that five men were killed in the present year at the port of Montreal would seem to warrant the closest and most searching investigation both as to conditions surrounding labour in the harbour and as to adequate inspection of apparatus. Careful investigation should be made as to the various types of machinery used in this hazardous occupation. I am asking whether the minister's attention has been drawn to the matter.

Hon. C. D. HOWE (Minister of Marine): Mr. Speaker, the longshoremen and the apparatus they use have nothing to do with the operation of the harbour. The longshoremen are employed by the ships; the apparatus they use is furnished either by the longshoremen or by the ships, and it is probably for that reason that the matter has not been brought to the attention of the department. I assume that in a matter of this kind the Minister of Labour would be the proper person to institute an investigation.

Mr. STEVENS: I wish to thank the minister for his reply, but perhaps he will kindly follow what I am now going to ask and give me an answer to-morrow or at some later time. I am referring to the question not as it applies to the ministry of labour but more

particularly from the standpoint of the inspection of the apparatus used. With all due respect to the minister and the answer he has given I suggest he will find that the Department of Marine has been interested in this matter for a good many years, and I believe, although I am not quite certain, that an inspector was appointed in Vancouver. I would ask the minister to look at it from an angle which is altogether apart from the question of labour conditions, and if he is not prepared to answer to-day he might give the matter further investigation and answer at some future time.

Mr. HOWE: I shall be very glad to consult the officers of the Department of Marine and try to have an answer to-morrow.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, I had intended to ask a question along the same lines as that of the member for Kootenay East (Mr. Stevens), but I was going to direct my question to the Minister of Labour. It is several days since I wrote calling his attention to the very unsatisfactory conditions that exist in the port of Vancouver, and I wonder if any action has been taken. May I suggest that if this does not come within the scope of the minister who is in charge of harbours it does come within the scope of the minister who has charge of shipping, because several years ago we had this matter up—

Some hon. MEMBERS: Order.

Mr. SPEAKER: Order.

Mr. WOODSWORTH: May I ask the Minister of Labour whether he can give us any information as to what can be done to safeguard these men's lives.

Hon. NORMAN McL. ROGERS (Minister of Labour): Mr. Speaker, I did receive a letter from my hon. friend referring to conditions in Montreal. I do not recall having received a letter from him referring to conditions among the longshoremen in Vancouver.

Mr. WOODSWORTH: Did I say Vancouver? I meant Montreal. I once worked in the port of Vancouver, and possibly that is why I made the slip.

Mr. ROGERS: I can only assure my hon. friend that I am looking into the matter and shall supply him with an answer as soon as possible.

Mr. POULIOT: If the hon. member mistook Vancouver for Montreal he was a longshoreman.

CANADIAN NATIONAL RAILWAYS

APPLICATION OF CANADIAN PACIFIC FOR PROVINCIAL CHARTER FOR ANGLIERS-NORANDA-CHIBOUGAMAU LINE

On the orders of the day:

Mr. RALPH MAYBANK (Winnipeg South Centre): Mr. Speaker, I should like to direct a question to the Minister of Railways respecting the Canadian Pacific Railway line into Quebec territory around lake Chibougamau. In view of the fact that Consolidated Smelters Lmited is a subsidiary of the Canadian Pacific Railway Company, is there not, in the extension of a railway into lake Chibougamau region by the Canadian Pacific Railway, under subterfuge, as set forth recently in the proceedings of this house, a danger of making the whole of the mineral area served by such new railway, which in reality is a Canadian Pacific Railway line, dependent upon the wishes and plans of Consolidated Smelters Limited in that mining enterprise in the said area—

Mr. SPEAKER: Order. The hon. member ought to understand that he cannot make a speech in asking a question.

Mr. MAYBANK: If you will permit me, Mr. Speaker, to put my question, I would ask whether such an extension would not be a danger to mining enterprise in that area and whether the government will take steps to try to prevent any such condition of vassalage of mining enterprises. The few words I spoke, sir, in leading up to my question were necessary by way of explaining the situation.

Hon. C. D. HOWE (Minister of Railways and Canals): I may say that so far as the conduct of my department is concerned none of the fears expressed by the hon. gentleman in his question will be realized.

CANADIAN PACIFIC RAILWAY

PROTEST AGAINST PROPOSED DISCONTINUANCE OF SASKATOON-UNITY SERVICE

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): I should like to direct a question to the Minister of Railways based on a letter I have received from the mayor of Wilkie, Saskatchewan, protesting against a proposed change in the railway service from Saskatoon to Unity. The letter is to the effect that the Canadian Pacific Railway is dispensing with this service, and the mayor and council of Wilkie wish to protest against its being discontinued. Can

the minister make a statement in the matter? I understand that the town of Wilkie has taken it up with the Minister of Railways and with the Minister of Agriculture. If the minister is not prepared to answer to-day, perhaps I may receive an answer to-morrow.

Hon. C. D. HOWE (Minister of Railways and Canals): Mr. Speaker, I received notice of this question only a few moments ago and have not had a chance to look into it, but to-morrow I will give the hon. member such information as is available.

INTERIM SUPPLY BILLS

Hon. CHARLES A. DUNNING (Minister of Finance): Mr. Speaker, I desire to ask for unanimous consent to go into committee of supply for the purpose of voting further interim supply. Just before the house met I had an opportunity of speaking to the acting leader of the opposition (Sir George Perley), and if it is agreeable to the membership of the house generally to extend unanimous consent for the purpose I have indicated I shall move:

That Mr. Speaker do now leave the chair for the house to resolve itself into committee of supply.

It is about the end of the month, and the former interim supply is in many items about exhausted.

Sir GEORGE PERLEY: Mr. Speaker, speaking for myself and my confreres we have no objection whatever to this being done, but we wish to reserve as usual the right to discuss any of these items as we could have done if the vote had not been taken.

Mr. DUNNING: Certainly.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

1. Resolved, that a sum not exceeding $16,931,242.58, being one-twelfth of the amount of each of the several items to be voted, as set forth in the main estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937.

Resolution agreed to.

2. Resolved, that a sum not exceeding $371,958.33, being one-twelfth of the amount of each of the several following items to be voted, as set forth in the main estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937, namely:—

[Mr. E. E. Perley.]

Vote No. 54, Soldier and general land settlement.
Vote No. 77, Hudson Bay railway.
Vote No. 98 (10th item), Dominion public buildings, Yukon.
Vote No. 103 (8th item), Harbours and rivers, Windsor.
Vote No. 125, Ocean and river service, radio service.
Vote No. 129, Lighthouse and coast service, agencies, et cetera.
Vote No. 140 (1st item), Topographical and air survey bureau.
Vote No. 141 (1st item), Geodetic Survey of Canada.
Vote No. 142, International Boundary Commission.
Vote No. 150, Fisheries, Pacific halibut.
Vote No. 151, Fisheries, marine biological board.
Vote No. 154, Mines, Geological survey.
Vote No. 172 (6th item), Dominion lands and parks, national parks.
Vote No. 183, External Affairs, London.
Vote No. 185, External Affairs, Paris.
Vote No. 186, External Affairs, Tokyo.
Vote No. 187, External Affairs, Geneva.
Vote No. 262 (6th item), Public Works, telegraphs and telephone lines.
Vote No. 266, Trade and Commerce, commercial intelligence service.

Mr. STEVENS: Is the last resolution applicable to the consolidated fund or is it special?

Mr. DUNNING: The last resolution is applicable to the consolidated fund, yes.

3. Resolved, that a sum not exceeding $75,866.66, being one-sixth of the amount of the following item to be voted, as set forth in the main estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937, namely:—
Vote No. 210, Miscellaneous, unforeseen expenses.
Vote No. 267, Trade and Commerce, bureau of statistics.

Resolution agreed to.

4. Resolved, that a sum not exceeding $265,605.75, being one-fourth of the amount of each of the several following items to be voted, as set forth in the main estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937, namely:—
Vote No. 34, Legislation, Senate.
Vote No. 35, Legislation, House of Commons.
Vote No. 91 (1st item), Public buildings, Belleville.
Vote No. 94 (4th item), Public buildings, Red Deer.
Vote No. 128, Public Works, Marine department.
Vote No. 144, Steamboat inspection.
Vote No. 229, Miscellaneous, battlefields memorials.

Resolution agreed to.

5. Resolved, that a sum not exceeding $4,233.33, being one-third of the amount of the following item to be voted, as set forth in the main estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937, namely:—

Vote No. 90 (11th item), Public Works, Westmount Armoury.

Resolution agreed to.

6. Resolved, that a sum not exceeding $9,200, being one-half of the amount of each of the several following items to be voted, as set forth in the main estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937, namely:—

Vote No. 91 (2nd and 12th items), Public Works, Belleville and London.

Vote No. 146, Fisheries, building fishways.

Resolution agreed to.

1. Resolved, that a sum not exceeding $10,930,095.28, being one-twelfth of the amount of each of the several items to be voted, as set forth in the special supplementary estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937.

Sir GEORGE PERLEY: Does this include anything in connection with wheat payments?

Mr. DUNNING: No.

Resolution agreed to.

2. Resolved, that a sum not exceeding $33,333.33, being one-sixth of the amount of the following item to be voted, as set forth in the special supplementary estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937, namely:—

Vote No. 342, Mines, N.W.T. geological surveys.

Resolution agreed to.

Resolutions reported, read the second time and concurred in.

WAYS AND MEANS

INTERIM SUPPLY

The house in committee of ways and means, Mr. Sanderson in the chair.

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

Resolved, that towards making good the supply granted to His Majesty on account of certain expenses of the public service for the fiscal year ending March 31, 1937, the sum of $17,658,106.65 be granted out of the consolidated revenue fund of Canada.

Motion agreed to.

Resolved, that towards making good the supply granted to His Majesty on account of certain expenses of the public service for the fiscal year ending March 31, 1937, the sum of $10,963,428.61 be granted out of the consolidated revenue fund of Canada.

Motion agreed to.

Resolutions reported, read the second time and concurred in. Mr. Dunning thereupon moved for leave to introduce Bill No. 69, for granting to His Majesty certain sums of money for the public service for the financial year ending March 31, 1937.

Motion agreed to and bill read the first time.

Mr. DUNNING moved for leave to introduce Bill No. 70, for granting to His Majesty certain sums of money for the public service for the financial year ending March 31, 1937.

Sir GEORGE PERLEY: As a matter of procedure I suggest that these are two separate bills and that we ought to go into committee separately on each bill. The first bill could be dealt with and then the minister could propose his second bill.

Mr. DUNNING: As a matter of procedure I introduced one bill, and I thought it would be convenient and would save the time of the house if I introduced the second one so that we could go into committee on both at the same time.

Sir GEORGE PERLEY: It is rather unusual to have two bills under consideration at the same time.

Motion agreed to.

Mr. DUNNING moved the second reading of Bill No. 69.

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

Mr. DUNNING moved the first reading of Bill No. 70, for granting to His Majesty certain sums of money for the public service for the financial year ending March 31, 1937.

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

WAYS AND MEANS

CUSTOMS TARIFF AMENDMENT

The house in committee of ways and means, Mr. Sanderson in the chair.

Customs tariff—703. (a) Travellers' baggage, under regulations prescribed by the minister: British preferential tariff, free; intermediate tariff, free; general tariff, free.

(b) Goods valued at not more than $100 included in the baggage accompanying resi-

dents of Canada returning from abroad after an absence from Canada of not less than forty-eight hours and acquired by them for personal or household use or as souvenirs or gifts, but not bought on commission or as an accommodation for other persons or for sale, under regulations prescribed by the minister: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Provided that a resident of Canada shall not be entitled to the exemption herein granted within a period of four months from the date of the last exemption allowed, nor shall the exemption be allowed on alcoholic beverages in excess of one quart, or on tobacco in excess of fifty cigars, two hundred cigarettes and two pounds of manufactured tobacco.

Sir GEORGE PERLEY: When the committee rose last evening there was under discussion the wording of this clause providing for exemption of $100 worth of goods entering this country under special circumstances. The committee had been considering the wording of the part referring to alcoholic beverages. I should like to ask the minister if further consideration has been given to the point which was raised in that regard.

Mr. ILSLEY: This item was given very careful consideration before the present wording was agreed upon, and from the best consideration we can give it we think the language should remain as it is.

Mr. CAHAN: Who agreed upon it? Will the minister explain?

Mr. ILSLEY: Well, the officers of the department and ourselves. I do not know that I understand the hon. gentleman.

Mr. CAHAN: The minister said that the item had been agreed upon. I simply wished to know who were the parties to the agreement. Just what does he mean when he says it had been agreed upon?

Mr. ILSLEY: I was not aware that I had said there was any agreement respecting it. I was answering a question asked by the hon. member for Argenteuil (Sir George Perley), whether as a result of further consideration it was thought that any change should be made in the wording of the item, and I said that from the best consideration we could give it, we thought not.

Mr. CAHAN: The minister used the words "agreed upon."

Mr. DUNNING: He meant, in that sense.

Mr. CAHAN: The government has recently been holding conferences with representatives of the provinces. As this relates to a provincial matter, and as a provision of the item overrides and overrules the laws of the provinces, I was wondering whether the words "agreed upon" meant that the minister or members of the government had agreed upon such action with the provinces—

Mr. ILSLEY: No.

Mr. CAHAN: —which are particularly interested.

Mr. ILSLEY: No. I cannot believe that it overrides or overrules the laws of the provinces. I do not think it is even an implied authorization of the importation of liquor. It is merely a limit upon the amount that can be imported, if any can be imported.

Sir GEORGE PERLEY: But this purports to override the regulations of the provinces, does it not?

Mr. DUNNING: No.

Mr. CAHAN: Oh, certainly. The way in which the item is framed permits and authorizes the importing under certain circumstances of a quart of liquor. Otherwise the suggestion is preposterous; and it should not be found in any statute of Canada. It is placed there, I assume, to carry out some understanding that was arrived at in the negotiation of the Canada-United States trade agreement, and it certainly authorizes, so far as the customs laws of this country are concerned, any individual Canadian returning from the United States to bring with him a quart of liquor. The Minister of Finance shakes his head. What other interpretation is to be given to it? It certainly is not a specious fraud. It is not intended for the mere evasion of some obligation the government has entered into with the government of the United States.

Mr. DUNNING: The government entered into no obligation with respect to this matter.

Mr. CAHAN: All it does is to permit, as far as the parliament of Canada can so authorize, the bringing in free of duty from the United States by Canadian tourists of one quart of liquor on certain occasions, although the possession of that liquor in every province of Canada is a criminal offence.

An hon. MEMBER: At the present time.

Mr. WHITE: I do not think we should quibble in a matter of this kind. There cannot be a shadow of doubt that under the dominion law, when the legislation now before the committee is on the statute book, a tourist can bring into Canada, so far as the legislation of this parliament is concerned, a quart of liquor from the United States. But the tourist having come into Canada, a pro-

vincial officer, finding in his possession this bottle of whisky, not purchased from a liquor commission store in the province in question, can proceed against that tourist, and certain dire consequences will follow. That statement is not open to contradiction, I submit, and that is the beginning and end of the matter as far as that phase of it is concerned.

Now there are two other points to which I would like to draw attention. Beyond question the trade agreement made by the government with the United States is going to become law. Whatever one on this side or that side of the house may think of its provisions, a majority of this house and I have no doubt a majority of the other house will pass that pact into law. Last night, as I understood him, the Minister of Finance stated that in the letters exchanged between Mr. Wrong, the chargé d'affaires at Washington, and Mr. Hull, I assume, the Secretary of State of the United States, there was an undertaking on the part of the Canadian government to introduce into the Canadian tariff an item relating to the privileges of tourists similar to the provision in the United States tariff. I have before me, as I think we all have, a printed copy of the letter, and I should like to draw attention to these words:

> I am further directed to state that the Canadian government propose to invite parliament to permit the entry free of duty and charges of incidental purchases by residents of Canada returning from the United States of America—

and so on.

> —for such time as treatment substantially equivalent to that now in effect is accorded by the government of the United States of America to incidental purchases by residents of that country returning from Canada.

In connection with the words "treatment substantially equivalent" my contention is that the elimination of the language "not exceeding one quart" in respect of alcoholic liquors does not weaken or detract from equivalent reciprocal treatment to Canadians visiting the United States as compared with the treatment accorded American tourists returning from Canada. The quantity of liquor that will be brought in by tourists is a mere bagatelle; it is negligible; it is not going to affect the liquor trade or the revenue of any province. I do not think that aspect of it is worth a moment's consideration. But in my judgment we should give a great deal of consideration before passing a law that will have this effect, that when a Canadian returns from the United States with a bottle of whisky or a flask in his pocket or his suitcase, metaphorically speaking he will step into gaol when he reaches this country. I do not think that is fair. I think it is shameful on the part of the parliament of Canada to pass a law worded as this is, in the circumstances of the case. For the life of me I cannot see that the elimination of those words will be treated by the United States as being in any sense a violation of either the spirit or the letter of the trade agreement. Already, on the initiative of the government at the instance of the Minister of Finance, we have departed from the spirit of that agreement, though I will not say from the letter, in respect of two or three tariff items relating to commodities of considerable importance in connection with the trade of the two countries. This is not going to affect the trade of the two countries at all. I do not raise any argument upon that point, Mr. Chairman; I raise it entirely on the indecency of our action in exposing a Canadian returning from the United States to the penalties of provincial legislation.

One other point and I shall have finished; for I seldom inflict myself upon the committee. I do hope that when the Minister of National Revenue comes to frame his regulations relating to this matter he will take particular care to see that the returning tourist is required to produce receipted bills or proper invoices for such purchases as he may have made. Unless that is done there is a very considerable danger of smuggling being carried on by merchants in Canada. I would also direct the minister's attention to what he is already well aware of, that if the returning tourist makes a declaration that the goods he has purchased in the United States do not exceed $100 in value, and upon examination by the customs officer—who is required to examine those goods even though they be free of customs duty—the fact is disclosed that they are worth substantially more than $100, the goods are liable to seizure and forfeiture. It is therefore a protection for the tourist that he should be armed with proper invoices or receipted bills for such articles, other than mere trifles, as he may bring back with him from the United States. It is most desirable that this should be done in the interests of the business of Canada as well as for the protection of the revenue.

Mr. ILSLEY: Mr. Chairman, with regard to the second point raised by the hon. gentleman I should like to say that the draft regulations do provide that invoices must be produced wherever possible.

With regard to the operation of this provision in reference to exemptions it may be of interest to the committee to know what the experience has been so far at an important frontier or border port. I have in mind the port of Fort Erie. The collector at Fort Erie has given me a brief statement outlining the

experience at that port to date. From May 1 to May 24 inclusive at Fort Erie there were 443 exemptions to the amount of $12,042.58. On May 25 there were 465 exemptions to the value of $9,566.38. It will be remembered that May 25 was a holiday, the Monday following Sunday, May 24, and I am informed that about 3,200 Canadian cars entered through the port of Fort Erie on that day, but there were only 465 exemptions. I do not know how many persons there would be in a car, possibly three; so that the experience at Fort Erie would indicate that a very small proportion of those returning from the United States are claiming this exemption. If there were only one person in each car the proportion would be less than fifteen per cent. If there were three persons to each car the proportion would be about five per cent, and that was after a long week-end which included a holiday. Our experience at Fort Erie in connection with the claiming of the exemption shows that advantage will not be taken of it to any very great extent. The average of exemptions claimed to date at that port has been about $24, and I am informed that the experience there corresponds closely with that at other ports throughout Canada.

With regard to the provision respecting liquor may I point out that the United States has a similar one which, while not specifically mentioning liquor, permits the importation of Canadian liquor into that country to the extent of $100. The whole of the $100 worth of goods going into the United States may be liquor. But in the case of a prohibition state, state law would govern, and it would never be contended, as the hon. member has argued, that it would be an indecent thing for congress of the United States to enact a law limiting the exemption to $100. It would not be an indecent thing at all, but would be a provision stating simply that so far as the United States are concerned they do not propose to allow an exemption over $100 on liquor. If the law of a state prevented a person from having liquor in his possession in that state, then that would be the law to which the returning American tourist would have regard and which he would be obliged to respect.

For instance, we shall suppose that two of the provinces of Canada were next week to repeal their laws respecting the possession of small quantities of foreign intoxicating liquor. Would it still be indecent on our part to have this provision in the tariff, namely that an exemption of over one quart could not be claimed? When we provide for an exemption of $100 we say that such exemption shall not apply to liquor. We will not permit the Canadian tourist to bring in $100 worth of liquor, irrespective of provincial laws. We will permit him to bring in only one quart of liquor. This is not an authorization or invitation to any person to break a provincial law. If the provinces actually desire to maintain their present position—and I shall be very much surprised if they do, on account of the amount of liquor they sell to American tourists coming to Canada—then it will be illegal to bring liquor into Canada. But as I say, I shall be surprised if the provinces maintain that position.

Mr. STEVENS: Apart from the provision respecting exemptions for tourists, when an ordinary importer of liquor clears liquor at Montreal, Quebec or any other point, and provincial authorities have a law against the possession of such liquor, what does the importer have to do to bring himself within the ambit of provincial law? Would an individual tourist be called upon to take a course different from that followed by the ordinary importer?

Mr. ILSLEY: There is no ordinary importer. The liquor commissions may import liquor, and there may be certain other classes of importers licensed to import liquor in bond; perhaps that would depend upon the law of the province. But there is no right on the part of the ordinary individual to import liquor, unless it is for sacramental or medicinal purposes.

Mr. WHITE: Do the words "alcoholic liquors" appear in the United States tariff item relating to the free entry of goods brought back to that country by American tourists?

Mr. ILSLEY: No.

Mr. WHITE: Then why do we insert those words in this item?

Mr. ILSLEY: To restrict the free entry to a quart, so that $100 worth may not be brought in.

Mr. WHITE: If the provision were knocked out altogether the liquor could not come in.

Mr. ILSLEY: Yes, but we do not want to do that, in case the provinces change their attitude.

Mr. WILTON: According to the figures quoted by the Minister of National Revenue it would appear that only a few hundred cars crossed from Canada into the United States over the holiday.

Mr. DUNNING: He did not say that.

Mr. WILTON: He referred to a few hundred cars.

Mr. ILSLEY: There were 3,200.

Mr. WILTON: Yes. I have a dispatch from Fort Erie which states:

The 24th of May movement was the heaviest on record here, however, it being estimated about 10,000 purely Canadian cars were handled.

Discussing this matter yesterday I referred to the cooperation of Buffalo business men with the railways in putting on cheap railway excursions out of Canada. Buffalo business concerns have advertised in Canadian newspapers in which they show bargains over the week-end. They induce Canadian people to go over and take advantage of the $100 exemption. An article from the Hamilton Spectator is as follows:

New customs regulations cause exodus to Buffalo.

Hundreds and hundreds of Hamilton people spent the holiday week end in Buffalo, N.Y., and spent thousands and thousands of Hamilton dollars. Many of these holiday trippers—the larger percentage of them, according to reliable reports—were taking advantage of the government's $100 exemption for a 48-hour stay and buying various commodities selling at a reputedly lower figure than the prices in Canadian stores.

T. H. & B. railway officials to-day stated that approximately 1,400 passengers had used their facilities over the week-end. These were in addition to the regular travellers. No estimate of the number who motored to Buffalo could possibly be given, but the number would, no doubt, be larger, than that going by rail.

Discussing the holiday exodus, several people who spent Sunday and Monday in the border city, remarked that it looked as though Hamilton had been transplanted temporarily. They had never seen so many familiar faces in a strange city at the same time, they said, and they were constantly meeting acquaintances in stores, theatres and restaurants.

An hon. MEMBER: They will come back.

Mr. WILTON: Yes, with their pockets empty, and the business men of Hamilton will lose that amount of business. That is the point I make. This is a dispatch from Fort Erie:

Canadian custom-excise officials at the frontier port of Fort Erie said to-day a large quantity of merchandise of a personal nature, such as boots, shoes, clothing etc., had been brought back by the thousands of Canadians who crossed the international border here during the week-end observing Victoria day across the line, and took advantage of the new law.

At the same time officials here further added an exact total of the amount so imported would not be available until late to-day when the large staff of men here had all turned in the official memoranda taken from tourists returning by boat, bridge and railway train.

The 24th of May movement was the heaviest on record here, however, it being estimated about ten thousand purely Canadian cars were handled.

According to those figures I would say that from the city of Hamilton alone not less than $7,000 or $8,000 of Hamilton money was spent in the city of Buffalo over the week-end, to the detriment of Hamilton business men. On Monday of this week I interviewed some of the business men of that city upon which occasion they told me that their Saturday business last week was less than it had been on the corresponding day in a number of years, due to the exodus of Hamilton people to the city of Buffalo to take advantage of the $100 exemption.

Mr. MACDONALD (Brantford): Do any of the Americans spend money in Hamilton?

Mr. WILTON: Oh, yes.

Mr. ELLIOTT (Middlesex): Has there been any objection?

Mr. WILTON: I am pointing out that we are doing business with American merchants to the detriment of Canadian merchants.

An hon. MEMBER: It works both ways.

Mr. DUNNING: May I say to the hon. member who has just taken his seat (Mr. Wilton) that no item in the budget has brought quite so much by way of commendation in correspondence as has this particular item. The great bulk of that commendation came from merchants stretching all the way from Halifax to Vancouver—I repeat, merchants. I shall go further and say that from the hon. member's own city of Hamilton we received commendation for this action on the part of the Canadian government. It is strange, if they thought they would lose money or be ruined, that they should write commending the instrument of their ruin. I am quite sure, if my hon. friend canvasses Hamilton, he will find that there are merchants in his own city—I can give him the names privately; I do not at the moment recall them, but I shall have them hunted up—who commend this provision.

With respect to the newspaper dispatches, which seem to be exaggerated a little in the light of the actual information for the very period concerned for which the Minister of National Revenue gave the figures a few moments ago, I would point out that only 465 of all that vast number of cars contained people who took advantage of the $100 exemption. The minister gave the figures and they showed that the average declaration was in the neighbourhood of $24 each. That was on an occasion when all the circumstances conspired to bring about the maximum use of the privilege, for the reason that May 25 was a holiday following a Sunday and a Saturday, which enabled people to take the maximum advantage of the forty-eight hour

provision by travelling the short distance to Buffalo, and yet only 465 cars out of 3,200 contained people who took advantage of the $100 exemption on their return from Buffalo on May 25. These are the actual figures, and I submit that the circumstances then being such as to facilitate to the utmost the taking advantage of the privilege, we need not view the future with quite the alarm that my hon. friend from Hamilton West (Mr. Wilton) displays in connection with the matter.

Mr. WILTON: I would say in reply to the minister that it strikes me as very peculiar that a business man would commend something which directly tended to injure his business.

Mr. DUNNING: My point is that the merchants do not look at the matter in that light. They are wise enough.

Mr. WILTON: The minister says that letters have been received from Hamilton business men complimenting the government upon this $100 exemption. I realize that at least one Hamilton concern might possibly view it with favour by reason of being a branch of a Buffalo concern, and this privilege will simply be sending business into their own store at Buffalo. But I cannot imagine an honest-to-goodness Canadian business man who thinks of his own interests congratulating the government upon making a move which is going to take business away from business men in Canada. I repeat that I can quite understand a compliment of that kind coming to the government from one particular Hamilton store which is a branch of a large Buffalo concern.

Mr. CHEVRIER (Stormont): I do not wish to take up much of the time of the committee, but in fairness to the Minister of Finance (Mr. Dunning) and following along the line of what has been said by the hon. member for Hamilton West (Mr. Wilton), I should like to quote from the Cornwall Standard-Freeholder. This is an independent paper, neither Liberal nor Conservative, and this is what it says about this very matter we are discussing:

Although traffic over the international bridge—

There is an international bridge over the St. Lawrence at Cornwall:

—here has been thirty per cent heavier in May to date than in the same period last year, only two Canadians out of hundreds crossing the border have claimed the new $100 exemption of duty on goods purchased in the United States. While customs officials could give no details, they said that neither applicant had brought in goods valued at more than $35. Both had been in the United States for a considerable time.

Now just to show what the merchants in that locality think of this provision, I quote this from the same newspaper:

Local merchants are not particularly worried over the effect of the new regulation. They have enjoyed a considerable revenue in recent years from United States residents buying in Canada, and feel that continuance of this trade will offset any loss of business caused by the reciprocal exemption. The majority agree that the provisions of the Canadian law give adequate protection against "flying shopping trips" over the border, which would do them greatest harm.

While I was at home over the week-end I took the trouble to ask the customs examiner just what the figures with reference to this privilege were since May 1, and I find that from the first to the twenty-ninth of May, 1,145 tourists crossed over the international bridge at Cornwall; seventeen of them took advantage of the exemption and brought with them $1,535 worth of goods, being $11.80 or practically $12 per head. So the harm as suggested by the hon. member for Hamilton West is actually not nearly as bad as one would think.

Mr. WOODSWORTH: With regard to the point raised a few minutes ago regarding alcoholic beverages I heartily agree with the position taken by the hon. member for St. Antoine-Westmount (Mr. White). It may very well be that from the strictly legal standpoint the minister may be right, but I do think this privilege is liable to cause a great many complications.

I cannot be as optimistic as some with regard to this provision being likely to lessen smuggling; in fact, I am inclined to think it will work the other way. There are many people who will buy articles for cousins and aunts and neighbours, and it will be much more difficult to prevent that kind of thing now than formerly. I think, as one of the other speakers said a little while ago, it is highly desirable that some sort of indication should be given in the way of receipts for the goods purchased, invoices and so on. But even that does not altogether meet the point, because a great many people will undoubtedly shop for their neighbours. I do not know how that can be easily overcome. People who will smuggle under present conditions will continue to smuggle, and perhaps be able to do it more extensively under this arrangement.

Mr. DUNNING: There is a $100 exemption.

Mr. WOODSWORTH: Yes, of course. I think that there are some very admirable features about the proposed arrangement, and if the minister is correct in saying that this is necessary in order to retain the American agreement, it is all to the good.

Further than that, it seems to me that it will furnish a very valuable lesson in what protection so-called really involves. If the leader of the opposition (Mr. Bennett) is right, that bringing back $100 worth of goods may in a great many cases cost this country $30 in revenue, I think that is a splendid bit of education for the public generally. The Canadian people will soon begin to understand how much it costs to live in Canada. They will begin to understand more clearly that, as its name indicates, the tariff is really a tax and a very heavy one, and this tax has been taken from us in the past without our being quite aware of it. Again, if, as the leader of the opposition suggests, half a million people by crossing the border and making their purchases in the United States can escape that tax on the purchase of $100 or $400 worth of goods they will soon begin to understand how heavy a tax the tariff has been on each individual and upon each family.

There is another advantage which, it seems to me, may counteract some of the disadvantages. When people come back having saved $30, we shall say, on a $100 purchase of goods, they will invest that $30 in the stores of Hamilton and elsewhere, and our Conservative friends will then begin to realize that there are some advantages in savings to the consumer by getting something like free trade established in this country. I do not know whether my Liberal friends had any sinister motive of putting over an educational campaign of that sort. In any case, I am inclined to think this may be a very good way to teach the people along the border the advantages of freer trade. On the other hand, may I point out a very serious danger in this proposal. It involves discriminatory taxation, or perhaps it would be more correct to say that it involves the discriminatory remission of taxation. If a man has a car or can secure the price of a railroad ticket and has a day or two of leisure, he can cross the border and return with $100 worth of goods.

Mr. DUNNING: He must have the $100.

Mr. WOODSWORTH: Yes, if he has the $100. He can bring back $100 worth of goods if he has the leisure to take the trip. He can do this four times a year. If he has four or five children he can load them into a car and bring back $400 or $500 worth of goods at a time.

Mr. DUNNING: If he has that much money.

Mr. WOODSWORTH: Quite so. I want to point out that a great many people have not the necessary $100 and have to stay at home; a great many people have not a car; a great many people, especially those living in districts remote from the boundary, cannot afford the price of a railroad ticket; then a great many people cannot possibly take advantage of this opportunity as they have not the leisure; they may have steady work and cannot spend several days in taking a trip to the United States. All these people will continue to be taxed and in the long run their taxes will probably be heavier because a few other people are exempted from taxation. It would seem to me that the suggestion thrown out by the hon. member for Rosetown-Biggar (Mr. Coldwell) contains something of merit. He suggested that every resident of Canada should be permitted to obtain $100 worth of goods free of duty. If a man with a car or the price of a railroad ticket and several days' leisure can do this, why should the same privilege not be given to other residents who have not these things? Why should these people not be permitted to send $100 orders to mail order houses in the United States? I can conceive that many people in northern Alberta or Saskatchewan would be very glad to be able to send such an order to a Chicago mail order house.

Mr. COLDWELL: Provided they have the $100.

Mr. WOODSWORTH: That may be true. Anything up to $100, if you will; say $10.

Mr. DUNNING: Twenty-five dollars would do just as well.

Mr. WOODSWORTH: I was using the maximum; I said up to $100.

Mr. COLDWELL: Several families could pool together.

Mr. WOODSWORTH: Yes, they could do that. I suggest that this privilege is discriminating against those people who most need to have things a little easier. I realize the difficulties, if not the impossibilities in carrying out this suggestion, but there is another way in which it could be done—this amount of taxation could be remitted. The leader of the opposition (Mr. Bennett) has suggested that the granting of this privilege might easily involve a loss of $50,000,000 to the

dominion government. I do not know whether those figures are extravagant as his figures sometimes are, but he has made that computation. If half a million people might conceivably have taxes remitted to the extent of $50,000,000—

Mr. DUNNING: No, he did not say that; he said that they might import that amount.

Mr. WOODSWORTH: I stand corrected. If half a million people can secure goods to the extent of $50,000,000 which, as the leader of the opposition suggested, would involve a remission of taxation amounting to twenty or thirty per cent, I do not see why a similar remission should not be made to the ten millions of people who do not cross the border. Of course the minister will say that this suggestion is perfectly absurd, but I want to point out—

Mr. DUNNING: I did not say that at all.

Mr. WOODSWORTH: I am glad to hear the minister say that he has not said it. I hope he will give us some justification for putting on the statute books what I have termed discriminatory taxation, or more properly, discriminatory remission of taxation.

Mr. ROSS (Moose Jaw): Remission of discriminatory taxation.

Mr. WOODSWORTH: There is discrimination in favour of the man who owns a motor car or has the price of a railroad ticket and has the leisure. It means that people along the international boundary who have some wealth will be able to take advantage of this exemption, while people in the more remote districts who cannot afford to buy cars are to be penalized because of this exemption.

Mr. DUNNING: When my hon. friend refers to those who cannot afford cars surely he forgets that nearly everyone in Canada has a friend who owns a car. He rides in that friend's car and he goes on trips, sometimes across the border, in that friend's car. Surely it is an exaggeration, in the light of the experience of the population of Canada in travelling in each other's cars, to say that this exemption involves the buying of a car.

Mr. WOODSWORTH: I think the minister is pretty hard driven when he has to make a statement of that kind.

Mr. DUNNING: Is it true?

Mr. WOODSWORTH: No, it is not true.

Mr. DUNNING: I should like to know in what respect it is not true.

[Mr. Woodsworth.]

Mr. WOODSWORTH: There is a large number of people who do not own cars and who have no friends who own cars. I am afraid the minister has been living in certain circles during the last few years and has forgotten the actual conditions which prevail on the prairies and in many of the cities. There are large numbers of people in this country who have no cars and who have no friends who own cars; there are a great many people who cannot afford a railway trip and there are other classes of people who cannot afford the leisure to take a holiday across the border. Under these circumstances I should like the minister to justify discriminatory legislation of this kind.

Mr. WALSH: I have listened with much interest to the hon. member for Winnipeg North Centre (Mr. Woodsworth) and I think his remarks bear out that oft-repeated text from scripture, "To him that hath shall be given." I do not agree at all with his remarks, but I do agree with the observations of the Minister of Finance (Mr. Dunning). Naturally I do not care a great deal for this $100 exemption as it is going to do a great deal of harm to some of our merchants, but it is also going to do other people a great deal of good. We could sit here until midnight quoting from the various newspapers, giving our own side of the argument, and then we would all leave the chamber convinced that we were right and the other fellows were wrong; we would be nowhere.

There is one point I should like to emphasize in connection with this debate. I want to ask the minister to consider a suggestion in connection with alcoholic beverages. I am not one of the legal lights of the house, but I should like to ask the minister if there would be any objection to inserting in the item this phrase, "except in so far as it is in contravention of any provincial law governing the possession of alcoholic beverages." I think such a phrase would prevent people with lay minds from being misled. I believe that in this way we would overcome the difficulties which might face a person coming back with a quart of whisky who finds that he is contravening some provincial law. He would be duly warned and he would require no other warning than that given in the words I have suggested. I point that out to the minister because I feel that there is a danger as the item is worded at present, and it is a very real danger, probably more real than the Minister of National Revenue cares to believe. The Minister of National Revenue is legally trained and no doubt he can understand words of this kind better than the lay

mind. If he would put in words such as I have suggested I am perfectly confident it would meet the wishes of a large number of members of this house who would not like to see a person misled by any statement that appears in our customs act.

Mr. ROSS (Moose Jaw): We have heard a good deal about this item from people speaking for merchants throughout Canada. With the people of Canada as a whole this item is, I believe, probably the most popular part of the budget, and I think the Minister of Finance should be highly commended for having included it in the trade treaty and in the budget. After all, we are not legislating here as a parliament merely for a few merchants in Canada; we are endeavouring to legislate for the people of Canada as a whole. If the people of Canada do not want to buy goods in the United States they will not buy them there, but if they go over and do want to buy goods there they should have the opportunity to do so.

In connection with the liquor question, the provision with respect to liquor going into the United States is this, I believe. Anyone entering the United States can take one quart of liquor free of duty and up to $100 worth provided he pays the excise duty on that quantity. As regards liquor brought into this country, we are limiting it to one quart. It is quite reasonable to suppose that any legislature sitting to-day might within the next week or two change its law in regard to liquor and allow the entry of liquor from other countries into that province, and I do not see why we should in our customs act prohibit people from bringing it in. They know the law in their own province and they must abide by it.

There is one other matter with regard to the $100 provision. Some have suggested that invoices should be provided for the customs department for everything that is brought back. That is not always convenient to tourists. They pick up little knicknacks, curios, here and there, and often the person who sells them has no form of invoice or bill; the goods are sold for cash to the tourist. When these people come back across the line our customs officials, I submit, should be as lenient as possible, provided the tourist is not trying to bring in more than $100 worth of goods. After all, the customs officials at the border are there to serve the people of the country. I must say that in any experience I have had going across the line I have found them very courteous as a general rule. But sometimes they are not so, and I suggest to the minister that it would be a good idea at this time to send out a circular letter to officials at all border points in Canada, urging that tourists coming into this country from the United States or Canadian tourists returning be shown every courtesy. The officials should not be too officious but should try to help tourists in every way possible, either our own people coming back or visitors from the United States. There are a great many more tourists coming to Canada from the United States than there are Canadians visiting that country, and the American tourists spend more here than Canadians do over there.

Mr. WILTON: With regard to this one quart of whisky, it seems to me that there is a lot of unnecessary worry. Canadians are generally supposed to be sensible people, and if any Canadian wants to buy a quart of Yankee whisky when he can get good Canadian whisky there is something wrong with him. As regards the statement of the hon. member for Winnipeg North Centre, that so many people would have no money to take advantage of the concession, that problem is up to the government. It is for them to provide work so that Canadians will have money.

Mr. STEVENS: I would make one suggestion to the minister—he is seemingly in good humour and I will stretch it and make it two. In this item we are allowing tourists to bring in goods valued at $100 "included in the baggage accompanying" the tourist; and such goods, according to the language of the item, must have been acquired by the tourist either for personal or for household uses. Then in the proviso we refer particularly to liquor and tobacco, and these items are specifically limited. I suggest to the minister that a man might go over and buy fifty shirts, and I assume he could bring them in; they would be in his baggage. Under the tariff act, it is provided in section 16 that the minister may make regulations such as are deemed necessary for the carrying out of the provisions of that section and for the enforcement thereof. I suggest to the minister therefore that the latter part of the proviso might be dropped altogether and be dealt with in regulations that could be passed for the administration of this item. By regulation it is competent for the minister to say that a man shall not bring in fifty or one hundred or ninety shirts but only ten; it is proper for him to say that the returning tourist shall not bring in more than one quart of liquor or more than fifty cigars or more than one hundred cigarettes. I suggest that it would be far better to do this by regulation than to put it in the statute. The reason I asked the minister a question regarding other importers of liquor

was this. It is clear that because of provincial laws no person or business concern can import liquor into Quebec or Ontario—possibly the same is true of other provinces—and there is something to be said for the argument that to incorporate in a statute of Canada a provision that a man may bring in up to a quart of whisky may be looked upon as action in direct contravention of provincial law. In my opinion it is not necessary to put it in the statute at all. The regulations could cover restrictions regarding liquor, tobacco, shirts, or any other article that might be brought in.

The other suggestion is this. I am subject to correction, but I understand that this exemption applies also to the sales tax.

Mr. DUNNING: Yes.

Mr. STEVENS: Is it quite fair to the Canadian business concern near the boundary to impose upon it an 8 per cent sales tax and a 3 per cent excise tax—well, we will leave the excise tax out—a sales tax which is absolutely a revenue tax, and, under this exemption, allow persons returning from the United States to bring in goods on which no sales tax is imposed? The sales tax has nothing to do with customs; it is a revenue tax on goods made in the country as well as on goods imported. Would it not be reasonable and sound legislation to insist that those who bring in goods under this exemption should pay at least the sales tax? After all there is no sales tax on goods going into the United States. It will be recalled by hon. members that the United States congress has, over a number of years, considered the imposition of a sales tax. I think a group comprising some 150 members of congress came to Ottawa a few years ago to study the question, but so far as I know there is no federal sales tax in the United States.

Mr. DUNNING: There are sales taxes in some of the states.

Mr. STEVENS: Well, we have similar taxes. Montreal collects two per cent, and there are other taxes that might be cited. But I am talking about the balance between the two federal authorities. While I recognize all the difficulties attendant upon this item, I think in return for the advantage granted to United States citizens coming into this country and purchasing Canadian goods, the concession here made is justified so far as tariff exemption is concerned; at any rate it is a part of the agreement, so that there is no use discussing that feature of it. But it does seem to me we are going too far when we exempt imported articles from the eight per cent sales tax. I make two suggestions to the minister: first, that he delete the last five lines of the item and cover by regulation the provision regarding alcoholic beverages and tobacco; second, that goods given free entry under this item should not be exempt from sales tax.

Mr. ILSLEY: I thank the hon. member for his suggestions. I have been thinking them over as he has been speaking. I am afraid it would be impossible for us legally to make regulations limiting the amount of tobacco, cigars and cigarettes that should be brought in, in view of the wording of the first part of the item, because there would be nothing in the quantity or amount of the hundred dollars' worth of cigars, for example, or tobacco or cigarettes, to indicate that they were not for personal or household use or for souvenirs or gifts; and unless we also changed the first paragraph of the item, a person returning with $100 worth of cigars, cigarettes or tobacco would be legally entitled to the exemption regardless of any regulations which the minister might make. Therefore it is necessary that the proviso be added in order effectively to eliminate the exemption in the cases referred to. The illustration cited as to cigarettes and tobacco is, I think, different from that of shirts, as put by the hon. member. It is quite possible that the minister might have power to make a regulation limiting the number of shirts which a man might bring back with him as if the number were too large it would be obvious that they were not for his personal use, or even brought in as gifts to friends and the importation would then assume the dimensions of a commercial transaction.

Mr. STEVENS: That is precisely my argument.

Mr. ILSLEY: Of course it could be limited by regulation. In such a case a regulation may be made, though I am not saying that it will be made.

Mr. STEVENS: A quart of whisky is a fairly generous personal quantity.

Mr. ILSLEY: A quart?

Mr. STEVENS: Well, my hon. friend comes from Nova Scotia, where, I admit, it may not be.

Mr. WHITE: Did you ever give a party?

Mr. STEVENS: I appreciate my hon. friend's astonishment.

Mr. ILSLEY: With regard to the sales tax, there seems to be what is in my opinion an unfounded assumption on the part of those

who state that we are discriminating against our own manufacturers when we contemplate bringing in goods from the United States free of sales tax. Taxes are paid in other countries besides Canada. A short while ago I had occasion to look up the rate of taxation in the United States based upon the national income, and economists state that the rate of taxation, federal, state and municipal, on the national income of the United States, is, if I remember correctly, over nineteen per cent, according to the best estimates. The rate of taxation on the total national income in Canada is less than that; it is about eighteen per cent. These taxes of the United States find their way into and are reflected very largely in the prices of goods, and taxes are paid there just as they are paid here. It is not correct to say that these goods have not been subjected to any corresponding taxation in the United States and that therefore our producers are being discriminated against. There are certain commodities on which the tax is higher in Canada than it is in the United States, that is, in respect of a particular commodity; but that is not true in the aggregate. As the Minister of Finance has pointed out, on some commodities the rate of taxation in the United States is higher than it is in Canada. If we were to adopt the hon. member's suggestion we should be removing, say, fifteen per cent duty on certain articles and reimposing upon them an eight per cent tax.

Mr. STEVENS: Pardon me; all goods coming in now are subject to the eight per cent sales tax.

Mr. DUNNING: No.

Mr. STEVENS: What goods are not?

Mr. ILSLEY: There are many exemptions.

Mr. STEVENS: Oh, not very many.

Mr. DUNNING: Yes, a very large list of exemptions.

Mr. ILSLEY: There is a long schedule of exemptions relating to a very large number of tariff items. But apart from that I am afraid it would be regarded as an evasion of our responsibilities if we were to impose a sales tax upon goods brought in under this provision. From an administrative standpoint it would not only surprise and startle a great many people but annoy them beyond measure if, particularly now that the sales tax is eight per cent, we were to impose an eight per cent sales tax upon goods exempted from duties by this item, when no such tax is imposed on goods going into the United States.

Mr. NEILL: I have received a number of letters, some of them from merchants, endorsing this item. Merchants at the coast appear somewhat to fear that if we refuse reciprocity with the United States in this matter at this time it may be used as a lever for Americans to remove the privilege they accord their citizens of bringing in from Canada one hundred dollars' worth of goods free of duty, a concession which has proved very profitable to our merchants at the coast. I notice that the minister has, very properly, put restrictions on the privilege—once in four months, in respect of a stay of forty-eight hours, and so on. Does he not think the item would be improved if he used the word "adult" residents? To allow children of tender years to bring in a hundred dollars' worth of goods is palpably open to an abuse of the spirit of the thing.

Mr. ILSLEY: That matter is under consideration in the department and by myself at the present time. To a very large extent I agree with the hon. gentleman. It would perhaps be an abuse of language to say that a child of five years has personal baggage. That baggage is the baggage of the parents.

Mr. WHITE: Or acquired by them.

Mr. ILSLEY: Yes, or acquired by them. What I have in mind is that an age limit, perhaps sixteen years, should be fixed. Below that age limit the articles will be deemed to be the baggage of the parents or the persons accompanying the children; above that age it will be considered to be the baggage of the children if it belongs to them.

Mr. CAHAN: It is difficult to trust to one's memory with regard to legal matters when one has been away from the practice of law for a number of years. But I was under the impression that, in order to safeguard the interests of provincial treasuries and the revenues derived through liquor commissions, this parliament at some stage passed ancillary legislation which made it illegal, for instance, to convey or transport from one province to another intoxicating liquor with the intention of evading the strict provisions of the provincial laws.

Mr. DUNNING: That is correct.

Mr. CAHAN: In the province of Quebec, for instance, if a citizen of Montreal desires to drink a certain kind of wine or a certain kind of whisky the only legal way in which he can do so is to purchase it from the liquor commission, if they have that class of goods on sale, or else request the liquor commission to import certain quantities of that class to

be sold to the applicant upon arrival, for which the applicant will pay after it has been taken out of the customs. Is there not some such ancillary federal legislation at present in force?

Mr. ILSLEY: Yes, there is.

Mr. CAHAN: Has the minister considered whether the permission or authorization, because that is what is provided here, to import free of customs duty certain quantities of liquor into provinces in which the possession and consumption of that liquor would be a violation of provincial laws, might not also be a contravention of this ancillary Dominion legislation, concerning which my memory is not very clear at the moment?

Mr. ILSLEY: The hon. gentleman is quite correct; there is a federal statute. If it is a violation of provincial law for the liquor to be in the possession of a person in the province it is a violation of the Importation of Intoxicating Liquors Act for the person to import it into the province. But that does not change the problem a bit, as far as I can see. I have admitted throughout that it may be an illegal thing.

Mr. CAHAN: I have not that statute before me, and my mind is simply reverting to past years when I was consulted about that law which the minister says does exist. I ask the minister if there is an enactment which precludes importation by a private individual into a province where the sale of liquor is controlled by the provincial commission. If so, is it not a contravention of a federal statute as well as of a provincial statute which the minister proposes to assist, shall I say, by this permission contained in this clause? My mind is not clear, but it seems to me there is some inconsistency there which should be carefully considered.

Mr. ILSLEY: Mr. Chairman, that has been carefully considered, and generally speaking the hon. gentleman is right. In answer to the question put to me previously I explained that there is a federal statute called the Importation of Intoxicating Liquors Act, but the importation of liquor ceases to be illegal the moment possession of liquor in the province becomes legal under the provincial law.

Mr. CAHAN: Quite so.

Mr. ILSLEY: And I am proceeding on the assumption, perhaps unfounded, that it will become legal in some of the provinces.

Mr. CAHAN: Then why not so frame your clause and in effect authorize free importation under these conditions through such ports of entry in such provinces as do authorize the possession by private individuals of liquor which has not been purchased from the provincial commission? I confess that in dealing with this matter from memory, concerning statutes which I have not been considering from day to day as a lawyer in practice does in his own law office, my mind is not clear in respect of it, but it does seem to me that this clause sanctions an inconsistent provision. Furthermore, and doubtless the hon. gentleman has dealt with the criminal law of the country since I have, is it not a violation of the criminal law of Canada to violate certain provincial statutes? I know the violation of a dominion statute constitutes an offence under the criminal code, and my impression is that the violation of certain provincial statutes is also an offence under the statute cited. In any event, if the federal statute to which the hon. gentleman has referred is to be violated by one who brings in a flask of liquor containing a quart, we will say, then he is permitting, authorizing, facilitating and inducing Canadians to violate a dominion statute the violation of which constitutes a criminal offence.

Sir GEORGE PERLEY: Mr. Chairman, I am not a lawyer, but as a practical man I have been listening to all this discussion and there seems to be no doubt that the wording with regard to alcoholic beverages is very misleading. The ordinary citizen would consider it an authorization to him to bring in a quart of whisky, and would consider that he could do so legally. The ordinary man does not know all the laws of the different provinces; in fact I do not think the lawyers know them all, and certainly I feel that an ordinary person returning to Canada and reading this provision would consider that he had authority to bring in a quart of whisky, without thinking anything at all about provincial statutes. Apparently the government have made up their minds to put through this provision exactly as it reads; that is what I gather from the discussion to-day, and if that is so, no one can stop them. I do think, however, that some action should be taken by the minister, in the public announcement he will make and also in the regulations, to draw the attention of the citizens of this country to the fact that they cannot bring this liquor into a province that has a law against it, notwithstanding the fact that it is so stated in this provision. I appeal to everyone in this committee if they do not agree that ninety-nine people out of a hundred reading this item would consider that it gave them authority to bring a quart of whisky into this country. As I say, if the government have made up their minds to put this through in this form we

cannot stop them, but I think the minister should find some way of warning the people. The hon. member for Mount Royal suggested that this might be done by inserting certain words in this item, but I fancy that might be difficult. I think however the government should take steps to make it clear to the people of Canada that this is not an authority to bring whisky into a province where there is a provincial law against that procedure.

Mr. DUNNING: The right hon. gentleman has approached the matter from the practical standpoint. In endeavouring to do the same may I point out that the government is not simply being stubborn in the matter. This has been the subject of discussion and investigation since the note was first written to the United States, at the conclusion of the negotiation of the treaty. Also since the budget was brought down on May 1, now nearly a month ago, the actual wording has been in review, because it is generally known that the provision is of an experimental nature. As has been indicated, to a certain extent it will have to be dealt with by regulation, and we acknowledge there is a difficulty inherent in the feature mentioned by my right hon. friend and by the hon. member for St. Lawrence-St. George. The Minister of National Revenue is making arrangements to see to it that tourists are advised. Methods may vary from time to time, according to experience, but we do want to give this provision a trial under the present wording, because of the way in which that wording has been worked out and the consultations which have taken place in various quarters in regard to it. It is not, of course, like the laws of the Medes and Persians.

Sir GEORGE PERLEY: Would the government be in a position to make a change next session, if it were thought wise to do so?

Mr. DUNNING: Quite.

Mr. CAHAN: Would the minister give me the citation from the Importation of Intoxicating Liquors Act?

Mr. ILSLEY: I was going to give it to the hon. member. I would refer him to chapter 31 of the statutes of 1928, and particularly to section 2(a), the interpretation clause.

Mr. BARBER: I understand that a tourist arriving at a port of entry with $100 worth of goods is given exemption to the value of $100. He then cannot secure a further exemption for a period of four months. What about the tourist who arrives at a port with only $10 worth of goods? Should he receive another exemption within a period of four months? Does the provision refer to an exemption of $100 within four months?

Mr. DUNNING: There is no carry-over.

Mr. BARBER: That encourages the tourist to come back with $100 worth of goods.

Mr. DUNNING: I suppose you might put it that way, yes.

Item agreed to.

Customs tariff—802. Materials and parts as hereunder specified, when imported by manufacturers of umbrellas, parasols, sunshades, walking sticks or canes, under such regulations as the minister may prescribe, for use in the manufacture of such articles in their own factories:—

(a) Mounts, sticks, rods, ribs, runners, rings, caps, notches, tips, ferrules and assembled frames: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 20 per cent.

(b) Umbrella-covering fabrics of a kind not made in Canada, whether or not specially treated but not further manufactured than with hemmed selvedges, when imported in lengths of not less than ten yards each, with or without natural selvedges: British preferential tariff, free; general tariff, 20 per cent.

Mr. STEVENS: I should like to direct a question to the minister.

Mr. DUNNING: I have an amendment to move which may clarify the discussion at least in some degree. It will be noticed that previously materials for the manufacture of umbrellas were scattered through three items bearing widely differing rates. In drafting the item an effort was made to arrive at a fair rate applicable to all, but representations have been made since that time indicating that formerly a much larger proportion of the (a) section in the item came in under a 5 per cent intermediate tariff than came in under other items carrying a higher rate. It has been contended that the concessions granted on cloths and on portions of the frame would be to a greater or lesser extent offset by the increase in the rate on the components of the frame. That was not intended, of course. The intention was to help with respect to materials entering into the manufacture of umbrellas. The amending resolution which I shall ask my colleague to move changes to 5 per cent the rate of 10 per cent under the intermediate rate in section (a).

Mr. ILSLEY: I move:

That the rates of duties of customs set opposite tariff item 802(a) as introduced under resolution No. 5 on May 1, 1936, be amended to read as follows: British preferential tariff, free; intermediate tariff, 5 per cent; general tariff, 20 per cent.

Amendment agreed to.

Mr. STEVENS: I should like to bring a matter to the attention of the minister. The item in question deals with mounts, sticks, rods, ribs and so on, used in the manufacture of umbrellas. While the matter to which I shall refer does not come directly under the item, it has reference to an old item which included these articles. I am referring to shafts used in the manufacture of golf clubs.

Mr. DUNNING: This point arose the other evening in connection with the discussion of another matter; perhaps the hon. member was not in the house at the time. On that occasion I undertook to look into it, and if the facts were as stated I promised to bring in an item. We will deal with it immediately after finishing the regular schedule.

Mr. STEVENS: Very well; I shall wait until then.

Sir GEORGE PERLEY: Is it correct to say that the purpose of the change is to facilitate the manufacture of umbrellas in Canada?

Mr. DUNNING: Yes. The companies manufacturing umbrellas have to import these parts, none of which are made in Canada.

Item as amended agreed to.

Customs tariff—805. Materials to be used as adhesives in cementing together glass sheets, when imported by manufacturers of safety or non-shattered laminated glass, for use exclusively in the manufacture of such glass in their own factories: British preferential tariff, free; intermediate tariff, free; general tariff, 25 per cent.

Item agreed to.

Mr. DUNNING: Before we complete the schedule may I refer to the item I mentioned to the hon. member for Kootenay East. We will refer back to item 446c, which is not included in the items in the schedule before us. Hon. members will recall the discussion a few evenings ago when it was represented that the tariff on the completed golf stick was lower than the tariff on the shaft, a condition which was described as inequitable. I have looked into the matter and find that I cannot make it equitable because this is one of the items bound under the British trade agreement. However, it can be reduced under the intermediate to 25 per cent and still maintain the margin agreed upon at the empire conference. I shall ask my colleague to move the amendment.

Mr. ILSLEY: I move:

That schedule "A" to the customs tariff, as amended by resolution No. 5 of May 1, 1936, be further amended by deleting therefrom tariff item 446c and substituting therefor in said schedule "A" the following item, enumeration and rates of duty:

[Mr. Ilsley.]

446c. Golf shafts of seamless steel, coated or not, but not chromium plated: British preferential tariff, free; intermediate tariff, 25 per cent; general tariff, 35 per cent.

Amendment agreed to.

Mr. DUNNING: Mr. Chairman, before leaving this schedule, I find, after checking up on Hansard and on the scroll, there is one item which Hansard records quite properly as carried, but which is not indicated on the scroll as having been carried. It is item 442 and was discussed thoroughly. The leader of the opposition (Mr. Bennett) asked me to hold it until he had had time to read it. The discussion continued until the leader of the opposition had had time to read the item, and he indicated no objection to it. There has been an error as between Hansard, on the one hand, and the scroll on the other, and I ask the indulgence of the committee to correct the scroll in that regard.

Sir GEORGE PERLEY: That is all right.

Mr. REID: Might I appeal to the minister in connection with egg graders imported into this country? There is no classification for them, but fruit and vegetable graders come in free or at a duty of five per cent. Egg graders are an item affecting the poultry producers of British Columbia, and at present they carry a duty of thirty per cent, plus, of course, sales tax and excise tax. I am sorry that I did not have an opportunity to mention this matter earlier in the discussion as I was in attendance at one of the committees of the house, but I think egg graders should be placed on the same footing as fruit and vegetable graders.

Mr. DUNNING: They are, by item 409 (e).

Mr. CAHAN: Before passing to the next schedule I find that chapter 31 of the statutes of 1928, an act respecting interprovincial and international traffic in intoxicating liquors, makes it a criminal offence under the laws of Canada for any person entering Canada to bring in with him liquors in any quantity whatsoever except for the purposes set out in the act. Section 2 says:

2. In this act, unless the context otherwise requires,—

(a) "intoxicating liquor" means any liquor which is, by the law of the province for the time being in force, deemed to be intoxicating liquor, and which it is unlawful to sell or have in possession without a permit or other authority of the government of the province or any board, commission, officer or other governmental agency authorized to issue such permit or grant such authority;

(b) "province" means any province of Canada in which there is for the time being in force an act giving the government of the province, or any board, commission, officer or other governmental agency control over the sale of intoxicating liquor therein.

Section 3 says:

3. (1) Notwithstanding the provisions of any other act or law, no person shall import, send, take or transport, or cause to be imported, sent, taken or transported into any province from or out of any place within or without Canada, any intoxicating liquor, except such as has been purchased by or on behalf of, and which is consigned to His Majesty or the executive government of the province into which it is being imported, sent, taken or transported, or any board, commission, officer or other governmental agency which, by the law of the province, is vested with the right of selling intoxicating liquor.

There are very heavy penalties upon one who brings in liquors under those circumstances. There is for the first offence a penalty of not more than $200, and in default of payment imprisonment for a term of three months; for a second offence a penalty of not less than $200 and not more than $1,000, and in default of payment imprisonment for not less than three months and not more than six months, and for each subsequent offence imprisonment for not less than six months or not more than twelve months. Apparently in the latter case there is no option of a fine. I suggest that, when the minister publishes notice of the exemption which has passed the house this afternoon, he should place in print on the notice that any person who at the present time exercises the right of bringing in this liquor is violating a statute of the parliament of Canada, and that in retaining the liquor in his possession after he crosses the border he is violating a provincial statute, and that for violation of the federal statute he is liable to fine and imprisonment as I have stated.

Mr. STEVENS: I would like to—

Mr. DUNNING: There is nothing before the committee, Mr. Chairman.

Mr. STEVENS: Before the bill is introduced I would like to add one word of appeal to the minister, that he again consider the deletion of the words "on alcoholic beverages in excess of one quart," and deal with the matter by regulation. I believe that can be done, and it would cover the whole situation.

Mr. ILSLEY: There is nothing before the committee at the moment, Mr. Chairman, but the suggestion of the hon. member for St. Lawrence-St. George (Mr. Cahan) will be considered. At present it seems to me there is a great deal of reason in his contention. Regarding the suggestion of the hon. member for Kootenay East, I do not like to say that we shall reconsider it, because I do not think reconsideration would lead to any change in the item. It has already been examined very carefully from a great many angles; we do not regard the inclusion of these words as an invitation to break either a federal or a provincial statute, and it is not to be regarded as such. This is not a repeal of the act respecting the importation of intoxicating liquors, and it is not and is not intended to be an overriding provision so far as provincial legislation is concerned, but it is a provision that in our opinion is desirable.

Sir GEORGE PERLEY: I would ask the minister—

The CHAIRMAN: Order. I want to allow as wide a latitude as possible, but the committee is discussing an item that was passed ten minutes ago.

Sir GEORGE PERLEY: I quite agree that the item has been carried, Mr. Chairman, and I am not asking to have it changed. We can quite easily bring this matter up at some other stage of the bill. As I understand it, this item in the tariff act will not override that general law. Is that right?

Mr. ILSLEY: That is correct.

6. Resolved, that schedule B to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by striking thereout tariff items 1030 and 1055, the enumerations of goods and the rates of drawback of customs duties set opposite to each of the said items, and by inserting the following items, enumerations and rates of drawback of customs duties in said schedule B:—

Customs tariff—1011. Rhinestones, settings for rhinestones, metal spots and beads: when imported by manufacturers of dress trimmings and used exclusively in their own factories in the manufacture of dresses and dress trimmings: drawback, 99 per cent.

Item agreed to.

Mr. DUNNING: Following that item, Mr. Chairman, I have an amendment to deal with two situations which arise in connection with tubing. The present drawback provisions on lap welded tubing of iron and steel, not less than four inches in diameter, threaded or coupled, includes no provision for the couplings which are a necessary part of the pipe. The drawback to which I refer is available when the material is used in casing water, oil or natural gas wells or for the transmission of natural gas. A difficulty in administration has arisen because the word "coupling" does

not appear in the item and it is intended to make it so apply. The same is true with respect to tubing over four inches in diameter. I will ask my colleague to move the amendment.

Mr. ILSLEY: I move accordingly.

Sir GEORGE PERLEY: Is this No. 1025?

Mr. DUNNING: This item does not appear in the printed list. It is a very simple thing and one which should not arouse any controversy.

Amendment agreed to.

Mr. STEVENS: Before we pass on to the next item, I should like to refer to the striking out of item 1030. This covers a drawback of fifty per cent on the goods enumerated in tariff item 236, which refers to surgical dressings and so forth. What is the reason for the withdrawal or abandonment of the drawback privilege in connection with that item?

Mr. DUNNING: My hon. friend is one item ahead of me at the moment. I may tell him that it all comes back in the next item. If he will let us deal with item 1025, we shall then come to item 1030.

Customs tariff—1025. Hot rolled hexagon bars of Bessemer steel not being of greater value than four cents per pound: when used in the manufacture of cold drawn bars: drawback, 99 per cent.

Sir GEORGE PERLEY: Is this a new item?

Mr. DUNNING: This is an entirely new drawback item which was suggested by the tariff board in connection with its report on the automotive industry.

Item agreed to.

Customs tariff—1030. (a) Materials, n.o.p.: when used exclusively in the manufacture of articles enumerated in tariff item 236: drawback, 50 per cent.

(b) Woven fabrics, wholly of cotton, not bleached, mercerized nor coloured, weighing not more than seven and one-half pounds per one hundred square yards: when imported under the British preferential tariff and used exclusively in the manufacture of articles enumerated in tariff item 236: drawback, 99 per cent.

Mr. DUNNING: The hon. member for Kootenay East (Mr. Stevens) was asking about the repeal of this item. The whole of item 1030 is reenacted and the new (b) section is included as a result of the tariff board inquiry into the textile industry. The new (b) section will apply only with respect to duties paid on imports under the British preferential tariff.

[Mr. Dunning.]

Sir GEORGE PERLEY: This clause is drafted exactly as suggested by the tariff board?

Mr. DUNNING: Yes.

Item agreed to.

Customs tariff—1052. Machinery, new or used, of a class or kind not made in Canada: When imported by manufacturers of automobiles and motor vehicles or of automobile and motor vehicle parts to be used in the production of such automobiles and motor vehicles or automobile and motor vehicle parts drawback, 99 per cent.

Mr. DUNNING: This is an entirely new item put in as a consequence of the inquiry into the automotive industry. It provides for a ninety-nine per cent drawback on duties paid on machinery, whether new or used, of a class or kind not made in Canada, when imported by manufacturers of automobiles or automobile parts for use in the production of automobiles or parts.

Mr. MACDONALD (Brantford): It seems to me that in connection with these drawbacks the whole principle of fixing the tariff is shown to be wrong. We make tariff regulations; then we come along and say they are not right and we shall allow a drawback. That is an admission that we have not done what is right; that by a drawback we are trying to rectify an error. I think we should always deal with the tariff scientifically. This is my objection to the reduction of duties on farm implements. We appointed a committee of this house to inquire into this matter and before that committee had brought down its report, we changed the tariff affecting these implements. I think this committee should inquire as to whether or not a change would affect employment and the rates of wages paid in this industry. I doubt if any hon. member knows whether these changes will have any effect upon those employed in the industry. I have sufficient confidence in the government and in the Minister of Finance (Mr. Dunning) to know that any wrong will be righted immediately.

Similarly with regard to the automotive industry, a reference was made to the tariff board. In Brantford is located a company known as the Canada Carriage and Body Company Limited, which makes bodies for motor buses. In this industry are employed the finest class of working men, both skilled and unskilled, to be found any place in the world. This company makes a motor bus body that compares favourably with any body made in any other part of the world. This company did not have an opportunity of appearing before the tariff board. When they found out that the tariff had been reduced they immedi-

ately made representations to the board and they were told that an advertisement had been inserted in the press to the effect that this matter was being referred to the tariff board. The motor bus body builders did not think they came within that classification and the chairman or some official of the board stated that representations would be heard from the manufacturers of motor bus bodies. They appeared before the board and an informal discussion occurred.

I am sure hon. members will be surprised to know that among those who advocated a reduction in the tariff on motor bus bodies was none other than the Toronto transportation commission. I contend that such action is most unfair and is certainly short-sighted on the part of the Toronto transportation commission, located in the city which is the home of the high priests of high protection. I am sorry that more members of the opposition from the queen city are not present this afternoon, but no doubt they feel that the conference they are attending is more vital to them than anything which might take place in this committee. However I must say that I do not believe hon. members from the queen city advocated a reduction in the tariff; I believe that was done by the Toronto transportation commission. Toronto is known as "Toronto the good," but I sometimes wonder what it is good for. Apparently it is good only for those things that are good for the city of Toronto.

Mr. FACTOR: Mr. Chairman, I rise to a point of order.

Mr. MACDONALD (Brantford): There are some good men who have come out of Toronto. I am very serious about this. To think that an organization in Toronto should ask for a low tariff on goods which are made in the city of Brantford! Do they not care anything about the working man in Brantford? Do they not care so long as they get foreign motor buses to carry Canadian workingmen—and no doubt they put a union jack on the bus—to and from their work? I say that Toronto should have demanded Canadian buses made in Canada by Canadian workingmen to carry Canadian workingmen to and from their work. Toronto and every other city, whether in the east or in the west, must have a broader outlook if we are to solve our problems. We cannot simply seek, as apparently Toronto in this instance does, a low tariff on the commodities we do not produce and a high tariff on the commodities we do produce. We must look at industry as a whole, and I submit that no change should be made in the tariff structure unless we are sure that no workingman in any part of this dominion will be detrimentally affected thereby. We must not forget that the greatest problem in Canada to-day is still unemployment. There are three great problems we have to face—the railway problem, the debt problem, and unemployment. Suppose you solve the railway problem, and the only solutions I have heard are scrapping the railways or amalgamating them. Well, however you may solve that problem you still have unemployment on your hands, and probably on a greater scale than ever before. Then you have the debt problem. Suppose you solve that problem. Some suggest wiping out debts; others say that we should print money and pay our debts in that way. Do either one, and in the end you will still be faced with unemployment as great as ever. But if you solve the unemployment problem then the railway problem will largely take care of itself and so will the debt problem.

My admonition to all the members of the house is this: We must look at Canada as a whole. We must try to solve not only the problems of the west or of the east or of the city of Toronto but all the problems that call for solution throughout the country. We must try to do those things that are good for the workingmen of Brantford and for the farmers of Brantford, for the workingmen of Vancouver and for the farmers throughout the land. We must get away from provincialism, for if we do not we shall wreck the whole country. Some of us come here thinking our own little constituency is the greatest in the country. I still think my own is the greatest, but I do know this, that my constituency cannot live alone; and again I remind other hon. members that their constituencies cannot live to themselves if they destroy other parts of the country.

Mr. NEILL: Perhaps I am reading the item wrong, but did we not some years ago pass a statute forbidding the importation of used cars?

Mr. DUNNING: Yes.

Mr. NEILL: Would not these used cars come under the definition of machinery to be used in the production of cars or of parts?

Mr. DUNNING: This is with respect to machinery of manufacture, not to the car itself.

Mr. NEILL: Could it not be interpreted to include a carburetor?

Mr. DUNNING: No; the prohibition will rule in any case.

Mr. NEILL: If the prohibition rules, then we are in a position that is worse than the situation we have discussed all afternoon in

connection with the conflict between a dominion and a provincial statute, because here we have two dominion provisions. I do not know how you will indicate the one that is to dominate, because they are both dominion.

Mr. DUNNING: I was stating a general principle when I said that the prohibition would rule, but I cannot admit that the prohibition against the importation of second-hand motor cars enters into any part of this item. This item deals with machinery for the manufacture of cars and not at all with the cars themselves or with parts of cars. And it is all of a class or kind not made in Canada.

Mr. NEILL: It is not very clear.

Mr. STIRLING: Is there any relation between this item and 1055, which has been deleted? That is a very large item.

Mr. DUNNING: Item 1055 was the old drawback item on automobile parts and it is taken care of now in the general tariff revision which has taken place consequent upon the tariff board's report. It is unnecessary now and has no relation to this item.

Mr. STEVENS: Has 1055 been deleted in consequence of the report of the tariff board?

Mr. DUNNING: Yes.

Sir GEORGE PERLEY: Under this item as it reads could one not import a used engine, put it into a car in Canada and get the rebate?

Mr. DUNNING: No.

Sir GEORGE PERLEY: It says, "to be used in the production of such automobiles." Would not the term "machinery" be broad enough to cover an engine?

Mr. DUNNING: No; and in any case an engine would be barred because engines are made in Canada.

Mr. NEILL: Would the minister consider using the word "manufacture" instead of the word "production"? I can produce a car by buying a carburetor here and something else there, but I could not manufacture one.

Mr. DUNNING: That is rather splitting hairs, and I am afraid the same difficulty would be present in my hon. friend's mind if we used the word "manufacture." He could also manufacture a car by getting a carburetor here and something else elsewhere. This is exactly the wording the tariff board suggested for the item, which is distinctly a machinery item. And the words, "of a class or kind not made in Canada," would prevent my hon. friend from collecting parts of a car and putting them together.

Item agreed to.

Customs tariff—1060. Paper of all kinds: when used by the publisher or printer in Canada in the production of periodical publications enjoying second-class mailing privileges: drawback, 50 per cent.

Mr. DUNNING: I have an amendment to bring this into conformity with the corresponding tariff item as amended. The amendment is to add the following words:

The pages of which are regularly bound, wire-stitched or otherwise fastened together.

That will make the drawback item apply in conformity with the tariff item.

Sir GEORGE PERLEY: What is the object of this item?

Mr. DUNNING: It is to give the same relief to the publisher of magazines in Canada with respect to Canadian taxation, having regard to the competition to which he is now subject from American publications.

Sir GEORGE PERLEY: I am not going to traverse the ground we went over the other night when my right hon. leader discussed this particular question, but I must put myself on record as not being in favour of doing this if it is going to reduce employment in Canada or take away work which we ought to do here in the manufacturing of our own paper. I realize that perhaps some of this paper cannot be made here, but we have now companies in Canada which manufacture very high grade qualities, and I think those companies should be encouraged. I do not want to do anything to hurt the publication of magazines. I was very sorry indeed that the regulations made by the former government imposing taxes on foreign magazines were removed by the present government. In my opinion we ought to be able to manufacture in this country papers of all kinds, and it is a great pity that steps are not taken to encourage such manufactures by our own people

Mr. DUNNING: After considering the matter very fully, I believe this degree of drawback represents a fair concession to the publishers without the danger to other Canadian industries which my hon. friend, like myself, would fear if it went too far. There has been a great deal of discussion about it ever since the Canada-United States treaty was made, and needless to say, various interests have various views. Each of them is actuated, of course, by regard for the

thing he understands the best, which is the business in which he himself is engaged. I have endeavoured to give the matter every consideration. The government has discussed it on many occasions; representations from all quarters have been heard, and this represents what we regard as a fair adjustment under the situation now prevailing.

The CHAIRMAN: It is moved by Mr. Ilsley:

That item 1060, as contained in resolution No. 6 of May 1, 1936, be amended by adding to the words "when used by the publisher or printer in Canada in the production of periodical publications enjoying second-class mailing privileges" the following phrase:—
"the pages of which are regularly bound, wire stitched, or otherwise fastened together."

Amendment agreed to.

Mr. DEACHMAN: I venture to make the suggestion that the government in this matter has not been over generous. I am not worried particularly about the point brought up by the right hon. member for Argenteuil (Sir George Perley), who suggests that the paper companies are in danger from the extension of this small drawback. I have before me the record of the two largest companies in Canada making this class of paper, the Howard Smith Paper Company and Provincial Paper Mills Limited. Both these companies went through a process of expansion of their fixed charges by means of reorganization, in different years. On June 1, 1928, the Howard Smith Company went into its mill with total securities of $10,664,300, and, without increasing its actual assets, emerged a few days later with a capital of $14,400,621, an increase, which may be represented as not much more than pure water, of $3,736,321. By that process they increased the fixed charges of the company in the sum of $140,000 a year. The Provincial Paper Mills was not quite so strenuous, though it was bad enough in all conscience. It went into this process of expansion on May 1, 1927, with a capital of $6,550,000, and without increasing its assets emerged with $8,900,000, a total increase of $2,350,000. The combined increase amounted to $6,086,321 of capital, and the increased fixed charges by way of interest on bonds amounted to $377,000 per year.

Mr. DUNNING: What company was that?

Mr. DEACHMAN: I am talking about the two companies. I venture to suggest that two corporations which can afford to add to their fixed charges $377,000 in a single year without adding to their real assets will be able to withstand the measure of competition to which they will be subjected by this change in the budget.

In 1928 the drawback was extended to eighty per cent. At that particular period Canadian companies publishing magazines were able to use better paper. They increased their use of paper. The increase in the use of this classification went up more during the next three years than in any similar period of Canadian history. Nor were these paper companies at all seriously affected so far as their profits were concerned. The profit upon the individual ton they sold may have been less, but the increased tonnage enabled them to pay a larger dividend in 1930 than they did in 1928 or 1929, which were prosperous years, and they seemed to get along very well. But with the change when the drawback was withdrawn their profits and dividends fell, and they were no longer prosperous. The reason they were no longer prosperous, I shall be told, was that those were hard times. Quite true they were hard times, but they were hard times for the publishers in this country because they had to pay to the Howard Smith Paper Company and to the Provincial Paper Mills a price which was fixed by the tariff. There was published a few days ago in the newspapers of this city an open letter from the MacLean Publishing Company in which they stated that their paper cost them $312,600 a year. Then they said, "We were required to pay $66,162 more for our paper than our United States competitors." If you figure that out you will find that it amounts to approximately 21 per cent. These two corporations by this legislation, by the duty which they then enjoyed, were enabled to charge users of paper between 21 and 22 per cent more than they could have charged had they been on a free trade basis.

I ask you to consider this question. It is not only magazines, ordinarily so called, that are published in Canada. We have our farm press. The farm press has gone through very difficult times during the last few years. Farm purchasing power was gone. It has been a struggle to make a living. Not long ago two of the largest farm papers in western Canada amalgamated because they could not successfully maintain a separate existence. That amalgamation of these two separate papers was brought about by hard conditions induced by the high costs of raw material required in the manufacture of their products. The result of this amalgamation has been a big loss to the paper mills of Canada, a loss which they might have avoided under conditions of greater freedom. The

farm press has been a powerful factor in maintaining the morale of the farmers of this country during a period of stress and strain. When you give relief as is being done here you are enabling the farm papers to exercise a tremendous national influence in the dominion. I suggest therefore that further relief should be given. There is no evidence in all the statements I have before me that any of these companies were suffering under the old drawback of eighty per cent.

I suggest there is something more that might very well be done. I suggest that the whole matter of the publishers and producers of paper might go before the tariff board during the coming year for further consideration in the hope that a larger measure of freedom might be extended to the publishers of this dominion and that we might get back near the basis we were on in 1928 and 1929 as far as the publishing business and the production of this class of paper are concerned. What do these people need? They are producing a relatively small quantity. They have difficulty in competing because they do not produce a sufficient quantity. Give the publishers a chance to develop; expand the market, and when that is done you will have a basis on which such companies can live and prosper. They will prosper not on a basis of inflation and the increase of stock values and bonded indebtedness, but rather as a result of a wider market for the product they have to sell.

Sir GEORGE PERLEY: My hon. friend stresses the increase in capital of these companies, and I am with him in that regard. No one in this house dislikes more than I do the fianancing that went on in this country in connection with increases in capital and bonded indebtedness. I am entirely in accord with my hon. friend on that point, but I am thinking about the workmen; I am not considering the companies at all. They can look out for themselves, but the more paper we import into Canada, where we have the raw material, the less work there will be for our own people. That is the only thing in which I am interested.

Mr. ROSS (Moose Jaw): I understand that in the publishing business for every dollar's worth of paper used there is five dollars spent in labour in other ways. Therefore the more paper we import at lower prices the more labour there will be used in the publishing business in Canada.

Item as amended agreed to.

Resolution as amended agreed to.

[Mr. Deachman.]

7. Resolved, that schedule C to the customs tariff, being chapter forty-four of the revised statutes of Canada, 1927, be amended by adding thereto the following items:

Customs tariff—1218. Used or second-hand periodical publications:

Provided, that this item does not affect in any manner periodical publications:—

(a) Sent, gratis, to Canada for charitable purposes;

(b) Sent to persons in Canada as casual donations by friends abroad;

(c) Imported for personal or for institutional use, and not for resale;

(d) Imported by or for paper mills for use as stock in the manufacture of paper.

Item agreed to.

Customs tariff—1219. Used or second-hand mattresses or materials therefrom:

Provided, that this item does not affect in any manner:

(a) Mattresses imported under tariff items 704, 705, 706, 707, 708, or under tourists' or travellers' vehicle permits;

(b) Materials from used or second-hand mattresses, when imported after having been cleaned and fumigated, under such regulations as the minister may prescribe, accompanied by such certificates as he may designate.

Mr. STEVENS: I should like to suggest to the minister that the proviso in paragraph (b) be dropped. This privoso limits the application of the prohibition applying to mattresses; it permits materials from used or second hand mattresses to be imported after having been cleaned and fumigated, under such regulations as the minister may prescribe, accompanied by such certificates as he may designate. I suggest that this should not be allowed. If there is any type of material that is filthy, disgusting and unsanitary it is this class of material coming from used mattresses. I think many hon. members who are interested in the question of health will support me when I say that it is a disgusting practice to allow this type of material to come in, though unfortunately we have done so for some time past. I suggest to the minister that this proviso be struck out entirely, so as to provide a complete prohibition on the importation of used mattresses. I earnestly and strongly plead for that.

Mr. DUNNING: I wanted to do that, until I was shown how very easy it would be to evade the prohibition by shredding the dirty material and getting it in under various other items of the tariff, such as the rag and waste items. This morning, curiously enough, I received a protest against this prohibition from a firm who claim to be very reputable people and who clean up this material and use it in some way. I am not complying with

that request, however. The point is that we felt it would be safer to deal with this material in this manner, by permitting it to come in if it has been cleaned and fumigated in such a way as to satisfy our health inspectors, than to put on a form of prohibition which I was told would not prohibit because of the ease with which the material could be brought in under some other item, though I agree entirely with what my hon. friend has said.

Sir GEORGE PERLEY: Under present regulations has not the Department of Agriculture some authority with regard to importations of this kind?

Mr. DUNNING: No, not in connection with industrial materials such as these.

Sir GEORGE PERLEY: In connection with the possibility of disease?

Mr. DUNNING: That is so in connection with hay and straw and that sort of thing, but not in relation to human disease.

Mr. STEVENS: Animal health is adequately protected, but human health is not.

Item agreed to.

Resolution agreed to.

8. Resolved, that any enactment founded upon the foregoing resolutions to amend the customs tariff or schedules thereto shall be deemed to have come into force on the 2nd day of May, one thousand nine hundred and thirty-six, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

Resolution agreed to.

Resolutions reported, read the second time and concurred in. Mr. Dunning thereupon moved for leave to introduce Bill No. 71, to amend the customs tariff.

Motion agreed to and bill read the first time.

At six o'clock the house adjourned without question put, pursuant to standing order.

Thursday, May 28, 1936

The house met at three o'clock.

PRIVATE BILLS

REFERENCE OF PETITION TO COMMITTEE ON STANDING ORDERS

Mr. S. W. JACOBS (Cartier) moved:

That the petition of James Gordon Ross for a bill of divorce, presented on May 20, together with the report of the clerk of petitions thereon, be referred to the standing committee on standing orders for the purpose of considering the suspension of standing orders 92 and 93 (3) (a) and (c) in relation thereto.

Motion agreed to.

FIRST READINGS—SENATE BILLS

Bill No. 72, for the relief of Madeleine St. Clair Peacock Milroy—Mr. Campbell (for Mr. Plaxton).

Bill No. 73, for the relief of Bella or Bessie Laurie Wozik, otherwise known as Bella or Bessie Laurie Rabinovitch—Mr. Jacobs.

Bill No. 74, for the relief of Agnes Hannah Wright—Mr. Heaps.

QUESTIONS

(Questions answered orally are indicated by an asterisk).

WHITEWOOD, SASK., POST OFFICE

Mr. PERLEY (Qu'Appelle):

1. Were tenders received prior to the 1st of November, 1935, for the installing of an electric clock in the post office at Whitewood, Saskatchewan?
2. If so, what was the lowest figure quoted?
3. Who received the contract for installing the clock in the Whitewood post office?
4. Did he tender on same?
5. What was the amount of the contract and when was the clock installed?

Mr. CARDIN:

1 and 2. A tender was received on October 29, 1935, from Mr. H. Downing, jeweller of Moosomin, Sask., at $685. On December 2, 1935, Mr. Downing offered to reduce his tender to $635.

3, 4 and 5. Mr. Edward Wiseman, jeweller of Wolseley, Sask., submitted a tender on February 3, 1936, for $635, which was accepted. Resident architect reported on April 18 that clock installed.

BROADVIEW, SASK., POST OFFICE

Mr. PERLEY (Qu'Appelle):

1. Has the public works department called for tenders for installing the electric clock in the post office at Broadview, Saskatchewan?
2. If so, when are tenders to be opened?

Mr. CARDIN:

1. Yes.

2. On May 2, 1936, tender of Edward Wiseman, jeweller of Wolseley, at $635, was accepted.

EXPERIMENTAL FARM—WAGES

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I should like to ask the government if any inquiry is being made into the rates of wages paid to married men employed

at the experimental form at Indian Head. I think it was on February 21 that I drew attention to this matter, and I understand that married men are still forced to maintain themselves on twenty-one cents an hour.

Right Hon. W. L. MACKENZIE KING (Prime Minister): As my hon. friend may see, the Minister of Agriculture (Mr. Gardiner) is not in his place at the moment, and he will not be back for a day or two. However, as soon as he returns I am sure he will be glad to give my hon. friend a reply.

CANADIAN PACIFIC RAILWAY

PROTEST AGAINST PROPOSED DISCONTINUANCE OF SASKATOON-UNITY SERVICE

On the orders of the day:

Hon. C. D. HOWE (Minister of Railways and Canals): Mr. Speaker, yesterday the hon. member for Qu'Appelle (Mr. Perley) inquired as to the truth of a rumour in his constituency that the Canadian Pacific Railway contemplated discontinuing the service on their line between Saskatoon and Unity in Saskatchewan. Upon making inquiry I find that no application for discontinuance has been made to the board of railway commissioners, and the chief solicitor of the Canadian Pacific Railway Company advises me that he has no knowledge of an application of the kind.

Mr. PERLEY (Qu'Appelle): I may say that that line is not in my constituency.

NATIONAL HARBOURS

ACCIDENTS TO LONGSHOREMEN—INQUIRY AS TO LABOUR CONDITIONS AND INSPECTION OF APPARATUS

On the orders of the day:

Hon. C. D. HOWE (Minister of Marine): Yesterday the hon. member for Kootenay East (Mr. Stevens) directed a question to me with respect to fatalities which had occurred in the harbour of Montreal and requested that I investigate and reply. On inquiry I find that since the opening of navigation three longshoremen have been killed in the loading and unloading of ships in the harbour of Montreal. Two other men lost their lives by drowning one a sailor and the other a longshoreman who was proceeding along the docks after his work had been finished. It would appear that neither of these two men was engaged in the work of loading or unloading ships at the time he met his death. I may add that the Department of Marine employs a tackle inspector at the port of Montreal whose duty it is to safeguard as far as possible those employed in loading and unloading ships by inspecting the apparatus used for that purpose and by seeing that safe methods are employed.

It would not appear that the death of the three men killed while actually employed in loading or unloading a ship was due in any sense to defective apparatus. I would remind the house that fatal accidents are investigated by the coroner, and, in respect of each of the five cases mentioned, the verdict was accidental death. It is regrettable that in such a dangerous occupation as that of loading and unloading ships it seems to be impossible to avoid the occurrence of such accidents.

Hon. NORMAN McL. ROGERS (Minister of Labour): The hon. member for Winnipeg North Centre (Mr. Woodsworth) addressed a question to me yesterday in connection with conditions affecting longshoremen in Montreal. I assume the information he was asking for has been given by my colleague, the Minister of Marine (Mr. Howe).

Mr. WOODSWORTH: I should like to know whether the minister is going to take any further steps to see that accidents of this kind are avoided. I assume I cannot make a speech at this time, but I would ask whether any further steps are to be taken to safeguard the lives of these men.

Mr. ROGERS: A representative of the Department of Labour in Montreal was instructed to make an inquiry, and I shall see that the matter is brought to the attention of the proper authorities.

WAYS AND MEANS

INCOME WAR TAX ACT AMENDMENT

The house in committee of ways and means, Mr. Sanderson in the chair.

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

1. That the corporation rate of tax shall be increased from thirteen and one-half per centum to fifteen per centum.

Paragraph agreed to.

2. That where a consolidation is permitted the corporation rate of tax shall be increased from fifteen per centum to seventeen per centum.

Mr. CAHAN: What section of the Income War Tax Act will be amended by this resolution?

Mr. DUNNING: Section 35.

Mr. CAHAN: This resolution applies solely and exclusively to consolidated returns of incomes of corporations as covered by subsection 3 of section 35?

Mr. DUNNING: Yes.

Mr. CAHAN: We are dealing with rather important matters, and in order that one may have some idea of the effect of these proposed changes, the proceedings should not be hurried. One should have an opportunity to look at the original section in order to appreciate the effect of the proposed amendment.

Mr. DUNNING: I am not hurrying things. I want to give all the time that is required, but I would remark to my hon. friend that the exact wording of this resolution has been in the votes and proceedings since the first day of May, and it was assumed that in the interval hon. members would have made up their minds as to what they desire to say about it. I am sorry to have given the impression of hurrying; I had no such intention.

Mr. CAHAN: I was not suggesting that the hon. gentleman was hurrying.

Mr. STEVENS: I may be derelict in my duty, but are we dealing with paragraph 3 of the resolution?

The CHAIRMAN: Paragraph 2.

Mr. STEVENS: If it is not too much trouble, would the chairman indicate what the paragraph is about when he calls the number?

The CHAIRMAN: Paragraph 2 reads:

That where a consolidation is permitted the corporation rate of tax shall be increased from fifteen per centum to seventeen per centum.

Paragraph agreed to.

3. That payment of the gift tax be made annually.

Mr. CAHAN: What section of the act deals with the gift tax?

Mr. DUNNING: Section 88. Considerable inconvenience arose out of the original wording of the gift tax provision. The tax was payable at the time the gift was made, but the rate of tax on the individual gift was determined by the total of the gifts during the year, so that the situation arose that a gift might be made early in the year and the tax paid upon it, and by virtue of subsequent gifts during the same year the rate of tax payable on the first gift would be increased. That was the difficulty. A yearly payment of the tax is provided for by the amendment, and that will eliminate uncertainty with regard to the rate of tax payable, since at the end of the year the exact annual amount will be known.

Sir GEORGE PERLEY: Does that mean that if a gift is made the person making it has to pay a tax every year forever on that gift?

Mr. DUNNING: No, once for all time. The change is that in future, instead of paying the tax when he makes the gift, as the law now calls for, he will make payment at the end of the year on the whole of the gifts made during the year.

Sir GEORGE PERLEY: I am prepared to admit that perhaps I do not know English as well as the man who drafted this, but to my mind the language does not convey that impression. It may be perfectly plain if some lawyer has so stated, but that is not the impression I got when I read it.

Mr. DUNNING: This is the resolution and not the bill.

Sir GEORGE PERLEY: But I take it the bill follows the resolution.

Mr. DUNNING: I will watch the point to which my right hon. friend refers, but I have to depend pretty much on these lawyers when it comes to using language in such provisions. They will not allow me to use my own.

Sir GEORGE PERLEY: When I write a sentence and there is some difference of opinion in my office among the members of the staff as to what it means, I change it so that there can be no doubt about it. That is a fairly good principle. I would ask another question. With regard to this gift tax I understand that there is a departmental decision or interpretation of the meaning of this section, as to exactly what a gift is. I find it a little difficult sometimes to understand it. I know that last year we passed it when we were in office, but all the same there is some doubt as to just what a gift is, though I know exactly what the purpose originally was. The intention was that people who divided their property and gave large portions of it to their children during their lifetime should not escape taxation, but I understand that if you make Christmas gifts in proportion to your means such gifts are not included for purposes of taxation. Is that correct?

Mr. DUNNING: The next resolution deals with that point. The one we have under consideration relates to the annual payment.

Mr. CAHAN: Is it clear from the statement of the Minister of Finance that the word "annually" refers simply to the aggregate of the gifts made during a single year, and that the payment is not to be repeated from year to year?

Mr. DUNNING: I can assure the committee of my own intention, and it is exactly that implied by the hon. member for St. Lawrence-St. George. I will go further.

If the language of the resolution does not carry out that meaning, the draftsman concerned will be instructed with respect to the section of the bill which will be based upon the resolution, so that there shall be no doubt about it.

Mr. CAHAN: Here we are merely concerned with the intention.

Mr. DUNNING: Yes, and the intention is as has been stated.

Sir GEORGE PERLEY: I can only repeat that in my opinion the wording is at any rate doubtful and ought not to be left as it stands. It is open to two interpretations.

Mr. STIRLING: Is the information with regard to the gift tax taken from the dominion tax returns?

Mr. DUNNING: Yes.

Paragraph agreed to.

4. That gifts to any one person which in the aggregate do not exceed one thousand dollars in the calendar year be exempt from the provisions of the gift tax.

Mr. DUNNING: This bears on the point raised by my right hon. friend from Argenteuil. In the past exemption from the gift tax has been granted on a yearly aggregate of gifts up to $4,000, and it has been urged that this exemption is not sufficiently high because it acts as a deterrent to charitable giving. The purpose of the gift tax is to deter transfers of property, chiefly between members of a family, made with the object of reducing the amount of income tax which would otherwise be payable, that is, by putting it in a lower rather than a higher income bracket. It is not the purpose of the tax to deter charitable giving; that was not the original intention. This change is designed to encourage persons who for charitable reasons make annual gifts to relatives, dependents, former employees and so on, and is in the same spirit as section 5 (j) of the Income War Tax Act, which allows a deduction up to ten per cent of the total income for gifts made to charitable institutions. The $4,000 exemption will be retained but will apply only to the aggregate of gifts which individually do not exceed $1,000. That is to say, gifts of $1,000 or less shall not be regarded as gifts for tax purposes. Let me amplify that. Under the Income War Tax Act as it stands one may claim exemption up to ten per cent of one's income in respect of charitable contributions made to recognized charitable organizations. Under the gift tax provision as it has stood up to the present, if a man in a similar spirit of charity was supporting former employees and relatives other than those in the exempted class he would nevertheless be taxed under the gift tax. It is thought that the spirit that prompted the house in 1930 to give recognition to gifts made to charitable organizations ought to be extended to cover the provisions of the gift tax in relation to gifts to individuals when the amount of such gifts does not exceed $1,000 in any one year.

Mr. CAHAN: A person may have dependents other than those mentioned in the act, as many of us have, and they may not be children or grandchildren. Few men reach an advanced age—

Mr. DUNNING: Or even middle age.

Mr. CAHAN —who have not others that are morally and perhaps legally dependent upon them, and it does seem to me that a person should be permitted to pay for the necessary support of those who are dependent upon him, according to his own status in life and their means. I understand from this that a so-called gift of a thousand dollars to a person who is dependent upon the giver—

Mr. DUNNING: Not necessarily even dependent.

Mr. CAHAN: I am dealing now with dependents. I see quite a difference between my giving generally to charity and my giving to those who are dependent upon me, for whose support I am morally responsible. For instance, in the province of Quebec, as you know, the law is very wide with regard to the liability to dependent relatives, and "dependent relatives" are given a very wide interpretation under the civil code. But so long as the gift to a dependent does not exceed $1,000 in one year, this gift tax does not apply?

Mr. DUNNING: Right. Or will not.

Mr. CAHAN: Will not apply. But assume that gifts are made to a number of dependents; if the total of such gifts to dependents exceeds an aggregate of $4,000—?

Mr. DUNNING: No; the aggregate is immaterial so long as the gift is an individual one. My hon. friend has the privilege of supporting fifty if he likes.

Mr. CAHAN: That is what I desire to know.

Mr. DUNNING: At a thousand dollars a year, yes. The $4,000 exemption is apart from this feature altogether.

Sir GEORGE PERLEY: Is that correct?—because under the present law it is $4,000 to-day.

Mr. DUNNING: Under the amendment the $4,000 exemption will be apart altogether from the exemption relating to gifts to any one person of $1,000. If, as I suspect, my hon. friend has many more than four people to whom he feels he should contribute, he will be able to do so to the extent of not more than $1,000 in each case, and will not be taxed upon it. In addition to that he will have a general exemption of $4,000 in respect of what might be called general gifts. The object of the gift tax in the first place was very well stated by the right hon. member for Argenteuil (Sir George Perley) when he said it was designed to prevent evasion of the income tax law by those who sought to make large gifts to relatives in order to bring their income tax into a lower bracket. That object is maintained. It has been in operation, I think, only one year, but in practice hardships have been demonstrated in connection with people who, while charitably minded, having a keen sense of their responsibilities towards former employees and distant relatives, are taxed on these charitable contributions. Now this is brought into line in general principle with the income tax law in relation to charitable contributions.

Mr. CAHAN: The tax in that case upon income remains as before?

Mr. DUNNING: Precisely.

Mr. CAHAN: And the additional tax on gifts will not apply in the cases which the finance minister has mentioned?

Mr. DUNNING: Right.

Paragraph agreed to.

5. That the rate of interest on unpaid instalments of tax be reduced from six per centum to five per centum.

Mr. CAHAN: No one can object to that.

Mr. COLDWELL: In connection with this particular paragraph I wish to comment briefly as I did in the course of the budget debate, with regard to people avoiding payment of income tax and therefore having, perhaps, unpaid instalments. Since I made some remarks on this matter in the House of Commons a great deal of information has come to me which I should be glad to pass along. I believe the Minister of Finance would be well advised to look into the whole matter of the incorporation of companies, particularly in Prince Edward Island. I am given to understand that at least one powerful trust company has an office in London and one in Charlottetown, and is engaged more or less in helping people to avoid payment of income tax both in Great Britain and in Canada.

Mr. DUNNING: If my hon. friend will permit me, he is out of order on this item, but paragraph 9 of this resolution relates directly to the matter he is discussing.

Mr. COLDWELL: I shall be glad to discuss it there.

Paragraph agreed to.

6. That the penalty rate of interest in addition to the interest provided for in the foregoing resolution in respect of unpaid overdue tax be reduced from four per centum to three per centum.

Paragraph agreed to.

7. That a tax of five per centum be imposed at the source on payments by Canadian debtors to non-residents in respect of films whether copyrighted or not.

Sir GEORGE PERLEY: The minister might make some explanation of this.

Mr. DUNNING: Yes; I have an amendment in addition. The tax applies to films. It is found, however, that all films used in Canada are not copyrighted, and the purpose of this amendment is to ensure that payments for the use of all films, whether copyrighted or not, shall be subject to the tax. But since the original resolution was tabled the film producing companies have made representations and have demonstrated that a five per cent tax on gross remittances, which is what this particular tax is, is quite inequitable, in that it takes no account of their expense of production, and also would be unduly high. As few of the producing companies are making more than five per cent gross, we would be taking all of the income by the tax. The most important item of cost is the amortization of the cost of the negative and positive prints. The cost allocated to the Canadian business is on the basis of the number of positive prints used in Canadian distribution by comparison with the total number of positive prints used in world distribution. Therefore I propose by way of amendment to provide for a rate of allowance of sixty per cent from gross remittances, which is taken to represent the amortization of the film cost. In effect therefore the tax becomes a two per cent tax on gross remittances instead of five per cent as provided by the terms of the resolution as tabled. I am quite impressed with the representations made, and it was demonstrated to the satisfaction of the officers of the department that the proposal as originally stated would have had the effect of taking the whole gross revenue of these corporations—in some cases, not in all—because of the peculiar nature of their business. At the same time we do think we should have some

revenue from this source; hence this proposal, which I shall ask my colleague to move, providing that an allowance of sixty per cent of such payments may be made for the amortization of film costs.

Mr. ILSLEY: I move the amendment:

Provided that an allowance of sixty per cent of such payments may be made for amortization of film cost.

Mr. CAHAN: I do not wish to make formal objection, but I suggest to the minister that, in dealing with such an important statute as the Income War Tax Act, these proposed amendments might be printed in the votes and proceedings of the previous day. It is impossible, from an oral statement of the case, to form a clear and definite opinion as to the exact extent and application of a proposed amendment.

Mr. DUNNING: This gives me an opportunity to mention that, in connection with the one amendment which I regarded as important and complex, namely the amendment to paragraph 9, I handed that in and it is printed in the votes and proceedings of yesterday. As regards this one, I am sorry to say, interested parties were still making representations at this hour yesterday. In view of the fact that when everything is boiled down the explanation is a relatively simple one I thought probably the committee would accept my statement on it.

Sir GEORGE PERLEY: I suppose the minister finds that representations do not cease until the section is finally passed through the house, and therefore it is often the last minute before he makes up his mind.

Mr. DUNNING: There are many people who were fairly sure that representations ceased to be of any use after the first day of May, and it is only in cases where it can be demonstrated that all the facts were not before the officers of the department that I even consented to receive delegations after that time. The life of the Minister of Finance is all but impossible during such a period, as I am sure my right hon. friend knows.

Mr. CAHAN: These are cases of extreme hardship.

Mr. DUNNING: Yes.

Mr. ESLING: I want to ask the Minister of Finance if this gross revenue represents the rentals which the Canadian theatres pay to the producers of films in the United States.

Mr. DUNNING: It is the gross revenue of the Canadian distributing agent that we are taxing.

[Mr. Dunning.]

Mr. ESLING: And that Canadian is the agent for the films which are produced in the United States?

Mr. DUNNING: That is right.

Amendment agreed to.

Paragraph as amended agreed to.

8. That any metalliferous mine that comes into production after the first day of May nineteen hundred and thirty-six and prior to the first day of January nineteen hundred and forty shall be exempt from income tax for the first three fiscal periods following the commencement of production;

The minister, under appropriate regulations, shall determine the date of commencement of production and the properties, new or old, that shall be determined as having come into production, having regard to the production of ore in reasonable commercial quantities, and shall issue a certificate accordingly.

Mr. CAHAN: This was mentioned in the budget speech, was it not?

Mr. DUNNING: Yes.

Sir GEORGE PERLEY: I take it from reading this paragraph and after listening to the budget speech that the minister is not changing the taxation provision with regard to established mining companies. He is simply leaving them as they were, but by this change he is providing that a company coming into operation shall be exempt from that tax for three years.

Mr. DUNNING: There is no change in the existing provisions of the law.

Sir GEORGE PERLEY: I wish to commend the minister for this action; it is a very good provision, and I think it will give encouragement to those who are seeking to develop paying mines to spend their money in that way. This will give such mines a chance to get on their feet afterwards, even when production is begun. Of course this provision of the law should be put into force very carefully.

Mr. HEAPS: I was just wondering, Mr. Chairman, if the minister could give the committee some idea as to how the term "reasonable commercial quantities" would be defined.

Mr. DUNNING: I will leave that to the administrative minister to answer.

Mr. ILSLEY: Of course the matter will have to receive careful consideration, but I would suggest that perhaps an appropriate point to regard a mine as being in commercial production would be when it has a net profit.

Mr. STEVENS: I would not dogmatize on that.

Mr. HEAPS: Would not the term "gross profits" be more appropriate?

Mr. ILSLEY: Perhaps so. We shall have to consider that very carefully. I admit there may be some difficulty about it.

Paragraph agreed to.

9. That (a) an investment holding company all of whose shares (qualifying shares excepted) are held by non-resident persons shall not be afforded the exemption provided by paragraph (k) of section four of the act, but shall be subject to a tax equal to one-half of the prevailing corporate rate of tax imposed upon Canadian companies;

(b) the five per cent tax on dividends paid to such non-resident shareholders by such investment holding company shall not apply, except as hereinafter provided;

(c) in determining the taxable income of such investment holding company a deduction shall not be allowed in respect of any interest payments or of taxes paid abroad;

(d) any five per cent tax paid by such companies in nineteen hundred and thirty-five shall be allowed as a deduction from the tax otherwise payable in respect of the said year;

(e) to the extent that five per cent tax has not been incurred in respect of the earnings of nineteen hundred and thirty-three, nineteen hundred and thirty-four and nineteen hundred and thirty-five, the five per cent tax shall continue to be imposed until the undistributed accumulated earnings of the said years have been made subject to the said tax;

(f) paragraph (k) of section four of the act shall be amended to apply to industrial and commercial operating companies only;

Mr. DUNNING: In connection with this item, last evening I filed a proposed amended wording for paragraph 9 which appears in the votes and proceedings of this morning. The amended paragraph 9 is as follows:

9. That,—

(a) an investment holding company substantially all of whose shares are beneficially owned by non-resident persons shall if it so elects be subject to a tax equal to one-half of the prevailing corporate rate of tax imposed upon Canadian companies, provided however that income received from another such investment holding company, the income of which has been taxed as provided in this resolution, and one-third of the income received by way of dividend from Canadian companies which have been taxed at the prevailing corporate rate shall be exempt from tax;

(b) the five per cent tax imposed under section nine B of the act on dividends paid to such non-resident shareholders and on interest paid to non-resident persons by such investment holding company shall not apply except as hereinafter provided;

(c) in determining the taxable income of such investment holding company, a deduction shall not be allowed in respect of any interest payments and any deduction allowed in respect of taxes paid abroad shall not exceed one-third of the tax imposed by any enactment founded on the provisions of this resolution;

(d) any five per cent tax paid by such companies under section nine B of the act after the coming into force of any enactment founded on the provisions of this resolution otherwise than in accordance with the provisions of paragraph (e) of this resolution shall be allowed as a deduction from the tax otherwise payable thereunder;

(e) to the extent that the five per cent tax imposed under section nine B of the act has not been incurred in respect of the earnings of nineteen hundred and thirty-three and nineteen hundred and thirty-four the five per cent tax shall continue to be imposed until the undistributed accumulated earnings of the said years have been made subject to the said tax;

(f) paragraph (k) of section four of the act shall be amended in such manner as to limit its application to industrial and commercial operating companies and to investment holding companies the shares of the capital stock of which have been offered for public subscription or are listed on any recognized stock exchange in Canada or elsewhere;

(g) the proviso to subsection one of section nineteen of the act shall be repealed.

This is an effort to deal with the situation of holding companies owned by non-residents of Canada and having no assets in Canada. The title "4 (k) companies" has come to be applied generally to all those companies which have taken advantage of paragraph (k) of section 4 of the Income War Tax Act. I need not read the paragraph, except to say that the qualification is the income of incorporated companies, except personal corporations, whose business is carried on and whose assets are situate entirely outside of Canada, and so on. This provision was placed in the act in 1918 to meet the case of certain industrial or commercial operating companies which were incorporated in Canada but which were carrying on business in foreign countries and which had their assets situated wholly outside of Canada. The provision, however, has been taken advantage of by two classes of companies for which it was not originally intended: First, personal holding companies incorporated in Canada to hold the assets of a foreign individual or a foreign individual and his immediate family, and second, financial or investment companies holding securities representing ownership of or interests in enterprises located in various countries of the world and whose own shares, frequently listed on one or more of the world's stock exchanges, are widely held by individuals in various countries. This latter class of companies chose to incorporate in Canada rather than in a number of other countries which were open to them because they found it advisable to do so in view of our laws and the political stability of this country.

Up to 1933 all "4 (k) companies" paid no tax under our income tax legislation. In 1933 a five per cent tax was imposed on interest or dividends paid by Canadian corporations to

non-residents, the tax being deducted at the source. To the extent, therefore, that "4 (k) companies" distributed their income to non-residents a five per cent tax was paid following 1933. In practice this has meant that the publicly owned financial or investment companies, the international companies, that is, have been contributing five per cent to the treasury on their distributed earnings, while generally speaking the personal holding companies which allow income to accumulate have not paid any tax.

It is this latter class which is now being excluded by this amendment from section 4 (k). At the same time a new tax category is being established for non-resident owned investment holding companies with a tax rate of 7½ per cent; that is, one-half of the general corporation rate, under which these personal holding companies may elect to pay. Otherwise the full general corporation tax will apply. The publicly owned investment holding companies now in the 4 (k) category may remain there. However, they are not excluded from paying under the new category if they wish to carry on business and hold assets in Canada provided that they are entirely owned by non-residents. From the proposed amendment I think it may be said that three results will follow which should be regarded as desirable. One, personal holding companies will be excluded from using a category in the income tax act not intended for their use. Two, revenue will be increased by forcing these companies into the tax paying class. Three, under the new category investment holding companies will be able to invest in Canadian securities, which they could not do while remaining in category 4 (k) of the Income War Tax Act.

I do not know that I need go over in detail the various paragraphs of the resolution. I have endeavoured at this stage to give the purport and intention, to state what we are intending to accomplish by it. I think it answers the observation of the hon. member for Rosetown-Biggar (Mr. Coldwell), except that one should say this: speaking as Minister of Finance I am not anxious to kick these people out of Canada; I am anxious that they should pay taxes to Canada. Up to the present they have paid taxes when they distributed their income. In the case of the rest of us who pay income tax, corporations and individuals, the levying of the tax depends not upon the distribution of the income, but upon the receipt of it. In future we intend that these companies shall pay tax on their income whether it is distributed or not.

[Mr. Dunning.]

Mr. CAHAN: The minister is referring solely and exclusively to personal holding companies?

Mr. DUNNING: Personal holding companies, in that connection. With regard to what may be called the general international concerns which incorporate here for any one of a number of reasons, whose assets are all over the world, we are giving them an option. They will be paying 7½ per cent and we think it is not an unfair rate to charge under the circumstances.

Mr. CAHAN: Does the minister think he will hold them here if he increases the rate from 5 to 7½ per cent? I know of a number of such companies. Originally they were incorporated in Canada because of the security obtained under Canadian law. One large company of which I know was incorporated under the Canadian Companies Act after a conference of lawyers representing several international interests had examined the French law, the German law, and the United States law relating to the incorporation of companies. They preferred to seek Canadian incorporation because they felt that under the Canadian Companies Act there was greater security than there would be under certain foreign acts. Canada, therefore, was decided upon as the domicile of the proposed corporation. In so far as they declare and pay dividends to Canadians, if there are any Canadian shareholders, such dividends are entered by the recipients in their income tax returns, and therefore Canada obtains payment of the full amount of the tax. But in so far as such dividends are paid to holders of stock in the so-called international corporation who are resident abroad, they are compelled to-day to pay not only the five per cent, which is withheld from them at the source in Canada, but also the heavy income taxes which are assessed by the several countries in which they may be domiciled. That is, a shareholder of such a company living, say, in a South American state would pay first the five per cent which was withheld at the source in Canada, and then the income tax in Argentina, or Brazil, or in France, or Great Britain. That makes the compensation which is paid by these shareholders for such security as they may obtain under the Canadian Companies Act or other act of incorporation in Canada, very heavy indeed in many cases. I suggest it is all to the good that the government should encourage the organization of such companies in Canada, and it seems to me that five per cent is a pretty heavy tax. If I

were practising again in the profession—as I hope to do as soon as parliament prorogues, because I must earn a living—

Mr. DUNNING: Hear, hear. I must try to retain the hon. gentleman.

Mr. CAHAN —I think I would advise such clients who had in view the organization of a Canadian company to reconsider their position. I can find for them other states under the British crown in which they could incorporate and avoid these taxes; they could avoid the payment of the five per cent and possibly other heavy income taxes as well. The minister is running near the margin.

Mr. DUNNING: With that I agree.

Mr. CAHAN: You are endangering the position, the citadel, it seems to me. I have great confidence in the astuteness of those who are administering the income tax in Canada. I have had something to do with them; they are very anxious to conserve the interests of the state and to ensure that the income tax is levied and paid. But we are getting very near the margin, and I think there will be fewer of these international companies incorporated in Canada hereafter under a 7½ per cent tax than there have been in times past.

Mr. COLDWELL: The minister's statement meets the situation to which I have had reference to a degree, but not wholly. I understand that something of this sort is done: A dummy company is formed; securities are transferred to that company; the owner of the securities receives non-interest bearing debentures. Therefore he receives no income from the property which is transferred. The income from the property is outside Canada. It is reinvested in non-interest bearing debentures and is treated as capital appreciation—

Mr. DUNNING: Is this a Canadian corporation?

Mr. COLDWELL: Yes. When funds are required, a formal sale of debentures is put through, by the people who organized the companies originally, and the result is that all forms of taxation are escaped. That is the information I have, and I shall be glad subsequently to supply the minister with details.

Mr. DUNNING: I shall be very glad indeed to get such details, but I point out that in one particular at least the situation cannot be quite as my hon. friend understands it, because certainly a company formed as he suggests would itself pay income tax on its income. The individuals owning that company could of course leave the company's income in the company and thus avoid personal income tax on receipts from the company, but offhand I cannot see how the company could escape taxation upon its own income. However, I shall be very glad indeed to get any information of that kind.

Mr. CAHAN: It is the duty and the privilege of this parliament to enact laws to conserve dominion income derivable under the income tax, but I do not think there is any responsibility upon members of this parliament to concern themselves regarding the collection of income tax in Great Britain or the United States or any other foreign country. Those countries are very astute in the enactment of income tax laws under which they can obtain to the last cent full payment of the taxes which they levy. It is our duty to concern ourselves with the income of Canadians and to obtain such proportion of their income as is required for the purposes of the treasury. I have no hesitation, looking at it either from the political or from the moral point of view, in leaving foreign countries and foreign legislatures to enact such legislation as they may deem advisable for the purpose of preserving or increasing their revenues through their own income tax laws. If my hon. friend who has just spoken and raised the question has studied the income tax law of Great Britain, for instance, he must have found that the British parliament is very astute in making provision for the collection to the utmost possible extent of revenue derivable from the income of people domiciled in the united kingdom. That is not a concern of ours.

As to the moral aspect, in the practice of my profession I often adhere to the moral precept of an eminent English judge who says that there is no immorality in escaping an income tax that is not legally imposed by the law of the country. If it is under British legislation the income tax has to be interpreted strictly, but if it does not apply then there is no obliquity in endeavouring to escape from a tax that is not properly and legally applied. So I think we should be astute in looking after the payment of income tax by Canadians domiciled in this country, and not so astute in looking after the payment of income tax to foreign countries by those resident in foreign countries.

The hon. gentleman stated that many people in this country escape paying income tax. I do not accept his statement. If he has to do with advising clients as to the application of the income tax law he will find that in no country—none at least with which I am acquainted—is the income tax more strictly applied and more carefully collected than it is in Canada at the present time, and few escape.

Mr. COLDWELL: It was not with that purpose in mind that I spoke, Mr. Chairman. My purpose was this: If we have large sums of British money in Canada that can be taxed but are not being taxed by Great Britain, then by all means let us tax them. If, on the other hand, Canadians who are making large sums in Canada are using the laws of another country to escape payment of income tax, as perhaps some of these British people are in transferring their funds elsewhere, then I think it cuts both ways. We should look after these sums of money that are sent out of Canada to escape the payment of income tax. I am glad that the Minister of Finance has brought down this amendment.

Mr. DUNNING: Mr. Chairman, I tried to get in between the hon. member for St. Lawrence-St. George and the hon. member for Rosetown-Biggar. I agree with much that the hon. member for St. Lawrence-St. George has said as to the taxation of Canadians, but when we confer upon a group of persons Canadian incorporation, do we not extend to that group the powers of an individual person? I assume therefore that corporations come within the scope of what the hon. member for St. Lawrence-St. George was referring to when he said that we should concern ourselves with taxing Canadians. I take it that from the standpoint of the treasury of Canada for purposes of taxation these institutions are Canadian institutions, and I am concerned in taxing them—well, just sufficient so that they will not leave us. I put it frankly, just sufficient so they will not leave Canada, because we need the income tax which they pay.

I certainly join with my hon. friend from St. Lawrence-St.George in commending the vigilance of the British income tax authorities and of the British parliament in relation to income tax. He spoke of doubts whether under heavier taxation imposed by this resolution there would not be a drifting away from Canada of this class of corporation. But there is another factor, rather than what we are doing here, which creates doubt in my mind. I have doubts as a result of the budget proposals of the Right Hon. Neville Chamberlain in the British parliament just a few weeks ago in connection with which provision is made to tighten up to the very limit the British income tax provisions relating to outside investments of various kinds, among which I suspect are corporations such as those with which we are dealing. In fact, I am quite sure that portions of the budget resolutions in the British house are directed towards getting more revenue for the British treasury from classes of investments such as these. However, our law in this regard is not confined, of course, to companies owned by residents in Great Britain. There are many other countries whose citizens regard conditions in Canada as more stable than their own, and who, therefore, as the hon. member for St. Lawrence-St. George has indicated, incorporate in this country as a measure of safety.

Mr. CAHAN: In view of the possibility arising from month to month of war in these foreign countries.

Mr. DUNNING: Yes. We have given this matter a great deal of study. It is a very complex one, and we have had, I think, most of the prominent lawyers who have been advising people with regard to these matters during the last few years up to see us about it. They have stayed with the job pretty steadily, and I can tell my hon. friend from St. Lawrence-St. George that most of them agree with him that we are going too far. But gentlemen in his profession who represent clients who are trying to avoid increase of taxation always say so, and I believe they sincerely mean it, in opposing an increase in taxation. It is often represented to the Minister of Finance that if he does this thing he is more likely to lose instead of gain by it, and one must forgive a minister of finance if he takes statements from interested sources with a grain of salt. He may make a mistake; he may overdo it, but at least the judgment upon which he must rely is that of his officials and his own after examining and hearing all sides of the question. The amendment now proposed represents something of an easement from the original proposal, and that is deliberately done in order to avoid, as we think, the possibility of reducing rather than increasing the income to the treasury from this source.

Mr. CAHAN: I rather resent the suggestion of the Minister of Finance.

Mr. DUNNING: I am sorry; I did not intend any reflection at all.

Mr. CAHAN: The representations which I made I made in view of my past experience as a lawyer. I tell the hon. gentleman that I would rather cut off the fingers of my left hand than knowingly misrepresent a case such as that to the finance minister or to either of his assistants.

Mr. DUNNING: I am quite sure of it.

Mr. CAHAN: A lawyer who has respect for his own integrity must be perfectly fair in dealing with the officers of the Income Tax department, and I have found in the few cases in which I have had to deal with

them that if everyone were absolutely frank and candid in disclosing the situation to them, it would be far better for all concerned. When I suggested that the increase from 5 to 7½ per cent may in the future preclude other companies from seeking Canadian incorporation under the same circumstances I was making representations in which I honestly believed. There may be some difficulty in companies already incorporated transferring their incorporation to another legislative jurisdiction, but I am confident that the minister has reached the limit when he increases the rate from five to seven and a half per cent.

Mr. HEAPS: Mr. Chairman, what has been said by the previous speaker and others prompts me to say a word or two somewhat in reverse to what has been said this afternoon. For the last hour or two we have been discussing companies located in this country but owned by people who live abroad. I have in mind the fact that during comparatively recent years there has been a tendency for wealthy Canadian financiers to make their domiciles outside of the Dominion of Canada in order to escape taxation, particularly income taxation. I do not know whether the action suggested by the minister as having been taken in Great Britain can be taken in this regard, but I think something should be done to prevent people who have amassed fortunes in Canada from making their domiciles abroad in order to escape what I would call their fair share of taxation. I should like to know whether the minister has given consideration to this aspect of the matter and whether he thinks anything can be done. I realize the difficulties that lie in the path of any minister of finance who attempts to do anything along these lines, but I do believe that when a person has amassed a fortune here and then leaves the shores of this country for the purpose of creating a domicile in some other part of the empire or the world, there should be some regulations under which the minister would be able to obtain from such a person the share of taxation which I think he ought to pay.

Mr. CAHAN: We might do as they do in Germany. As soon as a German, particularly one who is an Israelite, seeks to leave the country with his property, he is clapped in gaol and his international movements are then rather restricted. Unless some such law were introduced in Canada I am afraid it would be found very difficult to prevent Canadians from leaving this country and procuring a domicile in another country.

Mr. HEAPS: I am not suggesting that we should prevent anyone from leaving the country. He cannot take his property away with him; if he owns stocks, bonds or shares, it is most difficult for him to get rid of his holdings. All I am suggesting is that where a man has commercial interests in this country and makes his domicile abroad, when he has free access to Canada he should at least pay his fair share of taxation. I am afraid that the analogy given by the hon. member for St. Lawrence-St. George (Mr. Cahan) is a very poor one.

Mr. DUNNING: Of course my hon. friend would not expect me to advertise the methods which are taken to ensure that anyone properly chargeable with income tax shall not be able to evade it. I can say that we have endeavoured and will continue to endeavour to see that income derived in Canada is taxed as far as it is possible for us to locate it. I realize that that is a very broad statement. My hon. friend apparently thinks it is rather difficult for a man to take his wealth out of Canada with him. I shall not point out the various methods which are available for that purpose, but I know that any good lawyer could show him how wealth can be converted into what I might call portable forms. The method adopted by the German nation of holding a man's body, as indicated by the hon. member for St. Lawrence-St. George renders it difficult for him to enjoy his wealth in some other country. Apart from that method, I doubt whether any really effective means of preventing the moving of certain forms of wealth can be devised. The hon. member for Winnipeg North (Mr. Heaps) has touched upon a very real problem, one which concerns other countries probably more than it does Canada. It has been the subject of discussion among the nations at Geneva on more than one occasion, and to-day there is a greater measure of cooperation with regard to the administration of tax laws than there was in the past. I am making this general statement to assure my hon. friend that the government realizes the seriousness of the problem which he has presented.

Mr. CAHAN: I understand from the minister that apart from a personal holding company, which is a term we all understand, and apart from an investment holding company, the nature of which I understand, the 4(k) provision still stands?

Mr. DUNNING: Yes. I indicated that an investment holding company could come under 4(k) if it elected so to do.

Mr. CAHAN: The 4(k) provision, if I may refer to it in that way, will still apply, as before, to all companies which come within its description and which are not personal holding or investment holding companies?

Mr. DUNNING: Right.

Amendment agreed to.

10. That any enactment founded on the provisions of these resolutions shall be deemed to have come into force at the commencement of the calendar year nineteen hundred and thirty-five and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods, except as otherwise provided.

Sir GEORGE PERLEY: I think this is a suitable place for me to say a few words about the exemption allowed for minor children, in connection with which no change has been made. It has been represented to me that in these times of depression a great deal of hardship is caused through this exemption not operating after a child has reached the age of twenty-one years. The father has the benefit of the exemption during the minority of the child, but quite often the child is not able to get anything to do after he has reached the age of twenty-one. He still remains at home and must be supported by the father, and it has been represented to me that under such circumstances the exemption should be extended. I know there are many difficulties in the way of this being done, but I thought I would draw it to the attention of the minister.

Mr. DUNNING: Did the previous government consider it?

Sir GEORGE PERLEY: I was not the minister in charge of that department, and I do not remember. I realize there is a great deal of difficulty in the way, but I merely mention this in order to draw it to the attention of the government. I spoke to the minister personally about it, one day, and perhaps he can explain why this has not been done.

Mr. CAHAN: I should like also to suggest that consideration be given to this matter which is covered by section 5(i) of the Income War Tax Act.

Mr. DUNNING: It is the matter to which the hon. member for Argenteuil referred.

Mr. CAHAN: Only a few days ago a resident of Montreal in my own constituency, a man of a very high type indeed, whose revenues are somewhat limited, especially under present conditions, pointed out to me that he had grandchildren who were over twenty-one and who did not come within this qualification. Take the parent or grandparent whose grandson or whose child, reaching the age of twenty-one, can find no immediate employment, when it is deemed necessary to keep such child or grandchild at school or college in order that he may qualify for one of the technical professions or for technical employment. Any payment made to one over twenty-one under such circumstances is not exempt. I am convinced that in these days when incomes have been cut down many men find it almost impossible to keep sons or grandsons dependent upon them at college or university or other training schools. If an exception could be made in such a case, which would enable boys and sometimes girls who are over twenty-one to enjoy the favour of exemption, even to the extent of this small amount of $400, for such time or times as they were at school or college or any other school for technical training, it would be only fair and it would promote the desire of grandparents and parents to see their children and grandchildren qualify by special training for the work of life. I do not agree with many statements that have been made in this house that there is lack of employment in Canada for those who are fully qualified. That may be so in some of the rural districts and in the western part of the country, but I am sure that in a city like Montreal there are hundreds and even thousands of cases in which there is employment available for those who are qualified for the particular work.

Mr. HEAPS: What kind of work

Mr. CAHAN: The engineering, chemical and manufacturing trades find it absolutely impossible to procure a sufficient number of qualified young men at the present time, and never before in Canada has there been such a dearth of supply of qualified young men for such occupations. The fact is, there is great necessity in Canada for qualifying young men and women for the work of life. Many are not qualified, and by every expedient possible we are bringing in young men from other countries, who are thoroughly qualified, getting them in under every possible pretext, to fill the vocations which are open to such young men and women in the industrial life of Canada to-day. I submit that under the circumstances the minister might consider extending that exemption.

Mr. DUNNING: With respect to both pleas made by my two friends opposite, I would say that they are matters of revenue. Any addition to the exemptions is effective of course on the top level of the income. To a man paying a 45 per cent tax an additional exemption of $1,000 means just $450, because it is at the top of the schedule.

Mr. CAHAN: He is not the man I am thinking of.

Mr. DUNNING: Such a man would claim, I am sure, any exemption that might be extended to a particular class for which he could qualify by virtue of providing education or otherwise. Many representations are made with respect to exemptions from income tax, many of them very worthy indeed. I can only say that so far as this year at any rate is concerned I am not in a position to accept any amendments that will have the effect of reducing income to the treasury from this source, but I shall be glad to bear in mind, for consideration during the year, the representations that have been made, in the hope that there may be such an increase in prosperity in Canada as will enable me to have a little softer heart a year from now.

Mr. HEAPS: The hon. member for St. Lawrence-St. George made a statement which I think should not go unchallenged. He said that young men were being brought into the country from outside to fill positions here. He says there is a dearth of qualified young men in Canada to fill vacancies that occur, and that there are thousands of vacancies to be filled at the present time. Let me say this to him. If he knows of any vacancies in the engineering field or in any of the professions in Montreal or Quebec or anywhere in Ontario or in any other part of Canada I will undertake to find two efficient young Canadians to fill every such vacancy he may indicate. In fact I will go further; I should like him to suggest one hundred vacancies to-day in his own district which cannot be filled. As regards the statement about importing talent from other parts of the world, I hold that the young men of this country are just as capable as those that qualify anywhere else. We are turning out from our high schools and universities young men who are just as good as those in the United States and in some respects better. It is a reflection upon the young men of Canada to say that they are not capable of filling vacancies that occur here. If my hon. friend will supply me with a list of such vacancies in Canada I will see that they are filled on short notice.

Mr. CAHAN: I cannot accept the undertaking of the hon. gentleman, because I think it would be worthless. I think I know the situation as well as he does. For instance, the other day I had an application from a young man who had graduated in arts, I believe, and who had also graduated in engineering at McGill. He was anxious that I should assist him in securing a vocation. I asked him what income he wished. He thought that as he had spent so many years at McGill he could not engage himself at a lower income than $3,000 or $3,500 a year. I told him of another young man in whom I had interested myself, who had also graduated in arts at a university, and in engineering, I think at McGill, and who wished then to obtain an income. My advice to him was that, if he desired to prosecute the profession which he had in view, he should engage himself with a certain hydro-electric company in the construction which was then proceeding of a station and a transmission line. I told him he would receive probably no more than enough to pay for his overalls and his board until he learned from practical experience to apply the education he had been acquiring over a period of seven years at the university. He accepted my advice and went to that company for a year. He then was quite willing to go on. He found out that the practical experience which he was acquiring would probably be very useful to him, and he came to me again. I secured for him employment for a year, during which he got his board and his overalls, with the General Electric Company in their testing department at Schenectady, and he spent another year there at that meagre income. Then he found that in order to qualify himself to compete for positions which would be open to him he required something more, and I got him employment with a large company in Pittsburgh engaged in the production of steel and iron structures. So he went for another year to learn from practical experience something about the testing of iron and steel for constructional purposes; at the end of the three years he was qualified for a position, and his services were sought.

Some of the young men who are graduating from our colleges are willing to qualify themselves in some such way, but many of them have been brought up since the war without any feeling of responsibility or appreciation of the necessity of qualifying themselves by training and experience for positions such as those of which I have been speaking. Time and time again during the last year I have been told by those engaged in the large engineering and manufacturing trades that, for expert assistance for which they are willing to pay, the young men of Canada have not qualified themselves. From my own experience in dealing with young men I feel that that is true, and I venture to say to my hon. friend that in the past ten years I have probably come in personal contact with as many young men of that class as he has—in fact, with ten for every one that he has come in contact with, because, for certain reasons of my own, including my own bereavement in the war, I have given a very considerable

part of my time to assisting young men to secure such positions and to inducing them to qualify themselves for vocations in which there are openings.

Mr. GLADSTONE: Numerous corporations have their fiscal year end between January 1 and April 1. Under the wording of the resolution is it possible that such corporations retroactively might be called upon to pay income tax for both 1934 and 1935?

Mr. DUNNING: The case to which my hon. friend refers is one which, of course, does represent a difficulty, because various corporations have various dates for the ending of their fiscal years. Consideration has been given to the matter, but I am afraid it would be quite impossible to make a change on that account without upsetting the whole system of revenue collection. When that fortunate day comes on which we are able to reduce the rate of income tax, of course the companies to which my hon. friend refers will benefit.

Sir GEORGE PERLEY: May I suggest to the minister that he consider whether it is not about time for a revision or consolidation of the income tax laws in such a way that the ordinary person may have some idea what they all mean? I know there is an office consolidation, but it is not official, and I wonder whether it would be a very great task to have a statute passed which would cover all the different income tax acts and the changes and alterations that have been made from time to time.

Mr. DUNNING: I shall be very glad to bring that to the attention of my colleagues, but not, of course, for action during the present session.

Sir GEORGE PERLEY: Oh, no.

Paragraph agreed to.

Resolutions reported, read the second time, and concurred in.

CUSTOMS TARIFF AMENDMENT

Hon. CHARLES A. DUNNING (Minister of Finance) moved the second reading of Bill No. 71, to amend the customs tariff.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Undervaluation.

Sir GEORGE PERLEY: I take it that this is entirely in accordance with the resolutions that we have passed?

Mr. DUNNING: It is based entirely on the resolutions, yes.

[Mr. Cahan.]

Section agreed to.

Section 2 agreed to.

Section 3 agreed to.

On section 4—Schedule A.

Mr. DUNNING: It has been called to my attention that, due to an error, one item has been missed in this schedule. I think the chairman has a note of it in his copy; it is properly recorded in Hansard and on the scroll but was missed in the printing of the bill. The section is 446c, which should appear on page 13.

Mr. CAHAN: Was that item passed?

Mr. DUNNING: Yes. Everything is regular about it except that it failed to get into the bill, and I should like to have it straightened out.

Section agreed to.

On section 6 (as printed)—Schedule B amended.

Sir GEORGE PERLEY: There does not seem to be any section 5 in the bill.

Mr. DUNNING: It will be necessary to renumber the sections for the final printing. Section 6 becomes section 5.

Section agreed to.

Sections 7 and 8 (as printed, now sections 6 and 7) agreed to.

Bill reported, read the third time and passed.

SUPPLY

The house in committee of supply, Mr. Sanderson in the chair.

DEPARTMENT OF NATIONAL DEFENCE

Militia services: Non-permanent active militia, $2,358,100.

Sir GEORGE PERLEY: Mr. Chairman, before we go on I should like to ask how many items in this department are still awaiting consideration.

Hon. IAN MACKENZIE (Minister of National Defence): We have several yet to pass. Items 69, 70, 71, 72, 73, 74, 75 and 76 are still to be discussed by the committee.

Sir GEORGE PERLEY: It is all right to go on with the estimates, but I want to ask that one of these items be left open for general discussion. Some of our members who are not here to-day would like an opportunity to discuss these matters.

Mr. MACKENZIE (Vancouver): I shall be very glad indeed to accede to that request.

Item agreed to.

Permanent force, $5,546,700.

Mr. ESLING: Under this item I should like to refer to a matter with the details of which the minister is familiar, and I should like to know what interpretation is placed on the statutes by those who have the last word. In July, 1919, it may be recalled, the Militia Pension Act was amended reducing from twenty years to ten years the period within which a member of the permanent force could qualify for pension, but this 1919 amendment was not made retroactive. Consequently those who had served less than twenty years prior to July, 1919, could not participate in the benefits of that amendment. In 1928 the Militia Pension Act was again amended, making retroactive the 1919 amendment, in so far only as it applied to members of the permanent force who were wounded while on active service and who were discharged as unfit for further duty. Now, I want to take you back more than one and a half years. In September, 1934, some three or four cases were reviewed under the 1928 amendment. I wish to refer to one of these cases particularly, because it relates to a man in my constituency. First of all, the application naturally went to the minister, and by him it was referred to the branch of his department which had to deal with it. That branch reviewed the man's period of service and determined whether he came within the terms of the amendment. Then the application went to another branch for the purpose of ascertaining his overseas record, whether he was disabled and discharged as physically unfit. I cannot speak for others but his application I know was approved by those in charge of the Department of National Defence whose duty it was to review these claims as to term of service and activity overseas. It was then handed to the minister and approved by him. From the minister it went to council and thence to the treasury board. That was in September, 1934. By the treasury board it was returned to the Department of National Defence for further explanation. It is still somewhere, nobody knows where; but when the government changed it was found among the items of unfinished business, and the minister then referred it to the Department of Justice. The Department of Justice ruled that they could find nothing in the statute to serve as a basis for refusing the pension. Now, is the man entitled to his claim or not? It seems to have taken one and a half years to determine it. It is a statutory claim; the amendments of 1919 and 1928 are as plainly stated as it is possible to state them in the English or French language, and no definite reason seems to have been given anybody for not paying this claim. Furthermore this claimant received notice from the department that his case had been reviewed and submitted to the minister and that if approved he would receive his pension. What we would like to know is, by whom is it to be approved? Is the last word with the treasury board? The statute states clearly the terms and conditions under which the man is entitled to receive pension. You can well understand the anxiety of such claimants. The Department of Pensions disclaim responsibility, yet I think they have some responsibility, because the grounds upon which the man is entitled to receive pension are the fact of service overseas and his having been wounded; to that extent at any rate it has reference to the Department of Pensions. Here is a case in which the claim was approved by the minister's own officials, handed by the previous minister to the cabinet and passed on by the governor in council to the treasury board; then reviewed by the Department of Justice, which as I say found nothing in the act to serve as a basis for refusing the pension. The applicant seems to have fulfilled all the requirements of the Militia Pension Act, and I hope the minister will be able to tell us to-day who finally decides whether or not the man is to receive his pension.

Mr. STIRLING: Before the minister replies may I say in support of my hon. friend's contention that I remember this matter. In the short time in which I was Minister of National Defence it came before me twice. I sent it back twice, and I was never able to understand the grounds taken by the treasury board in declining to approve the application.

Mr. MACKENZIE (Vancouver): I must agree entirely with the observations made by the hon. members for Kootenay West (Mr. Esling) and Yale (Mr. Stirling). This case came before me very shortly after I took charge of the department. I reviewed carefully what had been done. The hon. member for Yale as minister recommended this case. As a matter of fact there are three cases involved in the construction of the statute in this regard. As the hon. member for Kootenay West stated, as soon as I came into office I referred the whole matter to the Department of Justice for a ruling as to whether or not there is any statutory bar to granting this claim, and the reply was that there is none. The matter was then referred by me to the treasury board; it is now before the treasury

board and the ultimate decision rests with them. I can assure the hon. member for Kootenay West that I shall continue to press for a decision in this matter, because I think the claim is well founded both in equity and in law.

Mr. ESLING: Perhaps the minister or someone on that side will tell us who in the treasury board does determine this. Is it one member or all the members of the board? It puts us in this position, that after the 245 members of the House of Commons and the 96 members of the Senate have passed an amendment to the statute, three or four ministers can say: "Well, that is all right, but we will not pay."

Mr. MACKENZIE (Vancouver): I would rather not answer that question.

Mr. HEAPS: Would the minister be good enough to give the committee information as to the size of our permanent force at the present time, and what it is made up of?

Mr. MACKENZIE (Vancouver): Does my hon. friend want just the military forces, or the entire scheme of all the defence forces? I will give the whole thing. The Royal Canadian navy—

Mr. HEAPS: Cut the navy out.

Mr. MACKENZIE (Vancouver): That is the last thing that we intend to do. The standing on March 31, 1936, was as follows:

	Officers	Men	Total
Royal Canadian Navy	102	830	932
Permanent active militia	416	3,585	4,001
Royal Canadian air force	147	884	1,031
Royal Canadian naval reserve	43	148	191
Royal Canadian naval volunteer reserve	71	897	968
Non-permanent active militia (Dec. 31/35)	6,888	41,873	48,761
Non-permanent Royal Canadian air force	52	289	341
Total of all ranks and all services	7,719	48,506	56,225

Mr. HEAPS: What is the total number of officers and men in the permanent force?

Mr. MACKENZIE (Vancouver): In the permanent active militia, 416 officers and 3,585 men, or a total of 4,001 as of March 31, 1936.

An hon. MEMBER: Just where is this saving of $42,447 made?

Mr. MACKENZIE (Vancouver): On the general vote there is an increase, under administration, of $3,573; an increase, under training, of $9,000; a decrease, under maintenance, of $42,620; a decrease in the vote for general purposes of $12,400, making a net decrease of $42,447.

Sir GEORGE PERLEY: As this is the only militia item left perhaps it might be allowed to stand.

Mr. MACKENZIE (Vancouver): I was going to have the vote on civil pensions stand on the understanding that anything at all concerning the department could be discussed on that vote.

Sir GEORGE PERLEY: That will answer the purpose, provided it is understood that the discussion can be general.

Mr. MACKENZIE (Vancouver): Absolutely.

Item agreed to.

[Mr. I. Mackenzie.]

Royal Military College, $368,400.

Mr. HEAPS: I assume this refers to the Royal Military College at Kingston. I think we ought to have information as to the number of cadets in training.

Mr. MACKENZIE (Vancouver): At the present time, 191, but facilities are provided for 200 cadets.

Mr. HEAPS: Will the minister give us some idea of how they are chosen for training purposes?

Mr. MACKENZIE (Vancouver): I understand they are chosen on provincial submissions, so many from each province. If any province does not come up to its quota the full strength is made up from other sources.

Mr. HEAPS: How are the appointments made in the provinces?

Mr. MACKENZIE (Vancouver): There are applications, and selection is made by competition on the basis of merit.

Mr. POULIOT: Mr. Chairman, item 70 has passed but I heard the minister say that he had no objection to the discussion of matters affecting his department.

Mr. MACKENZIE (Vancouver): I am leaving one item over on which any matter concerning the Department of National Defence may be discussed.

Mr. POULIOT: Would the minister mind if I took five minutes of the time of the committee to bring before it some facts that do not seem to be well understood by the house or the committee? It is about the superannuation of some people who have been seconded from the Department of National Defence to other departments. According to a return to an order of the house, there are three men in that position, General McNaughton, who is now president of the research council, Colonel Vanier, who is in England in the office of the High Commissioner, and Colonel Steel, of notorious fame, in the radio commission. The reason why the case of these gentlemen is brought to the attention of the house and the committee is not because they have been transferred, but because they have been seconded or loaned by the Department of National Defence to other departments. In the Militia Act there is a provision by virtue of which members of the staff of the Department of National Defence may be seconded instead of being transferred to other departments. What is the reason for that? The "why" is most important in this discussion. In fact, in one return the "why" was asked but was not given, and another return in which the "why" was asked has not yet been tabled. Each one of these gentlemen because he has been seconded from the Department of National Defence, to some other department, is entitled to superannuation which is twice as much as that to which he would have been entitled if he had been simply transferred. I want to bring very clearly before the mind of every member of the committee and of the minister, who knows the matter perhaps better than anybody else, that the fact that these three gentlemen have been seconded or loaned from the Department of National Defence instead of being transferred entitles them to double pension.

Last year in June, before the matter was ripe, the question was brought up in this house by you, Mr. Chairman, and also by the member for Témiscouata. We asked for some information from the government about it, and as usual the late government was entirely dumb; no answer came out of the mouth of the former Prime Minister or his colleagues. To me it seems shameful that General McNaughton and Colonel Steel, who are both members of the so-called head and brain trust of the late government, should be entitled to a reward which is twice as much as the pension to which they would have been entitled had they been simply transferred instead of seconded from the Department of National Defence to any other department. I am strongly against that practice, and there is time yet for the Department of National Defence to bring these men back to that department and to superannuate them on the basis that would have applied if they had not been seconded. Is it not shameful to think that within six years General McNaughton will be entitled to twice as much pension as he would receive if he were retired now and were not brought back to the Department of National Defence? According to returns which have been tabled in the house General McNaughton has no office in the Department of National Defence, Colonel Steel has no office in the Department of National Defence, Colonel Vanier has no office in the Department of National Defence, but in spite of that, these people will take advantage of the fact that they passed through that department to receive twice as much for their superannuation in these days when salaries are cut by five per cent. I cannot conceive it, Mr. Chairman. Mind you, I have no grudge against General McNaughton, Colonel Steel or Colonel Vanier. I am discussing this question as a matter of principle, and I am doing it now because I believe that some members do not understand the situation. But it is very plain. It is explained in very easy language, the meaning of which can escape no one.

Moreover, I assume and I submit that General McNaughton is incompetent as chairman of the research council. Why? Because he taught physics in Montreal before the war he is now head of the scientific research council of Canada. Did he follow the scientific periodicals during the last twenty years? I wonder whether his job as chief of staff and whisperer to the ex-Prime Minister left him enough time, in order to keep himself posted on the subject of science, to read all the scientific publications that were published in all the countries of the world. Moreover, Colonel Steel has tried to hide himself behind others in the radio commission. He does not deserve a double superannuation, nor does General McNaughton. It is absurd to reward these two men for all the wrong they have done to this country thanks to their wrong advice to the late government. That is what I have to say about them. As regards Colonel Vanier, I have nothing more to say about him except that if he wants double superannuation, he should get it through a vote of parliament and not by the cellar door route. I respectfully ask the minister to consider the whole matter and see that McNaughton, Steel and Vanier are brought back to the Department of National Defence before they are superannuated.

Mr. HEAPS: I am told that it costs the government approximately $2,000 per annum for each person who enters this institution, the Royal Military College, and I should like to know what the country gets in return for this amount. Is any track kept of the young men after they leave the institution? Do they enter the institution for the purpose for which it is maintained, or do they take up other vocations than those for which it was created.

Mr. MACKENZIE (Vancouver): In my judgment, this is one of the finest investments of the Dominion of Canada. I do not think finer training is given in any other school in Canada. I visited the Royal Military College a few weeks ago and I believe they are carrying out one of the finest traditions of the dominion. The record of these boys in past years has been very encouraging and inspiring. They have gone into various professions and the surprising thing is that the majority of them have entered civilian life. Many have entered the various branches of the service in England and in this country, but in every case they have rendered valuable service to the development of the nation. In my judgment the Royal Military College is not only equal to any college of its kind in England or the United States, but superior to any similar college in the world.

Mr. HEAPS: I am glad to have the statement of the minister and I agree with much of what he has said, but one surprising piece of information he has given the committee is that a large percentage of these boys enter civilian life. In other words this college which is really for the purpose of training officers for the army is utilized for civilian purposes. That is one of the points I had in mind when I asked my previous question. If practically free training is given to a certain type of youth in this country, the same privilege ought to be extended to other people. I should like to know what training the boys receive in the college. I realize there is bound to be a certain amount of military training, but I understand that they receive instruction along other lines. Could the minister give the committee an idea of the training which they receive?

Mr. MACKENZIE (Vancouver): The cadets are trained along general educational lines although there is specialization in engineering development. Their training includes mathematics, civil engineering, surveying, physics, chemistry, French and English, and the discipline maintained is one of the most valuable features of the course. The gymnastic training and the outdoor exercises of all kinds undertaken by the cadets ensure their good health.

Mr. HEAPS: I understand that about fifty per cent go into the permanent forces.

Mr. MACKENZIE (Vancouver): I can give the figures.

Mr. HEAPS: For the last five years will be sufficient.

Mr. MACKENZIE (Vancouver): In 1929-30, twenty-three per cent of the cadets took commissions; in 1930-31, thirty per cent; in 1931-32, seventeen per cent; in 1932-33 forty-seven per cent; in 1933-34, thirty-five per cent, and in 1934-35, the last year for which figures are available, forty-nine per cent.

Item agreed to.

Aviation—Royal Canadian Air Force—expenses in connection with the general maintenance and training of the permanent and non-permanent active air force, and provision of facilities therefor, $4,130,000.

Mr. GREEN: Have any steps been taken to develop the air defences on the coasts of Canada?

Mr. MACKENZIE (Vancouver): Yes. That was one of the first problems before the department. As a matter of fact, the problem has been before the department for several years and certain plans were laid by my predecessor in office with reference to the study of coast defences, more particularly those in British Columbia. In the estimates for this year there is provision for increasing the air force accommodation at Jericho beach in Vancouver. There was projected by my predecessor in office and his advisers an amount of $375,000 for the development of hangars and aprons at Jericho beach. The engineers have investigated the situation and have made recommendations and it has been decided that the situation is quite safe for a considerable development. Provision is made for new hangar accommodation with probably some further development to be made in the future. That is the situation with reference to the air forces. There is also projected a certain development, which I shall not mention, with reference to our naval defences in the same province, but that is taken care of in the naval estimates.

Mr. GREEN: Are no further steps being taken to build up the air defences on the Pacific coast?

Mr. MACKENZIE (Vancouver): The air defences will be increased from time to time as funds are available. This year certain

increases will be made at Vancouver and the ultimate plan is for a considerable increase in the air forces on the Pacific coast. Of course, the air force and naval expansion should go ahead concurrently, but I must admit that this is being done in a very modest way. However we are proceeding as fast as the economic resources at present available will permit us to proceed.

Mr. GREEN: Could the minister give the committee some idea as to what the cost would be of establishing proper air defences on the Pacific coast?

Mr. MACKENZIE (Vancouver): It is difficult for me to answer that question. It would depend entirely upon how far the government in power would go in a policy of expansion. It would depend also upon the technical advice received from the air force officers who must see that there is created in Canada, not a large air force, but an air force sufficient to look after the defence of the dominion. I could not say offhand how much money this would cost, but I say that we are alive to the situation. I think the increase in the air force estimates indicates our appreciation of the situation.

Mr. GREEN: I think the minister is to be commended for increasing the vote, but surely he should know what a complete defensive program would cost.

Mr. MACKENZIE (Vancouver): According to the recommendations of the technical officers, which are largely confidential, it would cost considerably more than the amount provided in this year's estimates. Personally, I would like to see the vote this year larger than it is. However I believe we have taken a step in the right direction. This increase in the air force vote will provide for only three new aeroplanes, most of the increase being for new ground services, for equipment and for the maintenance of personnel which was made possible by the vote submitted by my predecessor. Only three new Blackburn Sharks are provided for in the air force vote of this year.

Mr. GREEN: Has Canada any modern fighting planes?

Mr. MACKENZIE (Vancouver): These three will be modern planes.

Mr. GREEN: But at the present time have we any really modern fighting planes?

Mr. MACKENZIE (Vancouver): I would say they are very much limited in number; some of the planes that have been in the possession of the air force have been condemned in recent months and recalled from service. That is one of the most serious features of the situation. We have, however, some modern fighting planes and we hope to obtain more. In the estimates this year there is provision for the replacement of some of the planes now in service, and that is where a large proportion of the vote has gone, namely, in overhauling and renewing some of the existing planes to make them efficient and modern.

Mr. GREEN: Have we any fighting planes that approach the modern British fighting planes?

Mr. MACKENZIE (Vancouver): Of course these three new ones that are being provided for will be the most modern planes of their type.

Mr. GREEN: So that we shall have only three fighting planes in the whole of Canada.

Mr. MACKENZIE (Vancouver): Last year some fairly modern ones were obtained.

Mr. GREEN: How many of these have we?

Mr. MACKENZIE (Vancouver): About ten.

Mr. GREEN: So that after this vote is expended our effective fighting air force will comprise only ten planes.

Mr. MACKENZIE (Vancouver): I would not admit that. We have overhauled existing planes and installed new engines in a great number of planes. If my hon. friend means the most modern planes in the world, what he says is largely true, for the economic resources of this country will not be equal for some years to anything like a real development in this direction. However, it is hoped now to provide as soon as we reasonably can a modest but effective air force for the dominion, a force such as is considered reasonable by the technical officers of the department.

Mr. GREEN: Does the air force get any fighting training such as artillery observation, army cooperation and other strictly military training?

Mr. MACKENZIE (Vancouver): Yes, they do; they are getting progressively advanced modern training, and that is being increased from year to year.

Mr. GREEN: Do they not do considerable civil flying, such as mapping and work of that kind? What work does the air force do now?

Mr. MACKENZIE (Vancouver): The air force is divided into three departments. First, there is the Royal Canadian Air Force as such; second, there is the branch that carries

on operations for departments such as the Royal Canadian Mounted Police, the Public Works department, the Department of Indian Affairs, and the transportation of personnel making surveys in the northern parts of Canada; and third, there is civil aviation, which will be transferred, by a resolution now before the house, from the Defence department to the Transport department.

Mr. GREEN: Is it not a fact that very little of the time of the air force is spent in fighting training? They are really doing work that could be done by civil aviation, and that might promote the development of civil aviation.

Mr. MACKENZIE (Vancouver): That is true to some extent only. A large part of the training of the Royal Canadian Air Force is in flying hours, in the control of machines, and in the survey of territory, and that can be done either in serving the military side of the force or in connection with civil aviation. The same amount of training applies in both directions, and that is being carried out.

Mr. GREEN: Will this vote provide for an increase in the personnel of the permanent air force?

Mr. MACKENZIE (Vancouver): Yes, four officers and forty-four men in the Royal Canadian Air Force.

Mr. GREEN: That is to be the total increase?

Mr. MACKENZIE (Vancouver): Yes. Last year there was an increase for which sufficient provision was not made in the estimates a year ago. There is a carryover from that amount, and that added to the new personnel accounts for a considerable amount of the vote.

Mr. GREEN: What is the strength now of the non-permanent air force? Will this vote provide for any increase?

Mr. MACKENZIE (Vancouver): There are fifty-two officers and two hundred and eighty-nine other ranks, or a total of three hundred and forty-one, as at March 31 of this year.

Mr. GREEN: Will there be an increase by reason of this vote?

Mr. MACKENZIE (Vancouver): The item of pay and allowances in this vote includes two additional airmen of the Royal Canadian Air Force, who are attached to the non-permanent air force, and two days' additional training of the non-permanent air force is provided for three squadrons. The figure is less by $19,800.

[Mr. I. Mackenzie.]

Mr. GREEN: How many non-permanent squadrons are there, and have there been requests for more?

Mr. MACKENZIE (Vancouver): We have No. 10 squadron, Toronto; No. 11 squadron, Vancouver; No. 12 squadron, Winnipeg; all army cooperation squadrons; No. 15 fighting squadron, Montreal; No. 18 bomber squadron, Montreal; No. 19 bomber squadron, Hamilton. There is a total of fifty-one officers and two hundred and ninety-one airmen as of April 30, 1936.

Mr. GREEN: Have there been requests from different cities for more squadrons.

Mr. MACKENZIE (Vancouver): Yes, requests are coming in from time to time.

Mr. GREEN: How many have there been?

Mr. MACKENZIE (Vancouver): In the short time I have been in the department there have been repeated requests.

Mr. GREEN: Is any provision being made to guard an empire air route that might traverse Canada?

Mr. MACKENZIE (Vancouver): Does my hon. friend mean the guarding of a civil aviation air route?

Mr. GREEN: I mean provision for an air force that could guard an air route across Canada. We hope some day to have an empire air route passing over Canada and we should surely provide some air defence for it.

Mr. MACKENZIE (Vancouver): I may tell my hon. friend frankly that that has not come before me as a matter of policy. I think, however, that the primary policy of any ministry of defence which may be in office must be with regard to the actual defence of our Canadian coasts, either for protection of neutrality or for any other necessary purpose. The matter suggested by the hon. gentleman has not come before me as one of policy.

Mr. GREEN: Apparently we have a very small air force. After all, we are a nation. Is there any reason why we should not build up an effective air force for defensive purposes?

Mr. MACKENZIE (Vancouver): The best answer I can make is that this year there is an increase of $1,000,000 for that purpose. My judgment is that we should have a reasonably modest but effective air force in the dominion.

Item agreed to.

Civil government air operations — for preventive service and other air operations, $408,300.

Mr. GREEN: What is meant by preventive service?

Mr. MACKENZIE (Vancouver): That has reference to the work done by the Royal Canadian Mounted Police in connection with customs duties, rum-running, smuggling and any operations of that sort.

Mr. HEAPS: Do these people come under the control of the mounted police or are they under the Department of National Defence?

Mr. MACKENZIE (Vancouver): The actual operations are carried out by this branch of the Department of National Defence. Naturally requests come from various other departments; they estimate every year the necessities for the year and we proceed to carry out their requests as best we can.

Mr. HEAPS: What is the permanent number of airplanes employed by the department for this particular service?

Mr. MACKENZIE (Vancouver): If my memory is correct, it is twenty-nine out of a total of 173 employed more or less for civil government air operations. We have a departmental committee consisting of some of the deputy ministers dealing with one of these items, and every year they make a recommendation to whoever is the minister, as to the amount necessary for service in the north. For the present year $100,000 was their recommendation for aerial surveys and their advice is generally acted upon, because they review the necessities in regard to surveys in the northern country, and that item is carried under this particular vote.

Mr. HEAPS: What does my hon. friend mean by "surveys"?

Mr. MACKENZIE (Vancouver): Topographic surveys mostly.

Mr. HEAPS: Do the mounted police force undertake topographic surveys?

Mr. MACKENZIE (Vancouver): No. The Royal Canadian Mounted Police is only one of the five departments of government which use these surveys. Another is the Department of Indian Affairs. The Department of Public Works used them for the transportation of personnel surveying the otherwise inaccessible portions of the northern country. As I say, I think these surveys are used by five departments of government. The Royal Canadian Mounted Police asked for $50,000 of this total vote.

Mr. HEAPS: Reverting to a certain extent to a previous item, may I ask the minister if he can give the committee the number of the personnel in the permanent force, the number in the non-permanent force, and the number of planes in both services?

Mr. MACKENZIE (Vancouver): The Royal Canadian Air Force: in the permanent force, 147 officers, 884 men, total 1,031; in the non-permanent force, fifty-two officers and 289 men, or a total of 341. That is, as of the 31st March of the present year.

Mr. HEAPS: I understand that quite a large number of these men are not employed in aviation. They may be employed, for instance, in the stores, or what may be called ground work.

Mr. MACKENZIE (Vancouver): That is correct.

Mr. HEAPS: Could the minister give the committee the number of qualified airmen in the service of the government, both in the permanent and the non-permanent forces?

Mr. MACKENZIE (Vancouver): Generally speaking, the greater part of the numbers mentioned by me in reply to the hon. member are qualified as airmen, although my hon. friend is correct in saying that some of them are employed in ground service. In fact most of the other ranks are so employed. The officers are thoroughly qualified, and from time to time the men employed in either service go through periods of training. Speaking generally, possibly two-thirds have some air qualifications.

Mr. HEAPS: Do I understand from what the minister said that two-thirds of the men referred to in the figures he gave a few moments ago are qualified air pilots?

Mr. MACKENZIE (Vancouver): Not qualified air pilots, but they have had some flying experience. Probably fifty per cent would be a more reasonable estimate.

Mr. GREEN: Is any provision made in these estimates for the establishment of a transatlantic or transpacific air service?

Mr. MACKENZIE (Vancouver): That comes up under the next item, civil aviation, and can be discussed then.

Mr. STIRLING: I think the inspectors placed about Canada come under this vote, do they not?

Mr. MACKENZIE (Vancouver): Next vote.

Mr. STIRLING: Not under civil government?

Mr. MACKENZIE (Vancouver): No, they come under civil aviation.

Mr. STIRLING: I judge from the decrease in this item that the other departments have made smaller requests for the use of air service than in previous years: is that so?

Mr. MACKENZIE (Vancouver): That is correct in some cases.

Mr. HEAPS: May I turn for a moment to another aspect of this question? I have no doubt that the government have in their employment, in the branch the estimates of which are now under consideration, quite a number of qualified and experienced pilots and quite a large number of what I would call good planes of a kind that can do long distance flying. Has it ever been under the consideration of the department whether, in conjunction with the post office, air mail services could be established under the vote that we are now considering?

Mr. MACKENZIE (Vancouver): Of course that raises a definite question of policy. The experience of the country to the south of us has been very much against the suggestion of my hon. friend. I recall that some two years ago the United States endeavoured to establish the transportation of air mail by some of their government planes. The attempt was to some extent disastrous in its results, and as far as my knowledge goes it is not the intention of this government to establish such a service from directly government sources. The branch of civil aviation is being transferred from the Department of National Defence to the Department of Transport, thereby ensuring the essentially civil character of the civil aviation branch. This vote for civil government air operations is entirely civil, but the type of airplane used in many cases is a semi-military one. There is provision for four new planes in addition to the ones for purely air force purposes, and these four planes are of a type to which my hon. friend for Vancouver South (Mr. Green) referred a few moments ago, a type easily convertible for military purposes. The four are costing, I think, $240,000; that is $60,000 apiece.

Mr. HEAPS: If I remember correctly, conditions in the United States are entirely different from what we have in Canada. At the time an investigation took place in the United States with regard to the military branch of the government doing air mail work, there was already established a fairly substantial air mail service from other sources, and it was a question of one competing with the other. I think the United States government, in its wisdom or otherwise, decided that the transportation of air mail in that country should be left to private concerns.

Mr. MACKENZIE (Vancouver): That is correct.

Mr. HEAPS: In this dominion we are in a wholly different position. Our physical layout is altogether different. We have practically no air mail service at all. When we send a letter by air mail to-day across the dominion, that letter has to go to the United States to be carried by their airplanes across the continent. If we post a letter in Ottawa to go to Vancouver by air mail, I assume it is sent there across the United States via Seattle. I wondered whether, as we have this military air service in Canada, greater use could not be made of it than is made at the present time. Of course, if conditions in this country were similar to those in the United States a couple of years ago, I could understand the contention of the Minister of National Defence having some justification, but at this time we have no air mail service at all in Canada, and if we have airplanes that will serve us for long distance flying between one area and another, I wondered whether those airplanes could not be used in some practical way in addition to the use that is being made of them at the present time.

Mr. MACKENZIE (Vancouver): Of course the question raised by my hon. friend is a matter of policy not yet determined, so I cannot give him an immediate reply.

Mr. HEAPS: Would the minister state what he himself favours?

Mr. MACKENZIE (Vancouver): I believe in the principle of collective wisdom, so I would not care to venture an opinion.

Mr. HEAPS: Is the minister afraid of individual wisdom?

Mr. MACKENZIE (Vancouver): Never.

Mr. STIRLING: I do not know whether the minister remembers that when Canada was interesting herself in mail flying some years ago, this was done entirely by contract. If I may express an opinion at the moment, it is that if and when we do return to mail carriage by air, it should be under contract.

Mr. MACKENZIE (Vancouver): Hear, hear.

Mr. STIRLING: The minister has already referred to the fact that when the United States government took over the flying of mail

for a certain period, for a certain reason it was none too successful, and I do not think there is any reason to suppose it would be more successful in this country. As it is we are none too well supplied with planes, and I should not like to see the time of these planes taken up for mail flying purposes. When we reach the next item, it will be interesting indeed for the minister, as he probably will, to give the committee figures with regard to the amount of flying that is done now. A considerable number of commercial companies are ready and only too willing to fly if they can get the work to do. Contracts are being taken by them, and, particularly with regard to the north country, they are there ready to do the work, so that a very great service could be rendered to Canada as a flying nation by encouraging the work of these aviation companies, because of the use that, under certain eventualities, we can make of the men and the planes.

Mr. MACKENZIE (Vancouver): Of course my hon. friend will agree that the question whether air mail contracts are to be carried out by this service or by others will be a matter to be decided by the Post Office Department and the government generally, rather than a matter for the Department of National Defence.

Item agreed to.

Civil aviation—expenses in connection with the control of civil aviation, airways, government and public airports and grants to aeroplane clubs, $1,262,800.

Mr. STIRLING: Would the minister elaborate a little on this item? I remember that some weeks ago, in reply to the hon. member for Vancouver South, the minister stated his expectation that a trans-Canada route would be in operation this year. I wonder whether he would elaborate that statement.

Mr. MACKENZIE (Vancouver): Yes. In this vote will be found an increase, under airways and airports, amounting to $532,722 and a decrease, in other items, amounting to $21,286, making a net increase of $511,436. With this amount it is intended, during the present year, to complete, practically, the Canadian airways route from Winnipeg to Vancouver. That means the restoration of the facilities in five airports which were more or less closed down in 1932 and the completion of thirteen new airports, making eighteen in all, between Winnipeg and Vancouver. The estimated cost of completing the Canadian airways route between Winnipeg and Halifax is $2,314,500, of which amount over $1,000,000 would be required for the construction of new airways and airports. So, by the end of the current year it is hoped that we shall have a modernly conditioned and equipped airway between Winnipeg and Vancouver, and it is reasonable to expect that the other portions will be proceeded with in due course.

Mr. STIRLING: Of the five plus thirteen airports to which my hon. friend refers, will they all have directional beacons?

Mr. MACKENZIE (Vancouver): Yes, all of them, it is understood.

Mr. STIRLING: Ready for night flying?

Mr. MACKENZIE (Vancouver): Yes.

Mr. MacNEIL: This is one appropriation which, in my opinion should be increased, and I am sadly disappointed that more generous provision should be made for the military branch, and in my judgment at the expense of the civil aviation branch. I am particularly interested in the encouragement that is being given by the department to the flying clubs across Canada, as to whether they are being given proper opportunities to develop technical skill in aviation. It seems to me that the departmental policies at the present time are open to criticism, because they consider in too great a degree obsolete military traditions and do not give sufficient consideration to matters that will be of primary importance should we become involved in war. If, as the minister states, it is the wish of the people that we should have adequate defence for Canada in the event of war I suggest that public money should be voted and administered in such a way as to provide adequate defence. If we consider the requirements of modern warfare I think we may safely say that the first essential is young men of the physical stamina required in time of war and properly trained physically, and undoubtedly the second consideration under present conditions would be adequate technical training.

In neither of these respects does the department assume any definite responsibility. Viewing the matter solely as a problem of defence I feel that we are far behind other countries in the consideration of these questions. During recent years, even during the years of the depression, I feel that ample provision has been made to permit of suitable steps being taken in these matters. I directed an inquiry to the ministry, in reply to which a return was tabled by the Minister of National Defence, and in which I asked what purchases of aircraft had been made during the period from October 23, 1935, to the date of the inquiry; if such purchases had been made; what types were secured, and if tenders were called for in all instances. I notice that under

paragraph (d) the minister stated that from the Ottawa Car Manufacturing Company of this city the government purchased eight Avro Avian light aeroplanes, mark IV, powered with Genet engines, at $3,498 each, sales tax included. I wish to direct the attention of the minister to the fact that planes of this type were condemned as obsolete many years ago. I must admit that perhaps they are quite airworthy for the purpose of primary instruction, but I desire to point out that to supply equipment of this type to civil aviation clubs, under the regulations now existing, prevents the civil aviation clubs from modernizing their equipment for at least three years. I am open to correction if I am wrong in that.

Mr. MACKENZIE (Vancouver): I am afraid my hon. friend is wrong.

Mr. MacNEIL: I understand that if they accept a machine now they cannot secure another one for a period of three years.

Mr. MACKENZIE (Vancouver): They generally request a specific plane, and I think I am right in saying that in every case these particular machines were desired by clubs. That is the information given me by the officials of my department.

Mr. MacNEIL: I would like to point out to the minister that men in civil aviation clubs with whom I am acquainted desire most earnestly to secure a type of plane that will enable them to secure instruction in blind flying. These planes obviously are not suited for that purpose, and clubs which accept planes of this type will not have an opportunity to secure more modern equipment for at least three years, so in that way they are precluded from keeping abreast of the technical requirements of modern aviation.

I should also like some information from the minister with regard to the report which is in circulation, and which has been confirmed in some degree, that these planes were condemned as obsolete many years ago and that they were offered for sale in 1926, I think, at a price much lower than that which has been paid by the department.

Mr. MACKENZIE (Vancouver): With reference to the last part of the question asked by my hon. friend, my information is that these planes were never condemned. Some of the worn out ones might have been condemned years ago but not because of any special scientific features of their construction. My information is that in every case the flying clubs, before the planes were supplied, were asked if they would be satisfied with this type of plane, and the answer was always in the affirmative.

[Mr. MacNeil.]

Mr. HEAPS: How old are these planes?

Mr. MACKENZIE (Vancouver): I cannot tell my hon. friend.

Mr. HEAPS: The hon. member for Vancouver North (Mr. MacNeil) said that they were of the 1926 type. Is it true that they are ten years old?

Mr. MACKENZIE (Vancouver): I am informed that the type is fairly old, but the age of the machine is an entirely different matter. These may be the 1926 type; I do not know, but the age of the machine is an entirely different matter. It is a model of a former year constructed more recently.

Mr. HEAPS: I do not know whether the hon. member for Vancouver North is correct, but he has stated that the same machines were offered for sale in 1926 at a lower price.

Mr. MACKENZIE (Vancouver): I could not speak as to that. I do not know.

Mr. HEAPS: Would the officials have that information?

Mr. MACKENZIE (Vancouver): My information is that they were built in 1928 or 1929.

Mr. HEAPS: Had they been in use before that?

Mr. MACKENZIE (Vancouver): No.

Mr. HEAPS: Nobody but the government wanted them?

Mr. MACKENZIE (Vancouver): I think the flying clubs wanted them; otherwise they would not have been obliged to take them.

Mr. MacNEIL: I think it is common knowledge that these machines have been in stock at the Ottawa Car Manufacturing Company since 1928 or 1929. They were condemned because of obsolescence, and they are a very slow type of machine, quite out of date and certainly not acceptable in any sense to the British war office, though they may be air-worthy and suitable for the purpose of elementary instruction. I am also informed that when these machines were sold to the government the fabric, struts and wooden parts were in such a state of deterioration that it was necessary for the Ottawa Car Manufacturing Company to replace them completely. As a matter of fact not all the planes have yet been delivered because of inability to furnish parts. The machines are so obsolete that the company in England which manufactured them has been unable to supply these parts. I suggest that the greatest care should be exercised, particularly in regard to

the fabric and the wooden struts, to see that no deterioration has set in which might jeopardize the lives of instructors or pupils. I think if the minister refers to journals published in the interest of civil aviation, he will find these very planes, that were in stock for some time, advertised some years ago at a price considerably lower than that paid by the government.

Mr. MACKENZIE (Vancouver): The information given me by my officials is quite different. These planes, before being placed in use, were overhauled, modernized and thoroughly inspected by competent inspectors. As far as I am concerned no representations were made to me by the Ottawa Car Company. I take my advice from officials of the department who are responsible and technically qualified in every way.

Mr. HEAPS: Have these planes all been delivered?

Mr. MACKENZIE (Vancouver): I think so.

Mr. COLDWELL: Is the statement correct that these same planes were offered for sale at lower prices several years ago?

Mr. MACKENZIE (Vancouver): I cannot say as to that because I was not in the department at that time. My information is that that is not the case, but I should not like to take the responsibility of stating that definitely, because I do not know.

Mr. COLDWELL: I would not press the minister to make that statement definitely now, but I would press him to look into the matter.

Mr. MACKENZIE (Vancouver): I will do so.

Mr. CAMERON (Cape Breton): I understood the minister to say that this expenditure is on the air route from Winnipeg to the west.

Mr. MACKENZIE (Vancouver): Yes.

Mr. CAMERON (Cape Breton): Entirely?

Mr. MACKENZIE (Vancouver): Yes, with possibly two exceptions. There are two improvements, one at Moncton, New Brunswick, and one at Dane, Ontario, in connection with this vote.

Mr. CAMERON (Cape Breton): Is any provision being made for the proposed imperial air route?

Mr. MACKENZIE (Vancouver): This makes no provision for that; it is a matter of policy to be decided. There was, as my hon. friend knows, a conference last November and December in reference to that whole matter.

Mr. GREEN: Is there any provision in this estimate for the development of a transatlantic or transpacific air route?

Mr. MACKENZIE (Vancouver): There will be a small provision for radio and meteorological service in connection with the development of the route from Newfoundland to Montreal. It was part of the provisional agreement reached here last December between the departmental heads of Canada, the Irish Free State and the United Kingdom, that such would be provided for by Canada. That will be in the supplementary estimates; I do not think it has yet been brought down.

Mr. GREEN: What is the present position in regard to a transatlantic air route?

Mr. MACKENZIE (Vancouver): A provisional agreement has been arrived at between the countries I have mentioned. There was a conference of officials in Ottawa followed by a conference in Washington in conjunction with the officials of the United States government. Imperial Airways are going to commence immediately experimental flights across the Atlantic; I think equipment and preparations are being completed for them. It is estimated that the preparatory work will take approximately a year and that flying on a commercial basis cannot be undertaken before the beginning of 1938, when it may be assumed that we may have our trans-Canada system completed.

Mr. GREEN: How many civil air clubs are there now in Canada, and what is the position in regard to them? How does the government help them?

Mr. MACKENZIE (Vancouver): There are twenty-two. A grant of $5,000 is made to the flying association. As regards the clubs the sum of $100 will be granted to each club in respect of each member who qualifies as a private pilot, and the sum of $4 per flying hour up to a maximum of forty hours for each member continuing his training and qualifying for a commercial pilot's certificate. These clubs have a total membership of 2,400.

Mr. GREEN: Has the department made any move towards promoting research work in aviation? I understand that civil aviation

is to be transferred to the new ministry of transport, but can the minister tell us what provision is made for research work in connection with civil aviation?

Mr. MACKENZIE (Vancouver): The technical officers are continually in touch with all modern developments in flying not in this country only, but in other countries. The mere following up of what is being done nowadays is research work of the most extensive kind.

Mr. GREEN: Would that be under the Department of National Defence?

Mr. MACKENZIE (Vancouver): The technical officers will be with the Department of National Defence, but actual civil aviation will be under the department of transport.

Mr. STIRLING: How far has my hon. friend got in negotiations with Newfoundland and developments there in connection with transatlantic flight?

Mr. MACKENZIE (Vancouver): A delegate from Newfoundland was present at the conference to which I referred and took part in the discussions, and naturally they are cooperating in every way in reference to the development of transatlantic flight.

Mr. STIRLING: Is land set apart in Newfoundland for the purpose?

Mr. MACKENZIE (Vancouver): I think so; I think the matter has all been surveyed.

Sir GEORGE PERLEY: Last year there was a conference in Newfoundland. Has there been one in Canada since then?

Mr. MACKENZIE (Vancouver): Yes, last December, headed by Sir Donald Banks of the British civil service and several eminent aviation experts from the united kingdom, two delegates from Canada, one from Newfoundland, and three of our permanent officials They met here for about a week and drew up a provisional agreement which was to be ratified by various governments, and afterwards they went to Washington and consulted with the American officials with reference to cooperation with Pan-American Airways and Imperial Airways.

Mr. CAMERON (Cape Breton): Who was the representative from the Irish Free State?

Mr. MACKENZIE (Vancouver): There were two. I regret that I cannot recall the names at the moment but I shall be glad to get them.

Mr. McCANN: Is there any provision in this appropriation for an airport in the county of Renfrew?

Mr. MACKENZIE (Vancouver): I understand there is no provision for an airport; there is provision for intermediate landing fields only.

Mr. McCANN: Will there be further expenditure on the present airport at Killaloe?

Mr. MACKENZIE (Vancouver): I am informed that will be completed.

Mr. McCANN: What is the amount likely to be expended upon it during the coming year?

Mr. MACKENZIE (Vancouver): It is difficult to assess that accurately for the reason that unemployment relief work on these projects is ceasing on July 1, and the work on that airport may have to be continued on a different basis.

Mr. McCANN: Has the property for a landing field been purchased or expropriated?

Mr. MACKENZIE (Vancouver): I am informed that it has been.

Mr. McCANN: Purchased or expropriated?

Mr. MACKENZIE (Vancouver): I cannot say which. I understand it has been acquired.

Mr. McCANN: When will that development take place?

Mr. MACKENZIE (Vancouver): Without being too definite, during the course of the present year, I assume.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. BARBER: I wonder whether the minister could give us some particulars about airports or emergency landing fields in British Columbia. There were several under construction last year, directly under this department, one at Hope and one at Boothroyd. I would also like the minister to deal with the Chilliwack airport.

Mr. MACKENZIE (Vancouver): I am quite familiar with the one at Chilliwack. There were certain difficulties in regard to that, with which I think my hon. friend is thoroughly familiar. A site was chosen by the former government I think, although I am not exactly sure about that, and certain difficulties arose with reference to the dyking charges. The whole situation was referred to the Department of Justice, which gave as a legal opinion that the virtual contract which

had been entered into previously was not binding because the dyking charges in question had not been revealed by the owners of the property. No final determination has as yet been made in regard to that specific piece of property. The whole situation is quite open at the present moment, and the department is considering whether to accept the virtual contract that was entered into previously or whether to look for a new property in the vicinity of Chilliwack. I may say to my hon. friend that I shall be only too glad to receive from him any recommendations with reference to that site.

Mr. BARBER: I think the minister will recollect that I have discussed the matter with him. Since the difficulty developed I had an interview with these people when I was at home at Easter and they advised me that they had informed the official, who came there at the time and took the particulars, that there was a dyking charge. Apparently the owners considered that the person who bought it would continue to pay the charges just as the person who buys a piece of agricultural property continues to pay the taxes on it. It developed later, after the option was drawn up, that the dyking charge was in the form of a capital charge of $50 an acre. The purchase price plus dyking charges is very reasonable for 160 acres. The property is at the present time used as a landing field. It requires very little to complete it, and $150 an acre is very reasonable if you compare that with the cost of some other landing fields.

Mr. MACKENZIE (Vancouver): I was just going to ask my hon. friend: Does he consider that with the added charges it is a reasonable price to pay for an airport?

Mr. BARBER: I think anybody would say that it is a reasonable price in comparison with that of others which have been purchased. The field is almost as level as the floor of this chamber. There are five or six planes using it now. The unfortunate thing about the matter is that this land is owned by a farmer, and had it not been for this purchase being in contemplation he would have broken the land this year and put in a crop, but he has held it. We are in hopes that something will be done.

There is another point about this matter which the minister, coming from the coast, will quite understand. At the time of the fogs on the coast the fog drops down within ten or twelve miles west of this airport, which was selected by the civil aviation authorities when they went through selecting landing fields on a direct route to Vancouver. The fog at certain times is so thick that it is impossible to drive or fly through it. The airmen strike the fog within ten or twelve miles west of this site which has been selected; when it is impossible to fly through they have to return to the landing field, and if this landing field were not there they would have to go back to Hope airport, about thirty miles further east; the landing fields are supposed to be thirty miles apart. I would strongly recommend the government to take over this airport which would cost very little to develop, and is being used by five or six airplanes to-day.

Mr. MACKENZIE (Vancouver): My hon. friend throws a new light on the situation. He states that the official of the department who was there was made familiar with these dyking charges. This is the first time that has been brought to my notice. In the option that was given at the time these dyking charges were not included. The whole question now is this: With these charges, is this a reasonable price for the airport? My hon. friend says that it is the best site available. The whole situation is absolutely open and the department will be glad to receive any recommendations. As I have already explained, the situation was, I was advised, that certain incidental liens or charges had not been disclosed by the owners, and when the matter was referred to the Justice department they declared that the contract was not valid.

Mr. BARBER: I understand that. I have a copy of the letter. The option expired in January.

Mr. MACKENZIE (Vancouver): Yes, so I understand.

Mr. BARBER: I just wish to repeat that this site was chosen, I believe, by the officials of the air force branch of the department at the coast. They went over the line and considered this landing field to be on the direct route, and a natural landing field requiring very little work, and situated favourably east of the line where the fog breaks. When a farmer sells land to another farmer or anybody else and quotes a price of $100 an acre, he naturally expects that the purchaser will continue to pay the taxes on it, and the owners of this property told the official that there was a dyking tax and a municipal tax. They never considered it a capital charge, and I would have thought that the official would go into a little more detail with the provincial government. I know the minister is deeply interested in this landing field. It was chosen, not by the previous government—and I had no say in the matter—but by the officials of the department who picked out these landing fields.

Certainly the present situation is working a hardship on the men who own this landing field. They would have broken it up and put a crop in this year had it not been for this difficulty.

Mr. STIRLING: I should like to emphasize what my hon. friend from Fraser Valley (Mr. Barber) has just said. The minister was not quite accurate in saying that the late government selected this site. I remember the incident quite well. It came to my desk in the ordinary routine of recommendations.

Mr. MACKENZIE (Vancouver): That is what I meant to convey, of course.

Mr. STIRLING: I remember also in connection with it that the officials had been at some considerable trouble to find landing fields suitable from the point of view of position and also from the point of view of expense, because as the minister well knows that is a highly developed district, and it was not easy to get a piece of land suitable for the purpose, at a figure that the department could properly consider.

In connection with these airports to which the minister referred this afternoon, would he be good enough to give the committee the location of those west of Lethbridge and indicate which of them will have direction beacons?

Mr. MACKENZIE (Vancouver): I will start with the Winnipeg field. Then there is Forrest, Broadview, Regina, Calgary, Coleman, Lethbridge, Red Deer, Edmonton, Medicine Hat, Maple Creek, Swift Current, Vancouver headquarters, Vancouver, Hope, Princeton, Oliver, Grand Forks, Kitchener and Cranbrook.

Mr. STIRLING: Could we take up Grand Forks for a moment? This port has been something of a pioneer in flying in the southern boundary country. It has been used for a great many years in the development of flying. It has been used by passenger planes from the south; I can remember one which was on its way to Alaska. That is a typical example of these ports, and I should like to know what technical officers would be resident here and at the other ports.

Mr. MACKENZIE (Vancouver): Perhaps I could give the personnel for all the western districts and the expenditures contemplated. The figures are as follows:

	Personnel	Expenditures
Calgary headquarters	6	$17,400
Calgary	2	14,370
Coleman	3	34,980
Lethbridge	5	14,140
Red Deer	3	11,140
Edmonton	2	14,340
Medicine Hat	2	8,900
Maple Creek	3	12,160
Swift Current	2	8,850
Vancouver headquarters	4	11,020
Vancouver	5	52,780
Hope	2	16,400
Princeton	3	32,000
Oliver	2	17,800
Grand Forks	3	32,200
Kitchener	2	13,900
Cranbrook	2	14,100

Mr. BARBER: Is that the total cost of the Hope airport?

Mr. MACKENZIE (Vancouver): That is the cost of special wireless equipment to be installed and other relevant changes.

Mr. BARBER: Are any buildings to be erected there?

Mr. MACKENZIE (Vancouver): I think there is some clearing and other work to be done, but that will come under another item.

Mr. BARBER: I understood hangars were to be erected.

Mr. MACKENZIE (Vancouver): I think there is some clearing and grading to be done under another vote. This is purely for wireless services.

Mr. BARBER: I saw the field last Easter and I understood it was completed, but it was expected that some hangars would be constructed.

Mr. MACKENZIE (Vancouver): Whether that can be done immediately I could not say, but of course such buildings will probably be essential to later developments.

Mr. BARBER: There will be some seeding needed and perhaps some cement runways. There is also the question of the emergency landing field at Boothroyd. Has the minister any particulars as to whether this is completed? This field is located just thirty miles east of Hope.

Mr. MACKENZIE (Vancouver): I have not that information before me at the moment.

Mr. STIRLING: Is the work on these emergency landing fields located between the regular air ports still being carried on under unemployment relief?

Mr. MACKENZIE (Vancouver): That work will be carried on under relief until July 1, and then the government must decide what policy must be adopted, whether the work will be carried on by day labour or by contract.

Mr. PERLEY (Qu'Appelle): Is Broadview an emergency landing field?

Mr. MACKENZIE (Vancouver): Yes, an airport in the prairie district. The expenditure on wireless services at Broadview will be $8,710, and there will be a personnel of two.

Mr. GREEN: Is it the intention that the planes flying the trans-Canada airway are to be operated by the government or by private companies?

Mr. MACKENZIE (Vancouver): That will be a question of government policy to be determined.

Mr. GREEN: When may we expect a decision on that point? If private companies are to carry on this flying they will have to do considerable preparatory work. Apparently the western section of the airway is to be completed this fall.

Mr. MACKENZIE (Vancouver): That question must be decided within the next month or two. First, equipment must be prepared for long distance flights and pilots must be trained if the government is going to undertake these flights. If private companies are to conduct the flights they should have at least six months' notice, in my judgment, to get properly equipped. However, this question has not yet been decided.

Mr. GREEN: That is to be decided within the next month?

Mr. MACKENZIE (Vancouver): I hope so.

Mr. ESLING: The minister went from Grand Forks to Kitchener, and I take it for granted that Salmo field will be completed. There has already been expended upon this field something like $63,000, a larger amount than has been expended on almost any other field. I should like to ask the minister if the policy of this government is to be different from the policy of the former administration with reference to assistance to municipal air ports. There has been $63,000 expended on the Salmo airport and apparently it is not completed. The policy of the previous government with reference to assistance to municipal airports was to permit men to go from the relief camps to do this work. In the case of the Trail airport, this would have involved transportation of twelve miles both morning and evening as well as the erection of dining halls and other buildings. This would have cost the town far more than the assistance would have been worth.

I have referred already to the fact that Trail is entitled to more than ordinary recognition. This is practically the only field between Winnipeg and the coast where planes can obtain repairs. More than $25,000 worth of repairs was made at this field last year. It is the only field between Winnipeg and the coast where radio service is available to the arctic circle or any other part of Canada for twenty-four hours in the day. This field is on the direct line of the airway as well as being on both the Great Northern and the Canadian Pacific railway lines. Actually there is more export mail leaving Trail than there is leaving any industrial point in the dominion. I hope the government can see its way clear to changing its policy in order to provide a more direct method of betterment for these municipal airports.

Mr. MACKENZIE (Vancouver): I agree absolutely with my hon. friend's reference to the progressiveness of Trail, not only in connection with the facilities provided for flying but in connection with the officials of the Consolidated Mining & Smelting company who have done so much in the way of pioneer work. One of their officials recently received the McKee trans-Canada trophy for the greatest success in flying in the dominion. With regard to assistance for municipal airports, my information is that direct contributions have never been made. My information also is that the former government offered assistance to the Trail airport as an unemployment relief project, but that offer was not favourably considered. Again I say that I agree with my hon. friend that there are no more progressive facilities provided in Canada than those at Trail.

Mr. ESLING: The proposal was to bring men from a relief camp some twelve or fourteen miles from Trail, and the town would have had to provide living quarters.

Mr. BEAUBIER: There is a direction finding station ten miles north of Brandon at Forrest. It has not been operated recently. There is a civic airport at Brandon, located at the northern boundary of the city, and it has gone into receivership. The minister will have received a letter dated May 15, a copy of which I have, asking whether the government would consider taking over that airport. There are 187 acres as level as the floor of this chamber, with a hangar and a few other buildings, and that airport is well worth considering, for it is in the direct line of flight as you go west from Winnipeg. I should like to see it given some consideration.

Mr. MACKENZIE (Vancouver): My hon. friend is in the same position as the hon. member for Kootenay West. Brandon is just as progressive as Trail, but unfortunately is not on the direct route as laid out by the

technical officers of the department. That route was laid out some time ago and was not under my auspices. However I can promise that every possible consideration will be given my hon. friend's representations.

Mr. BEAUBIER: Do I understand that it is the intention of the department to change that direction finding station north of Brandon? It is in the direct line of flight, this airport being seven miles to the south.

Mr. MACKENZIE (Vancouver): That was not the intention, but I shall be glad to give the matter every possible consideration. A deviation of seven or eight miles in direction finding is material.

Mr. ESLING: Is it intended to finish the Trail landing field this year?

Mr. MACKENZIE (Vancouver): I am informed that it is an intermediate landing field, and as far as I am aware it is not the policy to consider it in any other light.

Mr. PERLEY (Qu'Appelle): Can the minister give me some particulars with respect to Broadview, which is an emergency landing field with beacon lights? It is a level piece of ground.

Mr. MACKENZIE (Vancouver): In addition to what I have mentioned, there is $750 for grading to be done there.

Mr. MacNEIL: Reverting to the discussion that took place before recess with regard to the purchase of aircraft equipment, I find in a return tabled by the minister that tenders were called for in connection with the following: two Fairchild machines; two Waco "S6" aircraft; one Stinson "SR-7B" aircraft. One Moth was purchased from de Havilland Aircraft Limited, Toronto; six fleet aircraft, from Fleet Aircraft of Canada Limited; eight Avro Avian planes from the Ottawa Car Manufacturing Company; two Fleet Trainor aircraft from Fleet Aircraft of Canada Limited and two Fairchild aircraft from Fairchild Aircraft of Canada. Why were not tenders called for in all instances for the purchase of new equipment, not including the purchase of secondhand equipment?

Mr. MACKENZIE (Vancouver): As regards airplanes, tenders are necessarily governed by the type of plane required, and the element of competition is not present in all cases. There might be one type of plane required for strictly military purposes, another type of plane for training purposes, which would be entirely different, and possibly a third type of plane for ordinary civil aviation or transportation purposes. I was under the impression that tenders were called for in every case but I am advised that that is not so, but the prices of all types of aircraft are known in the department.

Mr. MacNEIL: The fact that $4,130,000 has been voted for the Royal Canadian Air Force, an increase of $1,000,000 over last year's vote, and only $1,262,000 odd for civil aviation, an increase of only $511,406 over last year's vote, prompts me to make a few observations regarding what I consider a serious inconsistency. I find that during the years of depression this parliament has voted various sums exceeding in total $122,000,000, and it is interesting to contrast that with the contributions from the federal treasury for relief purposes, about which there has been so much criticism, amounting to $160,000,000. In my opinion all we have now as a result of that enormous expenditure by the department is what the officers of the force themselves describe as a bow and arrow army and a teakettle navy. As regards the aviation branch, something which is in the initial stage of development in Canada, I suggest that as far as possible we should avoid the mistakes which have been made in the past and see to it that this branch is not cluttered up with the obsolete traditions from which the military and naval branches have suffered in the past. We are asked again this year to vote, apart from the item now under consideration, some $25,000,000—and in that amount I include the votes for the various buildings and the votes made available for national defence through the supplementary estimates—all representing a substantial increase over the vote of last year. It seems to me that this should be subjected to the most rigid scrutiny. The minister has said that this appropriation is for purposes of defence, but I may say in this house—and my opinion is corroborated by many men with expert training in military matters—that this is simply a $25,000,000 cardboard front as far as defence purposes are concerned, a cardboard front behind which there operates to a large extent a social patronage racket.

When we come to aviation we find that civil aviation is sacrificed to the military branch, which is not competent to any degree to assume responsibility for the technical training of young men, and so far there has been no indication from the minister that the department is prepared to undertake technical training of the nature required. Surely any military expert will agree that under present conditions there is nothing more urgent than technical training, from the standpoint of defence, if the nation desires defence.

In the various aviation clubs across Canada we have a very efficient organization. The young men associated in these clubs, the minister will agree, are making a notable contribution to the development of aviation in Canada. Much of the important research work which is necessary is being conducted under the auspices of this organization, and as far as I can discover it is the one agency by means of which young men may find some opportunity to secure technical training and to keep abreast of developments in aviation in the world to-day. They are eagerly and enthusiastically taking advantage of that opportunity as far as they are permitted. From my personal experience the majority of the instructors attached to the flying clubs are rendering the country admirable service and doing whatever is possible, under the serious handicaps from which they suffer, to promote aviation in the way in which it should be promoted having regard to the development of our country.

In connection with the purchase of equipment I wish to bring to the attention of the minister the fact that the general staff of the department who decide this matter are apparently palming off on our flying clubs equipment that is so obsolete that if they accept it at the present time, under the regulations, as I understand, for at least three years they cannot possibly secure access to modern equipment or obtain instruction in blind flying and in the latest aids to aerial navigation which are now being brought out. This is a policy radically different from that which has been sponsored by the British air ministry. Let me refer again to this particular purchase of equipment indicated in the return I mentioned previously. These planes are described in an article in the current issue of Cavalcade. The eight planes are Avro Avians with Genet-Major engines:

> A type of light aeroplane that has not been built in Canada since 1929. Their motors are five cylinder 100-110 horsepower. Their speed is only 100 m.p.h. Their carrying capacity is 458 pounds.

Three years ago the last Mark IV Avians were washed out as obsolete by the Royal Canadian Air Force. This year the government of Canada has bought eight of the machines for issue to civilian flying clubs and paid $3,498 apiece for them. The Ottawa Car Manufacturing Company was the vendor. No tenders were asked. The Hon. T. P. Ahearn, who contributed substantially to the victory of Liberalism, is president of the Ottawa Car Manufacturing Company. I am not at the moment particularly interested in that angle, but I have before me an advertisement which appeared in the issue of March, 1933, of Canadian Aviation, and in which these same Avro Avians, I understand, were advertised at "a new low price record." The advertisement reads:

> The Avro Avian can now be purchased on the deferred payment plan and offers a saving to prospective aircraft owners never before equalled. Fifteen hundred dollars cash payment and you can own a new Avro Avian with Armstrong-Siddeley Genet-Major engine, 100-110 h.p. The balance you "pay as you fly" in twelve monthly instalments of $140 each.

The advertisement goes on to say that these planes are "completely modified."

> In every respect the purchaser of an Avian is the owner of one of the most up to date, Canadian-built, light aeroplanes suitable for training, sport and commercial use. Write for further particulars. Sole Canadian manufacturing and selling rights, Ottawa Car Manufacturing Co. Ltd., Ottawa, Canada.

The government paid the sum of $3,498. That, I submit, is not giving civil aviation the encouragement it deserves, particularly in view of the splendid record established in this branch by young men attached to flying clubs in this country. I feel that the government made a decidedly bad bargain. These machines were listed at a lower price in 1933 and intervening years. Surely they have not appreciated in value since that time. It is unquestionable that they are hopelessly outdated for purposes of aviation instruction at the present time; that they are obsolete from every point of view for such uses. Furthermore, the safety factor enters in, for if these machines have been in the stock of the Ottawa Car Manufacturing Company for seven, eight or nine years, having been purchased in the boom years when it was anticipated that there would be a remarkable development of aviation, it stands to reason that the wooden struts and the fabric in these machines must have deteriorated, and not even the most rigid inspection under the auspices of government inspectors can guarantee that they are airworthy for purposes of instruction. After all, machines used for these purposes stand considerable rough usage.

The point I particularly wish to stress is that these machines are obsolete, and in providing them for flying clubs—and there is no indication in the return tabled by the minister that anything but obsolete machines will be furnished to the flying clubs—the department is seriously handicapping this work. It is of little advantage to this country to vote large sums of money for the development of flying fields if the young men who are interested in the technical development of the industry are in this manner precluded from keeping abreast of modern technical requirements.

Mr. MACKENZIE (Vancouver): I am afraid my hon. friend has got some inadequate information with reference to this whole matter. There were some Avians purchased. I think eight planes were obtained, some Fleets, also some de Havillands.

Mr. BENNETT: When were the eight bought?

Mr. MACKENZIE (Vancouver): From January 1, 1935, to February 15, 1936. I have the whole list before me.

Mr. BENNETT: But when were the eight bought?

Mr. MACKENZIE (Vancouver): The eight were bought on February 7, eight Arvo Avians with Genet-Major engines, at a cost of $26,400.

Mr. BENNETT: How much apiece?

Mr. MACKENZIE (Vancouver): That would come to about $3,300 apiece.

Mr. BENNETT: The late government refused to buy them.

Mr. MACKENZIE (Vancouver): That may be so, but I want to tell my hon. friend (Mr. MacNeil) that these planes were absolutely asked for in every case by light airplane clubs before they were issued, and my hon. friend's information in regard to their being obsolete is incorrect. They were reequipped, reconditioned and then examined by the technical officers of the department and, in every instance, pronounced by them to be perfect for flying purposes. When my hon. friend says that these machines are not adequate for training purposes he is not stating the facts. I cannot pit his judgment or my own against that of the inspectors of the department, who are qualified to pass upon such matters.

My hon. friend also said that civil aviation was being sacrificed to military aviation, and spoke about some other hon. gentleman's reference to a bow and arrow army and a teakettle navy. May I suggest that it does not help our situation in Canada for anyone to cast aspersions upon the nation's attempt to get something effective for the defence of this dominion. Some persons outside this house have made similar comments in various publications. I believe their intentions were honourable and sincere; that they were trying to mend matters, but to cast aspersions upon the adequacy of our forces is like trying to plunge a dagger in the back of this nation. As long as I am in charge of this department I am going to do the very best I can to fight for the dignity of the department and for its personnel in all three services, and I am going to strive as best I can, with my colleagues in this government, to see that the defence department of Canada gets a decent show in the next four years; that our navy gets a chance; that our air force get a chance, and that the personnel of our militia and our permanent force are also properly supported. I regret very much that my hon. friend thinks fit to cast continual aspersions upon the adequacy of the military aviation of this country. In our military aviation branch we have excellent men. In Canada we have men unsurpassed in the entire world. During the great war, as my hon. friend knows, Canada led the whole world on the battlefield; her soldiers blazed the name of Canada in immortal letters across the forefront of the world; and to-day some of them are still giving of their time, their knowledge and their enterprise to build up a creditable aviation service in this country. So I say that, no matter what our private opinions may be, we should strive to the best of our ability to support this work. There is nothing militaristic about it. We are trying to build up, not to tear down, aviation and in the naval and military branches, not for attacking purposes but purely for purposes of decent and honourable defence if an unfortunate necessity should ever arise. I must deny my hon. friend's suggestion that we are sacrificing civil aviation. For the first time in six or seven years we have increased very materially the vote for civil aviation. We are convinced that our policy is a progressive one, leading to the development of civil aviation and not sacrificing it for the sake of military aviation. I am surprised that my hon. friend, for whom I have a profound regard, should be continually making these attacks upon the defence forces of Canada, because I can tell him that every member of this government is as profoundly and sincerely attached to the processes of social reform and the advancement of the masses as he is. But at the same time this government is charged with the responsibility of looking after the defences of this nation, and so long as I am in charge of this department I am going to fight for the advancement and the maintenance of adequate defence forces in this dominion.

The CHAIRMAN: Is the item carried?

Mr. MacNEIL: No.

Mr. COLDWELL: In the defence which has been made by the minister, one point has not been explained. I have in my hand a copy of Canadian Aviation for March, 1933, and, as was stated by the hon. member for

Vancouver North (Mr. MacNeil), these same planes were advertised on the basis of a cash payment of $1,500 and $140 a month for twelve months, making a total price of $3,180. Now we find, three years later, that the planes, with three years' deterioration, are bought by the government of Canada at three or four hundred dollars more. That is one point which has not been explained. It has been stated that had an offer been made last year they could have been obtained for less than the price advertised in 1933.

I listened to the minister's impassioned defence of the department, and I listened also with a good deal of interest to what my colleague in this corner of the house said. On no occasion did he attack the men under the department. He was attacking certain things in connection with the department that should be brought to the attention of the government and the members of this house. As one who is interested in civil aviation and who has done a good deal of flying, I want to say that in my opinion if Canada is to develop flying men—and flying women for that matter—the equipment used should be modern, up to date, and in the best possible condition.

The point I wish to make is this, that an explanation has not been given as to why the dominion government paid this amount for planes three years after they were advertised for sale at lower prices. And may I say that in the advertisement which I hold in my hand it is definitely stated that these machines will be thoroughly modified to suit any requirements. The question is why the government of Canada bought planes built in 1928 and paid considerably more than the price for which they could have been bought three years ago by private individuals, singly and on a time payment basis. That is the point.

Mr. MACKENZIE (Vancouver): The answer is very simple: They were not the same planes. When completed, the planes were specially reconditioned, and therefore the price was different.

Mr. MacNEIL: I admire the eloquence with which the minister has defended the department, and I appreciate just as sincerely as he does the necessity of dealing with this problem in a rational, sane way, always having in mind possible eventualities. But I pointed to the fact that during the years of the depression we spent in excess of $122,000,000 for national defence, and we had a right to demand efficient methods of defence. If the people of this country desire that the government should prepare for war, for heaven's sake let us prepare for war and let us expend this money in the most efficient manner possible.

I have no apology to offer to the minister for begrudging every nickel that is taken from the starving unemployed and devoted to the purpose of national defence, but I know that in Canada we do not enjoy a scheme of national defence which is commensurate with the millions that are being spent, or shall I say squandered, for that purpose in this country. While the understanding of the minister may be as he has expressed it in this chamber, I cannot help thinking that his opinion is based upon what he has been told by the general staff, from whom he must take advice. I believe there are many ex-service men in Canada who will join with me in expressing some lack of confidence in some members of that staff, in that they have a desire to build up an elaborate organization, and no doubt have some very plausible reasons for the necessity of such an establishment.

I realize that I am introducing a grave question, but I do so in sincerity. I will ask the minister to consider the possibility of Canada having to play her part in a world war to-morrow, in conflict with some of the great powers of the world. One of the first requirements would be to find young men physically well developed. The late Sir Arthur Currie made that point time and time again, and I am not casting aspersions on the personnel of the Department of National Defence when I say that the department, following out-dated traditions, is entirely disregarding its responsibilities in this connection. One has only to inspect the various parades of the militia units and see the hollow-chested youths who are in the ranks of these parades to realize that they are not given the physical training necessary to make them fit for the emergency which I hope we may avoid. Another and still more urgent consideration, under the mechanized conditions of modern warfare, is that the young men should have technical training. Bayonet practice, which is very largely the instruction they are getting in these elaborate barracks we are building here and there across the country and in the training camps, is not giving them the technical training necessary in order that we may have men who understand how to take down and reassemble all the elaborate mechanical equipment that will be employed in the war which apparently is looming before us. I am not casting aspersions on the personnel of the department when I say that in clinging to these old traditions they are not assuming any responsibility in this vital regard, and I ask the minister where, at the moment of emergency, for purposes of defence, will he find young men with the necessary technical training.

I have no reverence for the halo of gold braid and red tabs that seems to hang around a military establishment, making it impossible for a layman to offer any sensible criticism. I have not forgotten the bitter experiences through which many of us went in 1914 and 1915 by reason of the ghastly and tragic mistakes made by the general staff, men who had occupied these comfortable offices for years and had not kept abreast of developments in military tactics. It is commonly stated that it was the man in the ranks, Tommy Atkins himself, who in a very practical way forced upon the attention of the general staff the fact that more practical methods were possible. If Heinie was in a hole over there and Tommy Atkins was in a hole over here he knew he could not reach Heinie with a bayonet, but if he filled a tin can with a little gun-cotton and a few rusty nails he could and did bomb Heinie out of that hole. So you can trace the development of these tactics to which the general staff was blind.

I am taking the minister on his own ground, that of national defence, and I am pointing out that the policy of the department as it has been conducted is not affording this country any reasonable assurance that for the money expended it is receiving adequate value in national defence. On my own responsibility I express the opinion that the present military establishment, because of the manner in which it is organized—with the non-permanent active militia split into some 443 units, for example—is not satisfactory. I say this criticism that has been offered by the president of the Canadian Infantry Association, for one, and by other men whose articles have recently appeared in Canadian periodicals, is justified because the mechanism is antiquated and could not possibly be equal to the emergency if we should be called upon to defend ourselves.

So I do not think the minister has any reason to take me to task for casting aspersions, nor do I think he has any right to suggest that I am stabbing Canada in the back when I criticize the existing system of national defence. I am quite as sincere and earnest about this matter as the minister is himself, and as a member of this house I think I have a perfect right to suggest that for this enormous expenditure, over $25,000,000 this year, the Canadian people have a right to demand full value by way of a defence organization.

Mr. MACKENZIE (Vancouver): I find my hon. friend strangely inconsistent. He is now advocating what I announced a few days ago as the policy of the Department of National Defence, the reorganization of the Canadian militia; that has been advocated by every defence association, infantry, artillery and the others in the Dominion of Canada. I find it difficult to understand the process of reasoning which criticizes a department that on the advice of specialists is trying to improve conditions, and at the same time moves to reduce the vote for that department by $1,000,000, as was done by the hon. gentleman in this house the other evening. Can anyone in this committee explain to me the logic of the reasoning of the hon. gentleman? He comes out now and says that he is in favour of a policy of mechanization and reorganization, a policy to which the department is pledged at the present time, but only a few days ago he voted to reduce the estimates of this department by $1,000,000, which would have crucified forever the militia forces of Canada. He was the gentleman who did that only the other afternoon in this house.

I want to explain to the committee, in regard to those who proffer advice to-day to this department, it does not matter whether it is under a Liberal or a Conservative government or even if it were Cooperative Commonwealth Federation government, that the technical officers of the department are as good as any men in the world. The specialists of the Department of National Defence are in touch with every process of military training in England and in every country in Europe. We are exchanging personnel with the very best equipped colleges in England. We know every process of mechanization, and the only reason we have not been able to carry out such processes in Canada is because we have not had the financial resources. Now we are trying to make a modest step forward, to improve conditions of mechanization and build up our defence forces; yet when we do that the very ones who would now reorganize them want to cut down the militia vote by one million dollars. That is the argument we hear. I tell my hon. friend that I have a great regard for him, but he is strangely inconsistent. He talks about hollow-chested youth and lack of physical training. Some of these hollow-chested youths showed themselves the finest Canadians we ever had. Some of these men in the unemployment camps to-day have been members of our militia battalions in Vancouver and other cities for many years and I have a most profound regard for them. They carry out their duties as Canadians,

doing the best they can under difficult circumstances. That is what they are doing, what the officers are doing, what the department is doing and what this government intends to carry on.

Mr. STIRLING: Although I sit on the opposition side I should not like it to be thought that I in any way endorse the opinions expressed by the hon. member for Vancouver North (Mr. MacNeil). This is the third occasion on which I have heard him make statements which do not appear to me to be borne out by facts, and I speak with some little knowledge of the matter, having had the honour for a few months last year to occupy the position now occupied by the minister.

Mr. MACKENZIE (Vancouver): The hon. member did well, too.

Mr. STIRLING: The hon. member for Vancouver North is, of course, entitled to his opinion. I have no doubt that in that opinion he may be supported by certain service men throughout Canada. You will always find that. But the charge that Canada has not received anything like the money's worth for what she has spent in the past few years is not, I think, true. It should never be forgotten that when the depression struck Canada, not only did it make it necessary for her to curtail expenditure, but she had to distribute most carefully the expenditure that she could make for such purposes as she deemed wise. In the Department of National Defence she naturally sought the advice and guidance of those technical officers in the department upon whom she had come to rely. As the minister has just pointed out, we are able to measure the ability and calibre of those permanent force officers by the fact that they are continually attending courses in Great Britain where they in turn are measured with the officers of the empire. We are satisfied, therefore, that the advice they give to the minister and the government of the day can well be followed. In those years of depression when the expenditures we were able to make were not nearly as much as we desired to make to keep the defence forces of Canada in the condition they should be kept in, we had to buy the technical apparatus required, and particularly to keep up in usable condition the properties dotted all over Canada in the various military districts. It was no easy matter to maintain buildings and structures throughout the dominion, and when the hon. member cites an expenditure of $25,000,000 this year he should remember that only a portion of that sum could go for the purpose of keeping our equipment up to date, because a very considerable part of it has to go for maintenance, repairs, and replacement of structures such as barracks and the like.

The minister has made a spirited defence of his department. I think I can bear out all he has said with regard to the way in which the department is now run. We were carrying on most of the things which he has continued on very much the same lines, and we shall watch the continuance of the minister if he carries on his department along those same lines.

Mr. HAMILTON: In view of the remarks of the hon. member for Vancouver North (Mr. MacNeil) I feel it my duty to say a few words on this occasion. I happen to have been one of those who went overseas in the ranks of the Canadian forces and served as a sergeant for some time; I have some knowledge of the training of the first contingent on Salisbury plain and then on to the front. It has also been my privilege since the war to be in command of one of the regiments. While I respect very much the viewpoint of the hon. member for Vancouver North, and believe he is sincere in what he has said, yet I think it is hardly fair to call in question the splendid efforts that so many young men of Canada are making to-day in joining the militia. If the training they are getting is not adequate to the day—and I think perhaps it is not—the minister has indicated the reason. I also think it strange that the hon. member for Vancouver North, in view of the attitude which is taken by those associated with him with reference to preparing for military defence, should question the present effort to bring our forces to such a measure of perfection as may be possible.

Remembering that the day may come when our Canadian youth may have to take part again in modern warfare, as they did in 1914, it is a serious matter to assume the responsibility of not making those men ready for that eventuality. It is easy to charge militarism, but I submit that there are few men who served in the front line overseas who are really possessed by any spirit of militarism in these matters. I unhesitatingly say that we owe an obligation to the youth of Canada to see that if the day ever comes that they again have to face the reality of actual warfare, they have officers and non-commissioned officers sufficiently trained that the men will not have to pay the penalty in physical suffering or with their lives for that lack of training. We owe it to youth to train them to understand the instruments of warfare which they may have to use. That cannot be learned in a day or a month. One of the essential things for fighting men is that degree of training

which gives the discipline that holds when the moment of danger and strife comes, so that they then may act automatically, and be able to perform those things which without discipline they cannot perform. It is easy to say that this is advocating this, that and the other thing; I am not a member of the militia now, and have not been for some years, but in advocating this I do so with a view to the welfare of the boys themselves, because if the day of testing ever comes it will serve them well if they have some measure of preparedness and training in handling those instruments which they will have to handle and in conducting themselves in such a way as will save them under critical conditions.

Item agreed to.

Mr. BENNETT: I just want to inquire whether a master general of the ordnance has been appointed, who has been appointed, under what circumstances, whether or not he had been gazetted for retirement, and why he was brought back.

Mr. MACKENZIE (Vancouver): I shall be very glad indeed to answer that question. The position of master general of ordnance was never abolished. It was vacated some years ago, and the duties of the office were divided between the quartermaster general and the chief of the general staff. Brigadier Caldwell, who is the present master general of the ordnance, was appointed on November 22, 1935, and by order in council the duties of that office were copied exactly word for word, I believe, from the duties of a similar office in the united kingdom.

Mr. BENNETT: But the office had expired in this country.

Mr. MACKENZIE (Vancouver): I will explain that. In the first place the office was never abolished.

Mr. BENNETT: The last appointment was when?

Mr. MACKENZIE (Vancouver): On November 22, 1935.

Mr. BENNETT: And General Morrison—

Mr. MACKENZIE (Vancouver): I am coming to that. Appendix 6 of the King's Regulations and Orders, 1927, directs that the chief of the general staff and the quartermaster general shall perform the duties allotted to the master general of the ordnance, and then it says, "when the appointment is unfilled." Those words are in quotation marks taken from the language of the order in council.

In appointments, promotions and retirements of November 19, 1934, Brigadier T. V. Anderson was appointed quartermaster general vice Brigadier A. C. Caldwell, who vacates and proceeds on leave pending retirement to pension. Then the order in council says this "To draw pay and allowances to date of retirement to pension," and accordingly he was given ten months' leave of absence.

The situation is as follows: When I was entrusted with the responsibility of this department, I had some consultation with those who are responsible for the direction of policy. I found that in practically every other dominion of the empire they have taken steps to have what is termed in some countries a principal supply committee, a committee charged with the functions of surveying the industrial potentialities of the nation with reference to mobilization in case of trouble. While I agree with my right hon. friend that this position was not filled for several years, I considered that it was my duty to place the gentleman at duty. He was eminently qualified to survey the industrial potentialities of Canada, and to make a complete national industrial survey, and I am glad to say that substantial progress has already been made. His duties have been completely defined in an amendment to King's Regulations and Orders—

Mr. BENNETT: What date?

Mr. MACKENZIE (Vancouver): The duties are set forth in King's Regulations and Orders for the Canadian militia as amended by general order No. 12 of February 1, 1936. These are the duties as reclassified, following almost in toto, I am informed, the language of the appointment in Great Britain. In other words, the duties formerly carried out by the chief of the general staff and by the quartermaster general have been reassigned in this reclassification to the master general of the ordnance. My profound conviction is this, that there is nothing more necessary in the Dominion of Canada than the work which is being carried on in that office now. I found this—and I am certain that my predecessors found it also—that while the personnel of the militia, the air force, and the navy are splendid, the situation with reference to equipment is simply tragic. The duties of this officer are to survey the entire situation, the rifle situation, the situation with regard to all kinds of armament and all kinds of equipment, with reference to the necessity some day of the Dominion of Canada itself taking over the entire production of all equipment of arms in case there is national trouble, because I am a profound believer that private individuals and private firms should not be entrusted with the manufacture of armaments. I think some day Canada like other nations may be faced

with that necessity, and the idea I had in mind in appointing the master general of the ordnance was to survey the industrial field of Canada, and in a humble and unpretentious way to prepare for what may eventually be a dire necessity in this dominion.

Mr. BENNETT: I am afraid there is more heat than light in part of the minister's explanation.

Mr. MACKENZIE (Vancouver): No heat at all.

Mr. BENNETT: I ask now: What was the age of the gentleman? He was retired in November, 1934, and expressed himself as delighted with the treatment he had received. He was on pay and allowances for ten months during which he did not report for duty. He was on leave; he was not working from November, 1934, was it?

Mr. MACKENZIE (Vancouver): February 1, 1935.

Mr. BENNETT: From February 1, 1935. He went on leave and he had ten months leave with pay and allowances. What was his pay?

Mr. MACKENZIE (Vancouver): The same as now, $7,500 a year.

Mr. BENNETT: That included the allowances?

Mr. MACKENZIE (Vancouver): Yes; everything.

Mr. BENNETT: So he was on $7,500 a year for ten months without having any work to do?

Mr. MACKENZIE (Vancouver): He was entitled to that.

Mr. BENNETT: Quite so. What was his age?

Mr. MACKENZIE (Vancouver): I think just nearing sixty-two, but I cannot say exactly.

Mr. BENNETT: I only point out that, after being on leave for ten months, he is now appointed to a position paying $7,500 a year after having had nine or ten months with pay and doing no work for it.

Mr. MACKENZIE (Vancouver): He was entitled to that.

Mr. BENNETT: He was gazetted for retirement; he was retired. The importance of this, Mr. Chairman, is because of the urgent necessity for economy which is urged by the government on several occasions. This gentleman was retired, I think it is fair to say, partly at his own desire, and he got his leave for ten months, to which he was entitled under regulations, at his full salary of $7,500. His pension was fixed, settled and determined, and his name will be found in the gazette of I do not know what date, but some time in 1934, I think, and his leave began to run from February through March, April, May, June, July, August, September—

Mr. MACKENZIE (Vancouver): Pension would not be authorized until retirement was complete.

Mr. BENNETT: It is provided by regulations.

Mr. MACKENZIE (Vancouver): No.

Mr. BENNETT: Because if anything happens in the meantime you have to deal with it in another way. He had his pension provided under the law, towards which pension he had contributed like any other official, and then a few weeks before he would have gone out of office he is reappointed to this position. This creates a very strange precedent in this country. This man had accepted his retirement, was getting full pay and allowances for ten months, and would have gone on the pension list in a few weeks, and then he was appointed to an office that had not been filled for a period of nearly nine years. He was appointed in November, 1935, shortly after this government came into office, to the position of master general of the ordnance, a position that, according to my information, had not been filled since the late General Morrison died. Under such circumstances this involves a very strange departure from the ordinary rules that govern in cases of this kind, and raises the question of an official, once having been gazetted and accepted his leave—it is not as though he did not accept it—and having no work to do for nine months—

Mr. MACKENZIE (Vancouver): He had no alternative; he was retired.

Mr. BENNETT: He was quite satisfied to be retired. That is the story so far as I knew it at the time.

Mr. MACKENZIE (Vancouver): It is not quite the story, I am sorry to say.

Mr. BENNETT: Is it not just a case of political jobbery?

Mr. MACKENZIE (Vancouver): No, absolutely.

Mr. BENNETT: I do not think there is any doubt of that in the mind of anyone who knows the story. The minister himself is not one who knows all about it.

Mr. MACKENZIE (Vancouver): I must say I am. I accept absolute and complete responsibility for this appointment. I make this statement to this committee: Not a single soul made a recommendation to me with reference to Brigadier Caldwell. I submit I have kept away from partisan considerations in considering the estimates of the Department of National Defence because I think this is the one department which should be kept absolutely free of partisan considerations. I regret very much that my right hon. friend, who made such a noble and inspiring speech in London last night, should attribute political motives to a man who is just trying to reorganize a service and do the best he can. I believe the retirement of Brigadier Caldwell was a mistake. It was done without his consent, but that was not the reason I took him back. I took him back because I realized the necessity of the reorganization of the industrial resources branch and I take complete and sole responsibility for the appointment. As a matter of fact, I am certain I have rendered a service to the Dominion of Canada and possibly future development will prove that I am right.

Mr. BENNETT: I suppose there has never been a more disconcerting example of an injurious effect upon the service. Let me put to the minister what he would have said if he had been on this side of the house. Here is a man who was retired. He is gazetted as being retired. The order in council was passed in 1934 and he was entitled to ten months' full pay and allowances without service, having earned this. There is a change of government and the whole morale of the department is at once shot by this man being put back into a position which had been abolished since the death of General Morrison. That is the situation. What is more likely to have a serious effect upon the morale of that department? The minister says that I should not make these statements because I have an interest in these matters, but that is why I am making them. I cannot conceive of anything more calculated to make it at once apparent that the department is no longer being conducted on the basis of merit, but that it is being conducted on the basis of political pull.

Brigadier Caldwell's politics were well known. I am glad to hear the minister say that no one had anything to do with the appointment except himself because that places the responsibility where by law it belongs. This man received nine months' pay without doing anything for it, and I ask the minister: What is being done to offset such an example in the department? I say that the course pursued is injurious to the morale of the department. At the same time we hear of a police magistrate, Mr. Jimmy Douglas, being removed from office in the Northwest Territories, in the interests of economy, and someone in the Department of the Interior is to discharge his duties. That was done in the interest of economy. If an industrial survey were desired, such a survey had been partly made by the Department of Trade and Commerce in the census.

Mr. MACKENZIE (Vancouver): Not of this nature.

Mr. BENNETT: I know all about the nature of this survey because it will be recalled that the United States undertook the same sort of inventory of their industrial resources. This matter has been brought to my attention by people in various parts of Canada. Has the money which this man got for no service at all been returned to the department? When he retires again will he be entitled to ten more months? He has had nine months so far without doing anything.

Mr. MACKENZIE (Vancouver): If he retired to-morrow, of course it would be at the discretion of the minister to decide whether he was entitled to that.

Mr. BENNETT: The order in council provides for that?

Mr. MACKENZIE (Vancouver): That would be at the discretion of the minister.

Mr. BENNETT: He had been a long time in the service, and mark you, this is the odd part: he does not add to his pension as he had completed the maximum term of service. Just think what an example this is to the militia of the country! The hon. gentleman made a plea a moment ago for support and I endeavoured to assure him, as the former minister did, of our great willingness to assist. I wonder whether the minister read the article attributed to his secretary as correspondent of the Vancouver Sun stating what the minister was going to do to the brass hats?

Mr. MACKENZIE (Vancouver): By whom?

Mr. BENNETT: The present private secretary of the minister, who was at one time the correspondent of the Vancouver Sun, Mr. Senior.

Mr. MACKENZIE (Vancouver): I think that is incorrect; I think it was somebody else.

Mr. BENNETT: I read the article. He was the correspondent for the Vancouver Sun and he is now the minister's private secretary.

Mr. MACKENZIE (Vancouver): That is correct, and a very good one.

Mr. BENNETT: About the time he assumed office this article appeared in the Vancouver Sun.

Mr. MACKENZIE (Vancouver): He was not the Ottawa correspondent of the Vancouver Sun.

Mr. BENNETT: He was here at one time doing special work.

Mr. MACKENZIE (Vancouver): I do not think so.

Mr. BENNETT: Oh, yes, I saw him and I saw his articles; do not make any mistake about that. I think if the minister will carry his mind back he will have no doubt about that. I wonder whether the minister saw that enlightening and inspiring article as to what he was going to do to the brass hats? The minister has been making a plea to-night for cooperation, but I think he should read that article which appeared in the Vancouver Sun from Ottawa, special, indicating what was going to happen to the brass hats about the time when, in the interests of this country, he appointed Brigadier Caldwell to this job which had not been filled for a long time. Brigadier Caldwell was over sixty-two years of age; he had served the maximum of time and had been gazetted as retired; he had received nine months' pay and allowances for not doing any work, and then he is appointed to this position paying $7,500. It is just this sort of thing that gives support to attacks such as that made to-night by the hon. member for Vancouver North (Mr. MacNeil). It is things like this that spread all over the country. I have met men in every walk of life, men here and in the far west as well, who knew of it. This is regarded as nothing better than political jobbery, having regard to Brigadier Caldwell's well known political views.

During the time he was half out and half in, so to speak, when he was no longer an employee in the narrow sense of the term, when he did not need to go to work because he was on leave of absence with full pay and allowances, he had no illusions as to his being once more a private citizen. I am sure if the hon. gentleman will inquire into the expressions of his opinion he will find that they were not entirely complimentary to those who for the moment happen to administer the government of the country. If an investigation were held and his opinions were challenged, I think it would be found that there is a section in the act that comes perilously near to endangering his whole position. This is something I mention to the minister because I cannot but think he suddenly acquired a knowledge of the details of the personnel of the department from October to the early part of November which was really amazing, considering the difficulties he expressed in getting a complete appreciation of other details of perhaps greater importance. I mention that merely in passing. I bring this to the attention of the minister because in several other matters economy has been the plea. It seems to have been forgotten in this particular case, as it was in the appointment of an assistant in the electoral office. I merely say to the minister that the general view of those acquainted with the facts is that this is a bit of political jobbery. He assures us that nothing but the highest of motives and an earnest desire to serve the state synchronized with the possibilities of Brigadier Caldwell being available for the job, and that this synchronization brought about his reappointment to a position that had not been filled for nearly ten years; and it is now to be filled by one whose peculiar qualities are that he had been retired on nine months' retiring allowance and full pay.

I congratulate the minister upon his loyal exposition of the reasons that brought about the result, but I cannot give him a very strong recommendation for the judgment he has exercised. For I think he would have no difficulty in selecting at least half a dozen —and I think I could name them to him— who would be more sprightly and would be better qualified to discharge the duties to which the hon. gentleman has referred. I only mention that, because I have no desire to do more than get the explanation on record. It is useful for many purposes, among them as showing how spasmodic the love of economy is and that, like lightning, it does not seem to strike often in the same place. An old gentleman who served in this house very faithfully and efficiently, and to whom the usual courtesies might be extended by those who find themselves in power, is retired, in the name of economy, as a stipendiary magistrate in the Northwest Territories, while a boy is retired from the radio service because his father was a violent partisan—all this in the interests of economy. There was not much economy about this appointment.

Mr. MACKENZIE (Vancouver): There will be in the end.

Mr. WOODSWORTH: Before we carry the last item, which has been held over, there are just a few general remarks I should like to make with regard to the Department of National Defence. My colleague from Vancouver North (Mr. MacNeil) has been charging obsolete equipment and obsolete methods, and I would go a little bit further than that and venture to suggest that war itself is an obsolete method of trying to settle international disputes. And for that reason, when these National Defence estimates are under consideration, we might at least once a year ask the more fundamental question as to what we are getting as a result of this enormous expenditure.

The minister has said that the policy of the department is not necessarily a policy that changes with a change of administration. That, I suggest, is really the trouble. We have inherited a military establishment and a theory of national defence and we have not stopped to examine the efficiency of that establishment or the soundness of the theory. In an article I read a short time ago in the Ottawa Journal, taken from the Financial Post, the writer states that the cost of the war has amounted to a grand total of $4,341,488,904. Now, that is the cost in dollars and cents, which, as the Minister of Finance confesses, is a major factor in our budgetary difficulties to-day; and none of us can estimate the cost in human wastage and the disorganization of society that has taken place.

Feeling this way some of us can hardly sit quietly year after year without at least uttering a protest against the continuance of a policy which is not bringing results. I know that some members of the house simply hurl at us the epithet "pacifist," and they think that this settles the matter. Well, I suppose it is easy for us to retort that they are militarists. But I do not know that this sort of thing gets us very far. I know we all want peace; that is taken for granted. But I suggest that we differ materially on the question as to how to attain peace, and under these circumstances those of us who have a theory other than that which is generally held by, I believe, the majority in this house, regard it as our duty to try to state our position.

We have heard it said to-night that there should be no party divisions in a matter of this kind. I suggest that in the days to come this matter of national defence, inextricably intertwined with the question of foreign policy, must become a political issue; there is no way out. Indeed, it should become a political issue because the people to-day are no longer united as to the efficiency of this method or attempted method of arriving at national security. We talk sometimes about fire protection. I can quite understand that it is all very well for us to come and talk about fire engines and ladders and hose and things of that sort; but if we are living in a city of jerrybuilt frame houses; if we have no proper wiring arrangements, no building inspection, it is manifest that though we maintain an efficient fire brigade and have finely equipped fire engines and all the rest of it, that will not prevent our city from burning down. We have to approach the matter in a far more scientific way. And so I want to ask this minister, as I have asked previous ministers, exactly what the policy of his department is.

The minister said not long ago at a meeting of the Canadian Artillery Association:

> In my mind there are two cardinal and guiding principles to be borne in mind when establishing a system of national defence. First, we must have defence forces sufficient to control subversive elements from within, and secondly, to repel attacks from without.

The other day in making his statement of policy—and I commend him for having done this—he made no reference whatever to this point which he regarded as of primary importance, namely, to take care of the subversive elements from within. I am not going into that matter to-night, but I point out once more that if we give our people a decent chance we shall not need very many policemen and we shall not need any military organization. I state that as my belief and the belief of a large number of people whom I am trying to represent.

We are to repel attacks from without, we are told. I am sometimes accused of being an idealist, but to-night I should like for a few minutes to be very practical indeed. I would ask the minister and the house whether we expect any European country to attack us. Would Germany attack us? Would Italy attack us? I do not think for a moment that the great United States to the south of us, with its Monroe doctrine, would permit anything of the kind. You may say: Well, but you are simply depending upon another nation. I am not particularly concerned with what the implications of all that kind of thing may be, but I submit that if we are thinking about some foe from Europe we are putting up a hypothesis which has no basis in fact. Do we expect Japan to attack us from the oriental side? I would say that there are many other countries nearer at hand upon which Japan might cast envious eyes. And again, the United States, with its Monroe doctrine, would not suffer any invasion of the north American continent.

Mr. REID: Do not be so sure of that.

Mr. WOODSWORTH: My hon. friend says "not so sure." I do not think so. I do not for a moment imagine that Japan would attack Canada.

Mr. McGREGOR: There might be a "scrap of paper."

Mr. WOODSWORTH: Quite so, and if a scrap of paper were involved I should like to know how that wonderful fleet we have is going to protect us. It is tommyrot to talk about a ship or two standing against the fleet of Japan.

Mr. HARTIGAN: We would have a few trained men, though.

Mr. WOODSWORTH: I ask the minister whether we are prepared to defend ourselves against the Japanese fleet in the Pacific. What about the United States? Is the United States likely to attack us? I fancy United States financial interests have a great part of what is worth having in Canada, anyway, and they have secured it, not by means of military tactics but by way of financial penetration. But if they did want to attack us, does any sane man believe that we, with a small population of ten millions, could stand out against a population of 120 millions; that we, with this great army that we hear so much about, so splendidly equipped, would be able to hold out against the armies of the great republic to the south of us? The United States does not want to attack us; there is no doubt of that. Then against whom are we really arming? Are our defence forces to defend us against any possible enemy? Again I say, no. I think it was the minister who said the other day that we ought to have reasonable preparation for the defence of our country. Have we reasonable preparation to-day? I cannot think we have reasonable preparation whereby we can stand alone against any enemy that might attack us.

From another angle altogether than that which has been presented so far, I ask: Are we justified in spending these large amounts with the idea that they really give us security? The minister went on to say that we have certain League of Nations' commitments. I should like to know where we stand in that regard. I have asked the Prime Minister, and so far he has declined to tell the house what our commitments are, and whether or not there are any understandings.

Mr. HAMILTON: Does the hon. member want to start a war?

Mr. WOODSWORTH: I think it is a most extraordinary position for the government to take. Mr. J. M. Macdonnell recently had a letter in the London Times, in which he suggests that Canadians might be divided roughly into three groups with regard to foreign policy: those who believe in isolation or security through their position on the north American continent; those who still maintain pretty much the attitude that most people had in 1914, that is that we are an integral part of the empire and must rush to the empire's assistance; and those who place some reliance, at least, upon the League of Nations or cling to the idea of collective security. If we in Canada are so divided, is it not about time that the Canadian people knew at least where the government stands on this matter? I think it is. Before we go on passing these estimates from year to year we should know whether we are to have any commitments under the League of Nations. I do not believe that the majority of the young men of to-day are willing to join an expeditionary force organized by the League of Nations and risk their lives in Ethiopia or in some part of Europe or Asia. We may have, the minister says, as one of our obligations certain imperial commitments.

Mr. BENNETT: He did not say that.

Mr. WOODSWORTH: I think we ought to know from the government—

Mr. BENNETT: I did not understand the minister to say that.

Mr. MACKENZIE (Vancouver): No.

Mr. WOODSWORTH: I have his words before me. I will look them up. He said that it might be necessary for us to send a force because of our position in the British empire.

Mr. BENNETT: About the British empire; that is another matter.

Mr. WOODSWORTH: He said:

> The defence of Canada is concerned with four possible developments. In the first place there is the defence of our own coasts; second, the defence of our neutrality in the event of war between other nations; third, the possibility, which I hope is a very remote one, of Canada being compelled at any time to dispatch an expeditionary force in order to fulfil her obligations under the terms of the covenant of the league, and in the fourth place the possible dispatch of an expeditionary force consequent upon any contingent developments in relation to our position in the British commonwealth.

Mr. MACKENZIE (Vancouver): There is no reference to our "imperial commitments."

Mr. WOODSWORTH: If the minister says that we have no commitments I am very glad indeed. If there are no formal commitments, at least he must have in mind certain obligations which we may have towards the British empire.

Mr. MACKENZIE (Vancouver): May I say that the only obligations as far as I am aware are those arrived at at the imperial conference in 1926, whereunder each dominion of the empire is responsible for its own defence.

Mr. BENNETT: And discussions by the general staffs.

Mr. MACKENZIE (Vancouver): That is correct.

Mr. WOODSWORTH: I am delighted to have that statement by the minister. Then I think we come down to some obligations which we, as one of the dominions, might feel we owe to the British empire, or, as we commonly speak of it, to the motherland. Personally I have a very high regard for Great Britain. I think we owe Britain an enormous debt for our language and our literature, for our political institutions and our traditions. But I, for one, do not feel that we have any particular military obligations. Our burden of debt in this country has been incurred to no small extent because of our British connections. I do not want to weary the committee, but I happened to have my attention called only the other day to a rather outstanding statement by Mr. Sandford Fleming at the proceedings of the Imperial Federation Colonial Conference in 1887. We are struggling to-day under the burden of our railway debts. Mr. Sandford Fleming at that time made this statement, that the purpose of building the Canadian Pacific railway was to consolidate British interests on the western continent. He said:

> Their efforts have culminated in establishing across the widest part of North America a great national railway, destined, we believe, to become an essential factor in the defence and future prosperity of the empire.

He went on to mention a great many of the steps through which this had come about, and he said:

> There has been a continual solicitude on the part of the home government for the maintenance and extension of imperial interests in North America.

He also said that:

> Canada, in deference to imperial wishes and needs, has adopted the policy of establishing these great lines of communication, and that she has ... been impressed with the conviction that she was promoting the general interests of the empire, and contributing not a little towards its consolidation and defence.

[Mr. T. Mackenzie.]

He called attention to the peculiar incident that:

> The last rail had not been laid many days when a consignment of naval stores passed through to the station of the north Pacific fleet from Halifax.

And he commented:

> This one fact must be recognized as of striking significance, as it clearly shows the immense political value of the Canadian railway. This new line practically brings what was once the most remote naval station, in the most distant colony of the empire, within about two weeks of Portsmouth.

And he said:

> I only desire to draw attention to the fact that it is the outcome of a policy initiated by the home government, and continually pressed on Canada by the home government. This great imperial line of communication is the growth of half a century; it has been established by the Canadian people without cost to England. Even the expenditure made by the home government on the preliminary surveys for the line between the fortresses of Halifax and Quebec has been refunded. The railway across the continent has involved an expenditure of £48,000,000, of which about £24,000,000, the exact amount being £23,966,000, has been paid by the government of Canada in subsidies or without prospect of return.
>
> Canada does not ask to be relieved of any of the burdens she has assumed, she brings all her costly works as a contribution to the common defence, and she desires that they may be made available in the most advantageous manner to the empire.

He goes on to say that even the lines of ships that were being established on the Pacific were part of this general scheme, and he continues:

> It is obvious that a sufficient number of such ships for the two postal services across the Pacific, available as armed cruisers, would be of immense advantage in any emergency, while at ordinary times they would be actively engaged in the development of commerce.

I have ventured to give these quotations simply because some of us have constantly to listen to the reproach that Canada is not playing her part in the defence of the empire. Just from the standpoint of dollars and cents I venture to say that Canada has made very great contributions indeed. Our great debt is largely the result of our connection with the empire, and the last war did not come through any immediate interest that Canada had at that time in Europe, or in European affairs; we were drawn in because of the failure of the statesmen of Europe to put international affairs on a sound basis. As Lloyd George, I think it was, said, we simply bungled into the war. Now Great Britain, under the Baldwin government, seems committed to a policy of military expansion. It was only on February 27 last that Vis-

count Swindon, air minister in the House of Lords, said that the old policy of no war for ten years had been abandoned. When asked how soon war was expected he answered that the government hoped to be prepared in four years. I made that notation in February. Now we have a score of statements which would seem to indicate that it will be nothing like as long as that before we might have war.

I think it is high time that we asked what should be Canada's position in the event of hostilities breaking out in Europe. Are we to be prepared, as the minister would seem to suggest, to face the possibility that we might have to send an expeditionary force to the aid of Great Britain? Well, I do not want to fall down in an emergency, but I do not think we should let things go and allow Great Britain to become involved while depending in any way upon our activity, and then funk it at the last. I think those of us who believe that Canada should stay out of war should give a fair warning to Great Britain at this time that she may not expect any expeditionary force to be sent over from this country because there has been bungling in Europe. I think that ought to be said to Great Britain at once. Personally—and I do not intend to go into this matter at length—I think we should adopt the attitude that South Africa has taken, and the statute of Westminster should be supplemented by our claiming the prerogative of declaring war or peace on our own behalf.

Mr. MACKENZIE (Vancouver): Does my hon. friend say that he would follow South Africa with regard to a policy of defence?

Mr. WOODSWORTH: No, I was not saying that. I said that I thought we should follow the policy of South Africa and claim the prerogative for Canada as to whether or not Canada should be at war.

Mr. BENNETT: So we do. We cannot send a single man out of this country without the consent of parliament.

Mr. WOODSWORTH: I am quite well aware of that; I suppose that since the statute of Westminster was passed we have it entirely within our own hands as to whether or not we should send troops, but technically when Great Britain is at war Canada is at war. I think very few will deny that. I know I used to talk over that aspect of the situation with the late John S. Ewart, and many hon. members will recall Mr. Ewart's position in that regard. He seemed to think there might be a kind of personal union which might allow Great Britain to be at war while Canada remained at peace, but as far as I can ascertain that position is not altogether maintained by some of our leading authorities in international law.

I had not intended to take up this matter tonight, but since I have introduced it, I should like to mention one or two points along that line, from some notes I made some time ago. Since the passing of the statute of Westminster the dominion may make any laws it likes, regardless of whether they conflict with British laws or have effect outside the borders of Canada, provided only that they do not conflict with any limitations imposed by the British North America Act. The conduct of foreign relations, being a matter governed by royal prerogative and not by statute, was unaffected by the statute of Westminster. The governor general in Canada represents the king and exercises the royal prerogative by delegation for the purposes of the dominion government. His powers are set out in the letters patent and instructions which govern his office, to which have been added certain other powers by constitutional usage. The conduct of foreign relations, however, is not included in these powers. Every Canadian treaty above the level of a mere convention or trade treaty must be ratified personally by the king in London. To put the matter in a nutshell, Canada has now full control over her own legislation, but not full control over the executive functions of her government. What is needed is to round out her control over the executive function in the same way that the statute of Westminster rounded it out over the legislative function.

It has been suggested to me by some legal friends whom I have consulted that this might be done in one of two ways. In the first place new instructions might be issued to the governor general stating specifically that he had power to represent the king in every aspect of the domestic or external affairs of the dominion, such power to be exercised on the advice of his majesty's ministers in the dominion. In other words, Edward VIII might delegate the whole of the prerogative to the governor general instead of merely a portion, as at present. This simple act involves no legislation and no amendment of the British North America Act. At the same time it probably would be necessary to give the governor general a great seal to be affixed to all treaties and documents dealing with external affairs. Such a seal is now possessed by the governors general in both the Irish Free State and the Union of South Africa.

Mr. BENNETT: But not for use for those purposes.

Mr. WOODSWORTH: It has not been used for those purposes but it might be so used.

Mr. BENNETT: No.

Mr. WOODSWORTH: There is another method. Since the passing of the statute of Westminster it is probably lawful for the parliament of Canada to pass a statute declaring that the royal prerogative over foreign affairs is vested in the governor general. The wide language used by the privy council in the case of British Coal Corporation v. The King, decided last summer, in which the dominion power to abolish appeals from Canadian courts in criminal matters was upheld, suggests, to use the words of Professor Berriedale Keith, in the Journal of Comparative Legislation, 1935, at page 274:

—that any royal prerogatives in respect of a dominion may under suitable legislation be controlled by that dominion.

There is no logical reason why, if dominion legislation can abolish the prerogative right of appeal to the foot of the throne, it cannot also declare that all prerogative powers in regard to external affairs relating to the dominion are henceforth to be executed by the governor general on the advice of his Canadian ministers.

The only question that may arise is whether such a dominion statute might conflict with section 9 of the British North America Act which reads:

The executive government and authority of and over Canada is hereby declared to continue and be vested in the queen.

Mr. BENNETT: It would run contrary to the preamble to the declaration of the statute of Westminster, too.

Mr. WOODSWORTH: In view of the element of uncertainty in regard to method 2 above it might be best to employ method 1, namely issuance of new instructions. If such instructions were requested by the dominion government it would be difficult if not unconstitutional for a British government to refuse to issue them.

In 1934 the Union of South Africa secured for herself precisely what Canada now lacks; in that year, by the Status of Union Act and the Royal Executive Functions and Seals Act, the union parliament declared that:

"The executive government of the union in regard to any aspect of its domestic or external affairs is vested in the king, acting on the advice of his ministers of state for the union, and may be administered by His Majesty in person or by the governor general as his representative;"

They provided the governor general with a great seal and a royal signet, and they added the following provision:

[Mr. Bennett.]

"6. (1) Whenever for any reason the king's signature to any instrument requiring the king's sign manual cannot be obtained or whenever the delay involved in obtaining the king's signature to any such instrument in the ordinary course would, in the opinion of the governor general in council, either frustrate the object thereof, or unduly retard the dispatch of public business, the governor general shall, subject to such instructions as may from time to time, in that behalf, be given by the king on the advice of his ministers of state for the union, execute and sign such instrument on behalf of His Majesty, and an instrument so executed and signed by the governor general and countersigned by one of the king's ministers of the union shall be of the same force and effect as an instrument signed by the king."

The proposed step would therefore place Canada on terms of complete constitutional equality, not only with Great Britain, but with her sister dominions of South Africa and the Irish Free State.

This proposal might perhaps better have been made on the more general question of external affairs. But I have ventured to deal with it to-night because I feel that the outstanding weak spot in our relationship with Great Britain is the fact that if Great Britain were involved in war we might automatically be regarded by other nations as being at war. Our shipping might be attacked. Conceivably the United States might undertake to invade Canada. That is highly improbable of course, but I speak of the constitutional aspect. In that case Canada would simply be a second Belgium. I remember a strong Conservative saying to me several years ago that if any such contingency arose the only thing for Canada to do would be immediately to declare her independence. This gentleman was not only a Conservative, but a very strong imperialist. However, I think he viewed things in a practical way. Now I do not think that situation is fair to Great Britain. If Great Britain became involved in a European war I do not think it would be fair for us at the very last moment to say: We are not going in; we will stay out. Therefore I suggest that the government might take some action along this line and make very sure that Canada would not be forced into such a position.

I come back to this: It seems to me that the minister, if not to-night, then on some occasion in the not distant future, and if not the Minister of National Defence, then the government through the Prime Minister, should state to us definitely just what we are prepared or expected to do in case of emergency. Is this country prepared to send an expeditionary force to the help of the mother-

land? Is she prepared to go to the assistance of the League of Nations? I think we ought to know that.

Mr. BENNETT: She has said so.

Mr. WOODSWORTH: Well, if she has said so I think we ought to have it stated by the government at this time.

Mr. BENNETT: It is in the covenant.

Mr. JACOBS: Canada is a member of the league.

Mr. BENNETT: We cannot be in and out at the same time.

Mr. WOODSWORTH: A great many people at this time have declared that the league has failed and that Canada need not take her obligations seriously.

Mr. BENNETT: Oh, no.

Mr. WOODSWORTH: Oh, yes. And if that is so I submit that in all fairness we should say so.

Mr. GOLDING: What is your position?

Mr. WOODSWORTH: I am not concerned now with my own position, but I have no hesitation whatever in stating it in a general way. As far as the league is concerned I hope we shall have an opportunity of discussing it, and I say that the league has failed to this extent, in that it has followed up only certain parts of the covenant. Other parts of the covenant it has entirely neglected, and for that reason so far as I am concerned I do not propose simply to rush over to the military defence of the league when we have steadily refused to undertake to carry out our obligations under other clauses of the covenant. I think the whole treaty of Versailles needs to be revised, and the control of the league and even perhaps the formation of the league need to be fundamentally recast before it will assure for us the security and the peace for which it was designed.

In conclusion I say that we have no clear-cut obligations from the military standpoint which I think the large majority of Canadians are prepared to back up. If it comes to the defence of our own shores we alone are not in a position to hold off any and all comers. On the other hand, as I said at the beginning, I think we are secure in our position on this continent; my conviction is that we are a great deal safer without an army than with an army. That may be called a paradoxical statement; I do not think it is. Believing that from the bottom of my heart, I feel it my duty to put forward that point of view to-night. I think military defence offers no guarantee of security to this country. I am as anxious for peace as anyone. I hope no one will rise in his place and say that I am merely a wild idealist or that I am a coward because I oppose military expenditure. War is an obsolete method of securing peace and the sooner we begin to devise a better method and to carry our plans through at whatever cost may be involved, the better it will be for this country and for the world at large.

Mr. MacNEIL: I may be risking the displeasure of the committee in prolonging the discussion, but I see no reason why we should not scrutinize the enormous expenditures of the Department of National Defence with the same care and exactitude as we examine comparable amounts voted for social service. The minister and other hon. members have accused me of inconsistency. I stated my reasons very clearly for moving a reduction of the vote for the non-permanent militia. I was not criticizing the personnel, or at the moment the necessity of some measure of national defence. I stated that I was protesting against wasteful and misdirected expenditure. I reiterate what I said before, that if we are paying for national defence we have a right to expect efficient national defence. Sir John French visited Canada and inspected the Canadian militia and he said something that has the same force to-day as when he uttered it in 1910. He said:

> A sound system of organization is the cornerstone of all military efficiency.
>
> Unless this is based on a correct appreciation of the characteristics of the country and the requirements of modern war—

I emphasize that phrase.

> —waste of strength and resources will certainly result, and the people of the dominion will not get the best value for their money.

That is my point, practically the only point I made in this discussion, and one with which I am sure eminent men in military circles are bound to agree. But as my information has been challenged and it has been indicated that it is not generally accepted, I submit to this committee some evidence from gentlemen who have made a careful study of the question. I refer to an article appearing in Maclean's magazine of May 15, entitled "Our Bow-and-Arrow Army" written by Lieutenant Colonel George A. Drew, well known to many hon members of this house. Colonel Drew says in part:

> But in whatever light this expenditure be regarded, every Canadian is directly concerned with the results obtained, from the standpoint of national defence on the one hand and of national economy on the other.

For some reason that is not easy to understand, succeeding ministers of national defence have shown a marked disinclination to take the public fully into their confidence in regard to the organization and efficiency of our national defence forces.

Again he says:

It is time for the Canadian public to awake to the fact that the Canadian defence forces are inefficiently organized, are badly equipped, and have very little opportunity for carrying out training that would fit them for modern conditions of warfare.

That is his statement and it confirms the judgment I expressed previously, that under our military organization the men get very little opportunity for that training. My remarks were opened with a plea that the opportunities which occur in civil aviation should be more fully developed by the department, but I feel that they are cramped at the present time by the appropriations made for the military branch.

I would refer to an article appearing in the current issue of Cavalcade by Mr. Thomas Wayling, himself an ex-service man, under the heading, "We are too fat to fight," and the subheading, "In the great war, fifty-three regiments; in hard times 263 regiments," and I advance this to show that I am on sound ground in questioning the manner in which this expenditure is made because Mr. Wayling brings forward conclusively the argument that for less money we might have greater efficiency in national defence and make good in some degree the deficiency which, I feel, exists to a marked extent in our social services, which are starved to provide for the wasteful expenditure in this regard. Mr. Wayling says in part:

By the present disposition of the forces the Canadian army is too fat to fight—is hampered by an ill-fitting uniform.

Look at the fighting record of the great war, when about the middle of hostilities the dominion had 4,452 officers and 104,251 other ranks in France; a compact fighting machine.

To-day Canada has 5,531 officers and 37,153 other ranks. The permanent force numbers 411 officers and 3,098 other ranks, the rest are non-permanent active militia.

In France, in the midst of the most desperate struggle, one officer to every twenty-four men. To-day one officer to every seven men.

Too many officers, not enough men.

The reason: the bulky, obsolete, militia system. Canada is too fat to fight; her military defence forces are scattered in innumerable units, the multitude of which is the army's chief weakness.

And chief source of wasteful expense.

The headquarters staff costs over $96,000 a year in pay and allowances. And there are eleven district headquarters. In pay and allowances these headquarters staffs, chiefly officers, cost $227,226 in 1933-34. They spent $10,892 on travelling expenses. Then we put on cadet services that cost us $142,000 annually. The non-permanent active militia salaries at Ottawa totalled $25,339, the allowances to the active militia, $109,036, the annual drill cost, $1,181,468, the grants to associations, $93,183, the maintenance of military properties, $219,879, and salaries and wages, $340,926.

Canada had three divisions in the line and one in reserve in France with a reserve division in England. The Canadian corps included corps headquarters, four infantry divisions, and corps troops. Four infantry divisions means forty-eight battalions.

Then he gives a table of comparisons, then and now, as follows:

Then and now:

	1918	1936
Infantry units	48	126
Cavalry	2	36
Artillery	3	101

The multiplicity of units is the adipose tissue on Canada's fighting forces. The units shown in 1918 were actual fighting units up to strength; the present units are skeleton.

Military commentators declare the war was won by subaltern and other ranks. These were numerically strongest in the war days. The subalterns who were the back-bone of the Canadian corps are now in the minority and the men are few.

We have major-generals, brigadiers and colonels and other senior ranks far in excess of the establishment based on rank and file.

Every separate military unit means a headquarters and senior officers—

Mr. BENNETT: May I ask the hon. gentleman: Does he regard Mr. Wayling as an authority upon anything?

Mr. MacNEIL: On the facts.

Mr. BENNETT: Not even the facts.

Mr. MacNEIL: They may be confirmed by reference to the auditor general's report.

Mr. BENNETT: Those are the figures of expenditure only in the auditor general's report.

Mr. MacNEIL: Mr. Wayling's opinion, I submit, should be given weight, and his opinion as expressed in this article is upheld by many of those with military experience in Canada. He says:

Why should not Canada's military forces be stripped of all this surplus fat?

Given efficient cooperation and a sane, sensible policy they would build up out of the plethora of nondescript material, a small but workable service, creating one unified cohesive unit where half a dozen scratch battalions now exist.

Reorganization cannot long be delayed. There is too much overhead, too much waste. Parliament has time after time cut the military estimates but national defence has not cut its coat according to the diminishing pattern; rather has it snipped chunks off the larger pattern.

The military forces can be reorganized and the old traditions still retained.

I submit that there is conclusive evidence which may be gathered to show that this vast

expenditure of public moneys could be directed into more useful channels for purposes of defence and training.

I conclude my remarks with a further reference to an accusation levelled at me by the minister, suggesting that I failed in admiration and appreciation of the voluntary services rendered by the militia. Some reference was made to hollow-chested youths, to some extent, in the militia. I suggest to the minister that if he has this reverence and admiration for these young men which he professes, the department should recognize some responsibility for their nourishment, housing and physical stamina, so that they may be more effectively utilized for purposes of national defence and the general development of the nation.

Mr. BENNETT: Although the hour is late there are some statements made by the hon. gentleman who has just taken his seat (Mr. MacNeil) that should not be permitted to remain on Hansard without at least some attention being paid to them. I can quite understand that the minister, having been held up by Mr. Wayling as a model of St. George about to engage in mortal combat with the dragon, might hesitate to controvert the declarations of Mr. Wayling, but I am sure that no member of this committee has a clearer appreciation of the unsoundness of the statement that has just been read than the member who has just taken his seat. To compare war conditions with militia conditions in Canada is an insult on the part of Mr. Wayling to the intelligence of the Canadian people. Just think for a moment what the position is. Why did the militia come into being? If one goes back to the days of Sir George Cartier, he will find the story of it. The Militia Act in essence was to extend to every part of Canada the opportunity for those who so desired to train and constitute a part of the active militia of the country, and that is the reason that it is scattered over every part of Canada.

Mr. Wayling suggests that in the war the regiments were at strength. Of course they were. That is the job of recruiting, the job ultimately of conscription, to maintain the units at strength. The reason the militia units are not at strength is obvious, and it may not be unattributable to just such discussions as have taken place in the house during the last few days, and to attacks such as that made by Mr. Wayling.

I put it to any member of this committee: What would you think if you were asked to compare the regiments of the Canadian army in France and England with the skeleton units that are scattered all over Canada, and then were asked to say that because there is only a skeleton unit of the militia forces in this country at the present time, therefore there is too much fat in it, the militia, and it should be cleaned out and cut down to the number at full strength that existed during the war. No one but Mr. Wayling would possibly have made an argument such as that. A columnist who is paid by the column always does that because it has to be padded up with a semblance of fact, a semblance of a semblance of fact. It is made to appeal to every possible kind of prejudice and passion in those who take a certain view with respect to a matter of this kind.

Our militia goes back to the days of Cartier. I believe he piloted the first Militia Act through this house. One section of that act has never been changed since the time it was put upon the statute books; that is the section with respect to the necessity of consultation by parliament before there could be any possible chance of Canada engaging in hostilities outside the defence of our own country. Why is it that we have a unit in Nova Scotia, another in New Brunswick and others in the different military districts throughout the country? Why have we one in Quebec? Why is it that on Sundays we get over the radio the music of the band under Captain Gagnon? Why is it that we have these military districts across Canada? Why is the minister, according to the daily press, establishing a new one here in Ottawa? This is done in order that in every section of Canada from the Atlantic to the Pacific there should exist the nucleus of some militia unit. It might be engineers; it might be artillery; it might be a machine gun corps; it might be a medical corps, it might be infantry or cavalry; they are all nuclei of units being maintained in the different sections.

Anyone who is familiar with the story of the enlistments in this country knows that the back-bone of all our efforts in 1914 was the militia. My hon. friend is so well informed that I would hesitate to express an opinion which would contravene his, but certainly the relations that existed between the efforts made under Lord Haldane to organize the territorials in England, which were so very successful, and the efforts made in this country were not wholly dissimilar. Certainly General Gwatkin, then Colonel Gwatkin, did an unostentatious service to this country. He remained in his office under protest when he desired to join his unit and go to France and Flanders. His work was of the first character and I can only say that when Mr. Wayling endeavours to compare non-comparable things he does a disservice to this country.

I would not have dealt with this article of his had not a reputable member of this house given it a certain measure of responsibility by quoting from it as though it were entitled to some authority. As a matter of fact the figures are taken from the auditor general's report. There is no doubt that these expenditures were made. I repeat again that the reason we have militia units scattered across Canada at Calgary, Regina, Edmonton, Vancouver and throughout Ontario, Nova Scotia, Quebec and New Brunswick is to provide the nucleus of an organization which will accommodate the wishes and desires of those who are anxious to take up training, to take the oath and enlist under the colours. It is for this reason that we have a unit in Hull, as well as others here in Ottawa. No one suggests that these units are to be kept at strength. It is true that in some cities they are maintained at strength because they provide a congenial means for young men to get together to have gymnastics and other forms of training, but in a broad and general way if a unit is one-third strength, that is all that is expected. The minister probably knows what the average is, but I think in a general way it will be around thirty-three and a third to forty per cent. I repeat that such a unit provides the nucleus around which clusters the voluntary effort of our Canadian youth who desire to subscribe to the oath and offer themselves if needs be for the defence of their country.

I refer to this article because it is unfair to our fellow-Canadians who are offering themselves for the defence of their country. I repeat that the whole policy of the territorials in Great Britain and our militia here is to maintain in every section of the country, even in the remotest, some skeleton organization that will permit of men enlisting for voluntary service. When that is understood is it not almost ungrateful of my hon. friend to give this article a degree of approval or approbation, an article that compares this condition with war conditions in France or Flanders? The mere statement is its own refutation. I take up the time of the committee because I think it is unfair that those who read this magazine—it has a circulation of 250,000 notwithstanding the great hardships it has endured and survived during the last five years—should have a misunderstanding of the real facts. A comparison of that kind is insulting to every person who understands facts.

There is one question which the minister has not cleared up to-night and in connection with which I should like to make some brief observations. This is with respect to the relations between our country and the other units of the British empire. In 1926 agreements were arrived at for the purpose, not of massing troops, but to make available to the different countries of the British empire information as to the best means of training or as to the type of armament that might be available or the best forms of mechanized effort that could be used. Communication of the information that came to the staff in Great Britain through their efforts was made to the staff in Canada, to the staff in Australia, to the small staff in New Zealand and to the staff in South Africa, so that in every part of this far-flung empire there might be the fullest possible information as to the latest development in the means of defence, in mechanized armament and in the use of the human element in the maintenance of the defences of the country. I understand that this has been going on steadily.

I happen to know, and those who are familiar with the literature of the day will recall, that the efforts made by Lord Haldane to develop a staff, based as he frankly said upon the German example, led to his being able, when he went back to the war office—this will be found in his autobiography and I daresay many hon. gentlemen have heard him say it himself—at the instance of Mr. Asquith, to call the appropriate official and ask him if any change had been made since he had last been there. When he found that no change had been made he was able to dispatch telegrams which brought about within a few hours the mobilization of what was known as the first expeditionary force, sometimes referred to as the Old Contemptibles.

My understanding is that that policy is maintained in this country so far as staff work is concerned. All information as to the use of mechanized armament together with the use of the human element is available to Canada in the fullest possible sense. There has been an exchange of views between the general staffs as to whether or not these matters could not be more publicly discussed, but the view of the general staff in Great Britain, as communicated to the staffs of the various overseas dominions, was that these were naturally confidential, and were communicated only for their guidance and assistance in matters of this kind.

The minister is carrying on the difficult work of endeavouring to modernize to the fullest possible extent, with a limited income, the defence forces of Canada. The late government was not possessed of sufficient money to enable it to do what it would have liked to do in that regard, and we said that financial conditions made this impossible. I am glad

the minister has found it possible to expand his efforts. Just as they have forces in Norway and Sweden and even Denmark, and just as they have forces in Holland and in every country in the world, so there must be in this country the maintenance of some kind of force. I passed over to the minister a moment ago a volume just published by one of the leading pacifists in the English speaking world —using that word in the broad sense—the present Lord Davies, who in every part of the empire is known for his attitude on the question of peace. He points out that in the very nature of things force must be the concomitant of peace if you are to preserve peace, whether that force be a police force or force in any other form.

The minister referred to what I said last evening. I was pointing out that by universal consent, the result of study from the earliest dawn of history until the present day, there must be a combination of two factors to secure the life of a nation. One is the power to maintain itself, to enact laws and to enforce their administration; the other is, of course, liberty. There is no conflict between the two; rather, they are interdependent, one upon the other. So far as this item is concerned, it contemplates only one thing, namely, the maintenance at as high a degree of efficiency as possible of a voluntary force, together with a limited number of permanent militia. The purpose of this—I repeat it—is to ensure our being in a position if needs be to have at our hand such equipment as would enable us adequately to defend our country and its institutions; whether the attack against them comes from without or from within, the law contemplates that force being available for either end. There need be no doubt about that; and because that is so I could not do anything other than avail myself of this opportunity to controvert the statements made in the article to which reference has been made, which I saw reproduced some years ago in other terms and now stated again by Mr. Wayling. I mention his name because it has been brought in and utilized by one of our members as authority for a statement to which, it is suggested, some attention should be paid. I do not think there is a member of this committee who, having heard it, does not realize how unfair it is to every man associated with the militia of the country to institute a comparison between a voluntary organization in peace time and the highly efficient, highly trained and full strength units that were maintained during the war.

Mr. MacNEIL: The leader of the opposition has suggested that I have quoted a statement containing facts which possibly do not coincide with my personal views. I may assure him that I am attempting to express the opinion of a very large body of men of military experience who are sincerely interested in the development of our defence equipment and who have not a very high opinion of its present status and efficiency. There may be differences of opinion. I have no doubt the leader of the opposition, when Prime Minister, carefully scrutinized the expenditures of this department and endeavoured to assure himself as far as possible of the efficiency of the force. I am not questioning that in the least. But in the very nature of the circumstances, it was necessary for him to base his opinion upon reports of the general staff, and I would suggest that when he has an opportunity he should examine the force from the other angle, accompanied by some impartial military expert, to see to what extent it is efficient to meet the requirements of the situation to-day.

Now, in all fairness to Mr. Wayling, whose article has been brought under question, and which I quoted only in part, which was hardly fair to him, I should point out that in one paragraph he says:

> Why not eighty or eighty-five good, up-to-strength infantry regiments instead of one hundred and twenty-six struggling units?

Mr. BENNETT: Where would they be?

Mr. MacNEIL: In Canada.

> Take the famous old units and give them a real chance, absorbing the newer units and sharing the old traditions.

The point I am endeavouring to advance is that when I speak of the overhead and the bloated condition of the force at the present time, and point to the fact that there are too many senior officers in ratio to subalterns and men in the ranks, I am trying to show that the expenditure of this money, much of which is devoted to pay and allowances of senior officers, is not providing for the actual training of the men concerned in the degree that is claimed by the staff of the Department of National Defence. That is the whole point, and again I say that they are neglecting the technical training which is a vital requirement under the conditions of modern warfare.

Mr. BENNETT: I wish to correct a misapprehension on the part of the hon. member for Vancouver North. I was not reflecting for a moment on his sincerity, but I did say that no one knew better than he, because he has risked his life on more than one battlefield, that it would be unfair to compare units engaged in hostilities in France and Flanders or in training in England with the skeleton

units scattered throughout this country. I was not questioning his sincerity, because, knowing his reputation and history, one would not do that in any event. But when Mr. Wayling talks about eighty-five battalions, how would you get them together? The travelling expenses involved in taking them from one section to another would make this impossible. No one would think of organizing eighty-five battalions as a voluntary militia force. I should like the hon. member for Vancouver North to appreciate the principle of the whole act, namely, that there should be in this dominion a skeleton round which could be built to full strength the unification that might be necessitated. To compare the number of officers and men in war time with the number of men in the militia, remembering that every one of the men received pay and allowances during the war, and that these are volunteers who are receiving nothing, not even the whole of their uniforms—well, one sees that there is a real distinction between the two. I agree with what the hon. member has said as to the care with which these items have been scrutinized by successive governments, and every prime minister has always been fearful about these expenditures. But if you rely upon men of known knowledge and check up that information with what is done in other countries, you cannot be very far wrong in endeavouring to maintain the principle that though there cannot be centralized and consolidated units, in every part opportunity should be given for voluntary effort finding expression through the militia of the country.

Mr. COLDWELL: I wish to say a word, prompted by a remark which has been made by the leader of the opposition, and which from time to time has been made by various speakers throughout the country. It is this, that our military forces are required to defend our institutions under the state from attack from without or from within.

Mr. BENNETT: That is what the law is, I said.

Mr. COLDWELL: May I say that, in emphasizing that particular feature of militia estimates, a great deal of colour is given to the propaganda which we hear from time to time that the economic and social changes which are coming will never be made in a constitutional manner and through our democratic institutions, but will be made through resort to force. I am opposed to the use of force to achieve an objective. I believe that in Canada, in common with other British countries, we maintain a civil police force for the maintenance of law and order. I also believe that one of the reasons why Great Britain has been spared in these recent years the turmoil which has occurred in some other European countries is because the British people have always taken that particular attitude.

Mr. BENNETT: What about the general strike?

Mr. COLDWELL: It is true that during the general strike in 1926 there was a military demonstration.

Mr. BENNETT: And naval.

Mr. COLDWELL: And a naval demonstration. But may I add this: the good sense of the British people at that time overcame the dangers of that demonstration. For example, in the town of Plymouth, not far from where I was born, the soldiers and the sailors who were paraded arranged a football match, I believe, with those who were engaged in the general strike. I do not think that in any other country in the world that kind of thing could have happened. But in Britain, from time immemorial, people have believed that military forces were not to be used to suppress their fellow citizens who had legitimate grievances. If the excuse for military preparations is the preservation of our institutions, of course that is a different matter. But, as one who is fundamentally opposed to the use of force, particularly in connection with the making of necessary social and economic changes, I wish to point out to the committee that a great deal of colour is lent, by statements such as those to which I have referred, to the propaganda of those who believe, quite conscientiously, that force will ultimately be involved. I believe that if we want to maintain law and order we should rely upon a purely civil police force and not attribute that as a duty of the militia or of the military branch of the services.

One other thing. I desire to support my hon. friend from Vancouver North (Mr. MacNeil) in regard to the dissatisfaction which he says exists among a good many men connected with the militia, and to make this contrast. I have before me the figures expended in relief during six years of depression, amounting to about $162,000,000 prior to May a year ago, and I also have before me a statement of the amount spent on militia and defence from 1929 to 1936, amounting to $122,000,000. What do I find? That practically for every four dollars spent to relieve distress, some three dollars were spent in military preparedness. These are astounding figures. Though, as is sometimes said, Canada faces a grave situation on account of expenditures

on behalf of the unemployed and to relieve distress, we make military expenditures involving sums of money almost as large, even in these years of depression, as we make to relieve distress. I am in agreement with my hon. friend from Winnipeg North Centre (Mr. Woodsworth) that Canada's best defence at the present time is its defencelessness. I am not going to develop that thought, but in my opinion a country the size of Canada, with its diverse peoples and small population, is best defended if we rely upon our weakness physically and our goodwill as a good world neighbour, rather than attempt to ape the military powers of the European countries.

Item agreed to.

Progress reported.

INCOME WAR TAX AMENDMENT

Hon. CHARLES A. DUNNING (Minister of Finance) moved for leave to introduce Bill No. 75, to amend the Income War Tax Act.

Motion agreed to and bill read the first time.

SPECIAL WAR REVENUE ACT

Hon. CHARLES A. DUNNING (Minister of Finance) moved for leave to introduce Bill No. 76, to amend the Special War Revenue Act.

Motion agreed to and bill read the first time.

EXCISE ACT AMENDMENT

Hon. CHARLES A. DUNNING (Minister of Finance) moved for leave to introduce Bill No. 77, to amend the Excise Act, 1934.

Motion agreed to and bill read the first time.

Mr. BENNETT: Is the tariff act through?

Mr. DUNNING: It is through.

CANADIAN AND BRITISH INSURANCE COMPANIES ACT, 1932

Hon. CHARLES A. DUNNING (Minister of Finance) moved the second reading of Bill No. 61, to amend the Canadian and British Insurance Companies Act, 1932.

Motion agreed to, bill read the second time, and the house went into Committee thereon, Mr. Sanderson in the chair.

On section 1—Application to companies incorporated after 4th May, 1910.

Mr. DUNNING: The only amendment is the inclusion of the words "except as hereinafter otherwise provided" in both subsections.

Section agreed to.

On section 2—Retroactive subsection.

Mr. BENNETT: I have some little doubt about this part of the bill. It is an exceptional exercise of power, as I pointed out the other day, to have parliament declare that a certain act has been in force since 1910. I can understand difficulties in connection with a particular session, that the date should relate back to the opening of the session or something like that, but I must say that I think this section goes—

Mr. DUNNING: Very far.

Mr. BENNETT: Yes, and further than I would care to go. If the minister has made up his mind that this is a proper exercise of power I am not going to say anything further about it, but these words seem to go very far:

> Every special act of the parliament of Canada passed after the 4th day of May, 1910, for the incorporation of a company . . . shall be read as if it contained the provisions hereinafter in this section set forth. . . .

That is, in the creation of a company it is said that since that date these provisions have applied. That seems to me to be most unfair. To say that it applies from to-day is simple, but to say that a corporation created in 1911 should have attached to it and to its officers responsibilities which then were non-existent from the standpoint of legislation is going a very long distance. Perhaps the minister might state the necessity for this. The note of explanation is not quite clear.

Mr. DUNNING: It is not really complete.

Mr. BENNETT: It is good as far as it goes, but I should like to know just what pressing necessity brings about a request that parliament should exercise a power so extraordinary. It is going back twenty-six years.

Mr. DUNNING: I must say that I had the same view when I first read this section; I held my breath and wondered at our learned brethren in another place proposing such a thing, but the explanation helps to some extent, in that the retroactive amendment in respect of companies incorporated since 1910 makes effective the provisions intended to be incorporated by references in the special acts of incorporation. All such companies have been incorporated under a model form of bill varied, however, in many cases to suit special circumstances affecting the company. The section of the act providing for the model bill did not contemplate an

variations therefrom, and in the opinion of the parliamentary counsel of the senate the variations introduced in some special acts may have the effect of depriving the companies of the benefit of certain provisions of the act essential for the organization of the companies. The essential portion of the amendment is the insertion in section 5 of the act of the words, referring to the model bill, or in that form varied as such special act shall provide." Far be it from me to quarrel with the opinion of the parliamentary counsel of the senate that this retroactive amendment, so far from being restrictive, really removes doubts as to the powers of companies.

Mr. BENNETT: Yes, but the other side of the question is the phase in which I was interested, the imposition of responsibilities.

Mr. DUNNING: Yes, but of course in that connection we must take into account the words "or in that form varied as such special act shall provide."

Mr. BENNETT: In view of what the minister has said I can only repeat that this is a most extraordinary power.

Mr. DUNNING: It is.

Mr. BENNETT: The argument the minister has presented to the committee is perfectly sound. That is, if a company was compelled to be incorporated in accordance with the model bill, and was incorporated not in accordance with the terms of the model bill, it might well be, having regard to the language used, that if that company attempted to exercise powers other than those contained in the model bill there would be some difficulty. But the answer is that parliament is omnipotent, and parliament has seen fit in special cases to clothe companies with powers other than those mentioned in the model bill. It must be taken that parliament is at least fairly sensible in the exercise of its duties, so these words must be read in accordance with what has been said, as a first canon of construction, so as to give common sense to the general terms that were used. I appeal to my hon. friend the Postmaster General (Mr. Elliott), who, according to report, is so soon to grace the judiciary; I am sure he will agree with me that parliament must be taken to express consistently a common sense view of the legislation. Here you have an act not strictly in accordance with the model act. Parliament passed that act, presumably with its eyes open.

Mr. DUNNING: Of course the words "or in that form varied as such special act shall provide" would come in there.

[Mr. Dunning.]

Mr. BENNETT: Those are the new added words, and that is said to be retroactive for twenty-six years.

Mr. DUNNING: Yes. The opinion of the parliamentary counsel of the senate is that they make certain that the special act shall apply.

Mr. BENNETT: Quite so. I just put this case, and then I will not take up further time. If parliament saw fit to create by special act a company, and the powers conferred upon that company were less or more than those named in the model bill governing such companies, now to go back over a period of twenty-six years and say that the company shall be governed by the provisions of this act hereinafter mentioned is to do a most extraordinary thing. If the minister who is charged under the statute with responsibility for the administration of the insurance act thinks it is desirable, however, I am not going to labour the point at all.

Mr. DUNNING: I asked precisely the questions my right hon. friend has indicated, particularly from the point of view of retroactive legislation. Of course I was especially careful to ask if any institution could be prejudicially affected and the answer given to me was that the insurance companies were represented before the banking and commerce committee of the senate by an eminent counsel, in the person of Hon. N. W. Rowell, I believe, and that this was not questioned there by any of the companies. In fact I was assured that some of them asked for it, although I do not know why.

Section agreed to.

On section 3—Annual meeting to be at the head office.

Mr. DUNNING: This is just relating one section to another.

Section agreed to.

On section 4—Approval of bylaws by treasury board.

Mr. BENNETT: The approval of bylaws by the treasury board has been in force since the passing of the last insurance act some few years ago.

Mr. DUNNING: Yes.

Mr. BENNETT: Although we did this I always doubted the advisability of it.

Mr. DUNNING: The value lies, I think, in a report from the superintendent of insurance, with respect to such bylaws, to the treasury board.

Mr. BENNETT: The point was not that. Ultimately the report of the treasury board goes to the governor in council. Just what point there is in putting the superintendent of insurance in between, I could never quite understand, because it is not like the administration of the treasury in the old country, where the treasury board stands for something entirely different from the one here. I suppose this is merely to connect the two sections.

Mr. DUNNING: That is all.

Section agreed to.

On section 5—Lending funds.

Mr. DUNNING: Section 5 is for the purpose of making sure that the limits imposed by section 60 of the act on the investment in common stocks may not be effectively doubled by loans on such stocks, in addition to the amounts permitted to be invested therein.

Mr. BENNETT: That is at the instance of the superintendent of insurance?

Mr. DUNNING: Yes.

Section agreed to.

On section 6—Power to invest in stock of other insurance companies.

Mr. DUNNING: Section 6 simply contains the amendment contained in subsection 1 of the next preceding section.

Mr. BENNETT: I do not think we should pass this one.

Mr. DUNNING: Section 60 imposes two limitations on investment in common stocks. The first limitation is that common stocks to be eligible for investment must have paid dividends of at least four per cent per annum or $4 per share per annum for seven years next preceding the date of investment, and that the investment in the stocks of any corporation shall not exceed thirty per cent of the total stocks issued. The limitations in this subsection have been in force since 1910.

The second limitation is contained in subsection 6 of section 60, and limits the percentage of the assets of any company which may be invested in common stocks to fifteen per cent. This limitation was first proposed in 1932.

Mr. BENNETT: We did it because of a specific case.

Mr. DUNNING: In the amendment of 1927 the limitation contained in subsection 1 of section 60 was overridden by an amendment to section 61 of the act to permit companies other than life insurance companies to invest a certain portion of their funds in the common stocks of other insurance companies, even if those stocks did not comply, as to dividends or as to the percentage of the total stocks invested in, with subsection 1 of section 60. The limitation now contained in section 6 of subsection 60 had not then been enacted, and therefore section 61 overrode all of section 60.

With the introduction in 1932 of the limitation now contained in subsection 6 of section 60, section 61 should have been amended to make it clear that subsection 6 was not also overridden by the amendment of 1927 to section 61. This, however, was not done, and the amendment now made by section 6 of the bill is to make it clear that section 61 overrides only subsection 1 of section 60 and not subsection 6 of section 60 as well.

Mr. BENNETT: Putting it shortly, the minister might have said that it simply provides that "notwithstanding anything herein contained an insurance company other than a life insurance company can buy shares in any other insurance company regardless of whether they have been paying dividends continuously or not."

Mr. DUNNING: Other than a life company.

Mr. BENNETT: Yes, this does not touch a life company. If it did I would have no doubt that my duty is to oppose it. Having regard to the constant complaints that are being made about the centralization of power in the hands of a few, which often are wholly unsound, this does lend itself to support that argument, because it enables a fire insurance company or any other form of insurance company other than a life insurance company to acquire shares in any other kind of insurance company, life insurance or otherwise, notwithstanding the fact that it may not have paid dividends during the prescribed time.

Mr. DUNNING: My right hon. friend appreciates that there is no intention of changing what has been the law.

Mr. BENNETT: But as a matter of fact, as the law stands now, they cannot do it.

Mr. DUNNING: Is it not rather a matter of doubt?

Mr. BENNETT: I would hardly put it in that way. I think parliament intended, judging from its temper at the time it passed the law, that they should not do it. I do not say that with any certainty. In 1932 I personally had to do with the matter; in 1934 the then Minister of Finance was dealing with it.

Mr. DUNNING: I am quite willing to leave the bill in committee on that.

Mr. BENNETT: Is that the last clause?

Mr. DUNNING: No; there are several more, but we have passed the controversial ones. I do not want to press something which should be given further consideration. Perhaps it would be well for me to confer further with the superintendent of insurance on that matter, although I am fairly clear what his object is.

Mr. BENNETT: I put this to the minister: A large and powerful fire insurance company knows that a life insurance company has not been paying dividends during the last few years, and that it has really been in some difficulty having regard to the great decrease in values of common stocks, so it conceives the happy plan of acquiring control of that enterprise. Under this section it could do so.

Mr. DUNNING: That is, a fire insurance company could.

Mr. BENNETT: A fire insurance company could acquire control of a life insurance company. As the law stands to-day, it could not do so. When this bill passes it would be possible for it to do so.

Mr. DUNNING: That was not my impression, but I should like to consult the legal authorities.

Mr. BENNETT: Mark you, a life insurance company could not do it, but a fire insurance company could acquire the shares of a life insurance company.

Mr. DUNNING: We might rise and report progress and ask leave to sit again on this bill.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Friday, May 29, 1936

The house met at three o'clock.

ROYAL ASSENT

Mr. SPEAKER: I have the honour to inform the house that I have received the following message:—

Ottawa, May 29, 1936.

Sir,—I have the honour to inform you that the Right Honourable Sir Lyman P. Duff, Chief Justice of Canada, acting as deputy of His Excellency the Governor General, will proceed to the Senate chamber on Tuesday next, second June, at 9 p.m., for the purpose of giving the royal assent to certain bills.

F. L. C. Pereira,
Assistant Secretary to the Governor General.

[Mr. Bennett.]

RAILWAY COMMITTEE

Mr. VIEN presented the first report of the standing committee on railways, canals and telegraph lines.

DOMINION ELECTIONS ACT, 1934

Hon. FERNAND RINFRET (Secretary of State) moved for leave to introduce Bill No. 78, to amend The Dominion Elections Act, 1934.

He said: The purpose of this bill is to provide for the taking of votes at dominion by-elections. It follows a bill passed previously at this session which postponed the annual revision of the list, and is to meet the representations of certain members of parliament that we were not providing for by-elections. I may add that the bill is in conformity with the recommendations of the special committee of the house. It is to be accompanied by a companion bill amending the Dominion Franchise Act, which must be preceded by a resolution, which resolution also appears on the order paper.

Motion agreed to and bill read the first time.

DOMINION FRANCHISE ACT, 1934

Hon. FERNAND RINFRET (Secretary of State) moved that the house go into committee at the next sitting to consider the following proposed resolution:

That it is expedient to introduce a measure to amend the Dominion Franchise Act, 1934, with respect to by-elections and to make provision for the appointment of enumerators and other necessary officers and for the preparation and printing of voters' lists and other necessary documents.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the favourable consideration of the house.

Motion agreed to.

JUDGES ACT

Hon. ERNEST LAPOINTE (Minister of Justice) moved that the house go into committee at the next sitting to consider the following proposed resolution:

That it is expedient to amend the Judges Act to provide salaries for the Ontario appeal and high court judges as presently constituted; and further provide that when a vacancy occurs in the office of chief justice in appeal the office shall be abolished and the court shall thereafter consist of a chief justice and seven other judges.

He said: His Excellency the Governor General, having been made acquainted with the

subject matter of this resolution, recommends it to the favourable consideration of the house.

Motion agreed to.

CANADIAN AND BRITISH INSURANCE COMPANIES ACT, 1932

The house resumed from Thursday, May 28, consideration in committee of Bill No. 61, to amend the Canadian and British Insurance Companies Act, 1932—Mr. Dunning—Mr. Johnston (Lake Centre) in the chair.

On section 6—Power to invest in stocks of other insurance companies.

Mr. DUNNING: When the house rose last night we were discussing section 6 of this bill and I undertook to have the section further reviewed in order to make sure of its true effect. I have done so and am now able to advise the committee that under the section as it at present stands in the law a fire insurance company, having invested more than 15 per cent of its assets in common stocks, could under section 61 as it now stands invest further amounts in the common shares of another insurance company, even if those shares did not comply as to dividends with subsection 1 of section 60. This, it is believed, was not the original intention and even if it was it should be changed. The amendment will make it clear that the concession made by section 61 will not apply to any company which has already invested more than 15 per cent of its assets in common stocks. I think that answers the question raised by the leader of the opposition last evening in connection with this section.

Mr. BENNETT: I would hardly agree with the construction placed on the section as it stands, but that is unimportant; I cannot think that that is the meaning of it as it now stands. But why is subsection 2 added, "certain investments excepted"? It will be observed that this is a new section entirely and it provides that investments made after 1927 and before the first day of January of this year, under the provisions of so and so, shall not be deemed to be investments in common stocks within the meaning of subsections 6 and 7 of section 60. That brings it down to the first of this year and to all intents and purposes renders nugatory the provisions of the law in respect of common stocks since 1927 up to date.

Mr. DUNNING: The intention of subsection 2 is to avoid any interference with investments which have been made under the provisions of the act after 1927 down to date. I am advised they are very small, but in the absence of subsection 2 there would be very grave question as to how the companies would stand in relation to them.

Section agreed to.

On section 7—No power to form other companies.

Mr. DUNNING: This is purely a clerical correction.

Section agreed to.

On section 8—Exemptions.

Mr. DUNNING: The same remark applies to this section.

Section agreed to.

On section 9—Majority to reside in Canada.

Mr. DUNNING: This applies to fraternal societies the same provisions that now apply to life insurance companies.

Section agreed to.

On section 10—Valuation balance sheet to be sent to policyholders.

Mr. DUNNING: There are two changes, one clerical and one striking out the words "in Canada," so that policyholders outside Canada will receive information in the same manner as those within the country.

Mr. BENNETT: We call them policies and policyholders. In some instances fraternal organizations do not speak of policies but refer to them as certificates of membership. The section provides that every fraternal benefit society registered under this act shall, not later than the first day of June in each year, mail to each policyholder, and so on. Would "policyholder" in the definition be broad enough to cover a certificate holder in a fraternal society? My hon. friend might look at that to make sure. I think the definition is broad enough.

Mr. DUNNING: A policyholder means the legal holder for the time being of a policy in Canada.

Mr. BENNETT: That is not good enough. What is "policy"?

Mr. DUNNING: "Policy" means any written contract of insurance, whether contained in one or more documents, and in the case of insurance in a fraternal benefit society any contract of insurance, whether evidenced by a written document or not, and any certificate of membership relating in any way to insurance, including any annuity.

Mr. BENNETT: That is good enough.

Section agreed to.

On section 11—Assets, minimum amount of.

Mr. DUNNING: The change is clerical.

Section agreed to.

On section 12—To retain assets in Canada.

Mr. DUNNING: This is clerical.

Section agreed to.

On section 13—"Surplus" defined.

Mr. DUNNING: This is entirely clerical.

Section agreed to.

On section 14—Companies other than life.

Mr. DUNNING: Entirely clerical.

Section agreed to.

On section 15—Report to treasury board.

Mr. DUNNING: Change in one number only.

Section agreed to.

On section 16—Penalty for transacting insurance without registration.

Mr. DUNNING: This section is for the purpose of bringing within the penalty section of the act dominion companies, incorporated for purposes other than the transaction of insurance business, which nevertheless do transact that business. The act heretofore has applied only to companies incorporated for the purpose of carrying on the business of insurance, and it was never contemplated that any company not incorporated for that purpose, still less any company prohibited by its letters patent from transacting that business, would ever engage in it. Cases have arisen, however, where this has been done, and it is considered advisable to make such companies subject to the same penalty as now applies to a registered company which violates any provision of the act.

Mr. BENNETT: That would not extend, I take it, to commercial corporations that provide benefits for their employees who make contributions to it, supplemented by a contribution from the company. Sometimes they are in the habit of referring to the employees as being insured in the company. Of course a joint stock company cannot lawfully carry on insurance, and if a change were made against them under the provisions of this section with a view of imposing a penalty, they would at once plead that the Joint Stock Companies Act provided that they should not have those powers conferred upon them, and this section would be wholly illusory as far as the imposition of any penalty is concerned. You can put in the provision if you wish. It cannot have any effect.

Mr. DUNNING: I think my right hon. friend will remember some cases during the last two or three years where in the absence of penalty provisions they just simply go on and do it anyway.

Mr. BENNETT: But they cannot write insurance.

Mr. DUNNING: They do it.

Mr. BENNETT: No, but it is ultra vires.

Mr. DUNNING: The question is, what to do to them about it.

Mr. BENNETT: The answer is, cancel their charters under the Joint Stock Companies Act.

Mr. DUNNING: This action we are proposing to take to-day will make penalties available for that offence.

Mr. BENNETT: Under the law as it stands, the directors would be liable if they are doing business that is ultra vires.

Mr. DUNNING: The former Secretary of State is not in the house. I have here a letter from him to the former Minister of Finance in which he makes that very point, that no penalty accrues in such a case.

Mr. BENNETT: I know there is no penalty.

Mr. DUNNING: And he suggests in the letter that the proper method of dealing with it would be to create penalties under the insurance act which would apply in such cases. In fact, the whole situation arises out of one particular case—

Mr. BENNETT: Yes.

Mr. DUNNING: —in western Canada, of which we found duplicates elsewhere, but not on so large a scale. The matter has been under consideration by the department of the Secretary of State from the standpoint of company incorporation and liability of directors, and by the Department of Insurance. The Department of Justice has also gone into the matter. I could read the letter, but I think I have fairly summarized it.

Mr. BENNETT: I think I know in a general way what it is. Perhaps I have not made my point clear. Obviously a company incorporated under the provisions of the Joint Stock Companies Act of Canada could not transact the business of life insur-

ance; that is a prohibited business under the statute. Therefore, if a charge were brought against such a company alleging that it had been transacting life insurance business, the plea would be that it had no such power under its charter. That would be clear. That is the point, I think, that has not been made plain. Here is a recognition of a legal right which they do not possess. That is my point. Look at the section:

> Any company, or any other corporation incorporated under the laws of the Dominion of Canada or of the late province of Canada, or any fraternal society so incorporated, which, or any person who, acting on behalf of a company or such a corporation or society, transacts any class of insurance business in respect of which the company or such corporation or society is not registered under this act ...

That is a recognition of its right to do the business, which obviously it has not. It is under the statute a prohibited class of business, yet, being prohibited, we now recognize it for the purpose of punishing it. With all deference I say to the minister that that is a perfectly clear position. Now that the minister has brought it to my attention I do recall something of the matter to which he refers. But I never recognized for a moment the right of that company to carry on an insurance business.

Mr. DUNNING: We do not admit that we are doing so.

Mr. BENNETT: Quite so, but this says so. You say that any company which does this particular business is going to be punished. You cannot approbate and reprobate at the same time. My contention is that that is a prohibited business for a joint stock company. Being prohibited, obviously we cannot say: If you do the prohibited thing we are going to fine you under the insurance act. If the company goes beyond its charter it runs the risk of losing its charter, because what it does is ultra vires; the directors who transact the business are personally liable, and those who purport to receive the alleged benefits under it in fact receive none, because the business is not within the scope of the corporation. I do not think the section is happily drawn. It should be changed to read that any company "purporting" to transact the business, and so on, and refer it back to the provisions of the statute which makes it prohibited business. There is a general clause in the insurance act providing penalties for doing that which is prohibited by the act.

Mr. DUNNING: Yes.

Mr. BENNETT: Well, this is prohibited by the act. The insurance act prohibits this class of company from doing that business. All joint stock companies are so prohibited. I think we should say "purporting to transact insurance business," rather than recognize that they are doing it. That, I think, is the usual custom in drafting legislation of this kind. In other words they are holding themselves out as entitled to do something which they have no legal right to do.

Mr. DUNNING: Quite so.

Mr. BENNETT: We are agreed as to that. But under the law as it stands there is a prohibition against their doing this thing under their charter. Therefore, it strikes me, all we have to do is to insert "purporting" to carry on business which they are not authorized to do; and we are going to punish them in this way rather than the other. That is all.

Mr. DUNNING: Of course my right hon. friend understands that they are not a company within the definition of this act.

Mr. BENNETT: Certainly I do.

Mr. DUNNING: A corporation, within the definition of this act, means any corporation incorporated for the purpose of carrying on the business of insurance.

Mr. BENNETT: That is my whole point.

Mr. DUNNING: The point is a legal one, and, again speaking with deference as a layman, when I get a report which has run the gauntlet of the department of the Secretary of State and the lawyers who have to do with company law, who suggest that with regard to this practice it is far better to amend the insurance act than to amend the companies act; when, having got that, the superintendent of insurance takes the matter up with the Department of Justice, and all the lawyers who have anything to do with it there suggest this course, what is a poor lay minister of finance to do?

Mr. BENNETT: Do what his advisers tell him.

Mr. DUNNING: He can do very little else under the circumstances. The advice is legal advice, advice from the Deputy Minister of Justice:

> In reply to your letter of the 2nd instant, I may say that it does not appear that proceedings could be taken successfully under either the Companies Act or the Canadian and British Insurance Companies Act, 1932, in this case, and it may be somewhat doubtful if the letters patent of the above association could be cancelled if proceedings to that effect were taken.
>
> In view of the above circumstances, it is suggested that section 111 of the Canadian and British Insurance Companies Act, 1932, as enacted by section 32 of chapter 27 of the

statutes of 1934, be amended to cover a company which was not incorporated for the purpose of carrying on the business of insurance, and if this amendment is approved, then it would be probably advisable to also amend section 142, as enacted by chapter 27 of 1934, and section 58 of the Foreign Insurance Companies Act, 1932, as enacted by section 28 of chapter 36 of the statutes of 1934. If you approve of these amendments, I would suggest that they be included in two new bills, and for this purpose, I herewith enclose drafts of such bills.

Mr. BENNETT: These are not the sections referred to; they do not cover those two paragraphs.

Mr. DUNNING: But they do consist of the drafts sent for the purpose, enclosed with the letter I have just read.

Mr. BENNETT: They are not so numbered.

Mr. DUNNING: The numbers have been changed, of course.

Mr. BENNETT: But section 3, to which the letter referred, is another section. I still think, notwithstanding the opinion of the Department of Justice, that attention has not been directed to the point I am endeavouring to make. In connection with a companies act you will always find a disposition not to amend it along the lines that have been suggested in that communication, for reasons that are fairly obvious. The Department of State has certain obligations in connection with the granting of letters patent and there is always a desire to avoid as far as possible the determination antecedently of questions such as those now raised. I think in any event a writ of scire facias would cancel such letters patent, though I say that with diffidence because I have not looked it up. On the other hand, as far as this is concerned all the minister has to do is look at it. It reads:

> Any company, or any other corporation incorporated under the laws of the Dominion of Canada or of the late province of Canada, or any fraternal society so incorporated, which, or any person who, acting on behalf of a company or such a corporation or society, transacts any class of insurance business in respect of which the company or such corporation or society is not registered—

If you charge them with that before a magistrate they may say, "That is nonsense; we are not doing that at all. We have no power to do it. It is ultra vires of our incorporation, and you cannot punish us for that. That is an imaginary offence."

Mr. DUNNING: Would it not be a matter of fact?

Mr. BENNETT: But the question of fact is this: These people say, "This is not the kind of insurance you are talking about at all. We have no power to do that, and as we have no power to do it there can be no offence because we are not doing anything we have not power to do." The minister would not need to be a lawyer to raise that defence successfully before a magistrate.

Mr. DUNNING: But they advertise; they issue policies.

Mr. BENNETT: But of what?

Mr. DUNNING: Insurance.

Mr. BENNETT: If the minister says that—

Mr. DUNNING: There is no doubt about it.

Mr. BENNETT: But the point is not entirely without authority. There are authorities on questions of ultra vires business. I am not going to do other than have the minister make the explanation and say that he is bound by the opinion of those whose duty it is to advise him, but the records of the courts have shown frequently—

Mr. DUNNING: One thing that does astonish me is that this point, if it has any force, escaped the eagle eye of the law officer of the senate. This bill came from the senate, and had a pretty thorough grilling before the senate banking and commerce committee, which includes a great many lawyers, I believe. My right hon. friend will forgive me if I prefer to stay with what I have now in the way of advice, under the circumstances.

Mr. BENNETT: I say the minister is bound to accept that opinion. I also point out to him, however, that ordinarily to pick up this section you would say it was to punish people who tried to carry on the business of insurance when they should not do so. I am only pointing out that if I were acting for the man thus charged I would simply say, "There cannot be any offence, because that is prohibited under our act of incorporation, and we are not doing anything more than we are permitted to do." Under our Companies Act these returns are made every year, and no one is charged with doing business that is ultra vires; but I am not raising the question. It is always well to remember what the minister said the other day, that there is nothing more uncertain than the ultimate determination of litigation. Sometimes it is determined by a point that has been raised without thought as to the effect or seriousness of it. I am not for a moment saying that the point is serious; I am only saying that when I read it I was struck with the thought that it was a situation that was rather anomalous, to charge a man with the commission of an offence when he says, "What I am doing cannot possibly be

an offence for it is what I am forbidden to do under the statute, and I have been maintaining my position under the statute." Then you take another statute altogether, not related to the one under which he operates, and say he is carrying on the business of insurance.

Mr. DUNNING: It would be a pretty ingenious defence, at any rate, would it not?

Mr. BENNETT: I would not say that, but since the minister is bound to accept the opinion of his law officers, I have nothing further to say on the point.

Section agreed to.

On section 17—Reserve liability for determining assets in Canada.

Mr. DUNNING: There is only a clerical change here.

Section agreed to.

On section 18—Classes of hazards covered by certificate.

Mr. BENNETT: When this bill was before the house some years ago I suggested, and I do so again, that it is very desirable not to risk the whole machinery of the department on the accuracy of referring to a particular section. It is much easier to say "the provisions of this act" than to name a particular section. Now we have before us sections which have taken up the time of two houses of parliament; which have been printed for the two houses of parliament; which have been repealed and reenacted, and what have we done? We have added three words here and perhaps only two words there. As I said to my colleagues at that time, although the draftsman did not think it desirable to follow my advice, all that it is necessary is to say is "notwithstanding anything contained in this act," and so on. That has been the usual way of drafting these bills. The moment you name a particular section and then amend by striking out a section and renumbering the rest you are up against that condition. I do think it is a waste of very excellent effort to have to check up these matters every session. It imposes too much of a burden upon the department.

Mr. DUNNING: It is likely also to lead to very serious complications in practice.

Mr. BENNETT: That was just what I said a moment ago. The minister will perhaps remember that we were confronted with that situation at one time, as the superintendent of insurance may recall. In the course of an endeavour to number the sections they became confused, and we had a very considerable amount of difficulty. It will be remembered that we were charged with grievous offences because we endeavoured to remedy the situation in a particular way.

Section agreed to.

On section 19—Additional requirements.

Mr. DUNNING: I think I should make an explanation here, because this is new. Section 19 makes it possible for the minister to require from provincial companies registered or to be registered under the dominion act an undertaking that they will comply with that section of the act respecting the division of participating profits between policyholders and shareholders. Up to 1932 provincial companies registered under the dominion act were subject to that provision, but since 1932 they have been exempt from it at least in respect of business written since that date. Should the undertaking now provided for be given and then violated the penalty will be the cancellation of the certificate of registration.

Mr. BENNETT: I think that is highly desirable. I do not desire to engage in a discussion of the matter to-day, but the 25 per cent that has to be made available to policyholders in my judgment is entirely too low.

Mr. DUNNING: Ninety per cent, is it not?

Mr. BENNETT: No, I am talking about another matter. Not less than 25 per cent of the profits must be made available for the surplus of the policyholders until such time as that surplus reaches a certain definite point. That was one of the provisions we passed to-day. If my personal views were to prevail I would make it a much larger percentage.

Mr. DUNNING: That is in the case of fire insurance companies?

Mr. BENNETT: I am dealing with the sections we have passed to-day.

Mr. DUNNING: I did not refer to it because it was merely correcting one of the section numbers.

Mr. BENNETT: What it did was to reenact the provision about the twenty-five per cent. The minister will find that:

(2) Subject to the payment of preferential dividends in accordance with subsection four of section ninety-nine of this act, until the surplus of the company shall equal or exceed the said liabilities in respect of all outstanding unmatured policies not reinsured, the company shall at the end of each year appropriate towards the surplus of such company at least twenty-five per centum of the profits of the company for the year last past.

Had I my way I think I would make that percentage larger, but I am quite conscious

of the limitation imposed on the utilization of profits, ten per cent only being available for shareholders; that is, the shareholders' profits under the law as it now stands cannot be more than ten per cent of the profits earned. The law also goes further; there is a second branch—twenty-five per cent at least of the earned surplus must be appropriated to the policyholders.

Mr. DUNNING: That applies to fire insurance companies only.

Mr. BENNETT: Yes, that is the complement of the provision with respect to shareholders' profits in life insurance companies. This provision in section 19 I think is not only highly desirable, but absolutely essential if we are to give provincial companies the status they would derive from having a certificate, because it would place other companies at a serious disadvantage if they were to be able to secure the certificate which had involved an attorning to our jurisdiction entirely in the one case and only partially in the other. In fact I thought it was done a year ago but apparently it was not.

Mr. CLARK (York-Sunbury): Has this bill any effect on Lloyd's?

Mr. DUNNING: No, they are not under this act at all.

Section agreed to.

Bill reported, read the third time and passed.

CARRIAGE OF GOODS BY WATER

Hon. C. D. HOWE (Minister of Marine) moved the second reading of Bill No. 68, respecting the carriage of goods by water.

Mr. BENNETT: Explain.

Mr. HOWE: The purpose of this bill is to repeal the present Water-Carriage of Goods Act and replace it by a new statute which follows almost exactly the British carriage of goods by water act. The only differences between this and the British act are in such wording in the latter as is not applicable to Canada.

The British act was the outcome of the Brussels conference of 1922 when twenty-four maritime nations met there for the purpose of drafting a uniform carriage of goods by water act. Following this convention, Great Britain passed an act in 1924, and the United States some two months ago also passed an act which was modelled almost entirely on the British act. Canada was not a party to the Brussels convention, but by correspondence with Great Britain and the United States we have been committed for a year or two to pass legislation making our act uniform with the others.

In addition to the situation as affecting uniformity there are other reasons for passing this bill. The old carriage of goods by water act is rather vague and indefinite and has been the cause of a good deal of litigation, whereas the new act is very clear and definite. and since it has been in force in England the litigation under it has fallen to a minimum.

The necessity for change was made apparent particularly in connection with the decision in the Sarniadoc case, which was carried to the privy council. Since that case was decided shipping interests in Canada have had considerable doubt as to whether it would be possible for them to insure against risks that properly should be insurable. The clause in question is the clause in the old act that makes it a condition that the ship must be seaworthy in every respect.

Mr. BENNETT: Section 3 is the only section about which there has been any trouble.

Mr. HOWE: Yes. The present act does not include lumber in the definition of goods, and it has been very difficult for lumber interests, particularly in British Columbia, to obtain marine insurance on lumber shipped to the old country. There was one case in which a ship left British Columbia with a part cargo of lumber and took on additional cargo at Newport News. The lumber was damaged in transit and the American shipper was able to recover the insurance whereas the Canadian shipper was not. This bill corrects that situation and includes lumber in the definition of goods.

The legislation will also relieve the coasting trade by making it possible to avoid making out a bill of lading in all cases. It allows a simpler contract in coastwise shipping. It also relieves the obligation of having to guarantee the weight of bulk cargoes where the weight is determined by a third party.

I think that covers the essential points. Other points will arise in committee, but I may say that we have had representations from almost every unit of the water carriers' interests in Canada and there has been no serious opposition whatever to the bill, although its contents have been known for some time. It seems an obvious piece of legislation and one that is very much required.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Johnston (Lake Centre) in the chair.

Section 1 agreed to.

On section 2—Rules relating to bills of lading.

Mr. STEVENS: May I ask the minister if any representations have been made by the merchants' exchange or by boards of trade in connection with this bill?

Mr. HOWE: We had a letter from the Vancouver Merchants' Exchange, as I recall, asking for information about it. We sent them a copy of the bill some time ago and have heard nothing further from them, therefore we assume that silence gives consent. Several boards of trade have made representations but I am assured by the officers handling the correspondence that there has been no serious opposition to the bill.

Mr. STEVENS: An intimation was conveyed to me a few days ago that representations were desired from Vancouver, and thinking that this bill would come up soon I advised them to send forward promptly any representations they had to make. I notice that this bill got its first reading on the eighteenth of this month, only ten days ago, and that is rather a short time within which to send the legislation out to British Columbia and get it back, after study, with suitable comments. I want the minister to understand I am not raising objections to the bill, but I do feel that I should like to have had this information on hand before the bill was proceeded with further.

There is one other point. About two or three years ago, maybe longer, there was a dispute between the shippers and the carriers of goods. I recall part of the dispute, and it was based upon what is apparently being dealt with here; that is, the wide allowance of immunity that is extended to carriers of goods, and the difficulty of shippers in securing compensation through the courts. That was applicable not only to the carriage of goods by water act of Canada as it then stood, but also to the shipment of goods to the old country in carriers under the Water Carriage of Goods Act of Great Britain, upon which this new bill is modelled. While I am not desirous of hindering the passage of this legislation or of complaining about it, I should like to have had the opportunity of hearing from the Pacific coast and considering and presenting whatever representations they have to make.

Mr. HOWE: I am advised by my officers that yesterday we received representations from the Vancouver Merchants' Exchange with a strong recommendation that lumber should be included. We were able to advise them that lumber was included and hoped that the bill would satisfy them.

Mr. STEVENS: That I think would probably cover the situation. I certainly do not wish to interfere with the passing of the bill, but I am most anxious that this important section of the export trade should be adequately covered.

Section agreed to.

On section 3—Contract not to imply seaworthy ship.

Mr. NEILL: Would the minister explain this section? Does it mean that there is no obligation upon the carrier to provide a seaworthy boat, and that if the stuff is lost he can say to the shipper, "That is your trouble"? What protection does the shipper have? He has no knowledge of the condition of the ship; he cannot go into that. What is his protection?

Mr. HOWE: If my hon. friend will turn to paragraph 3 on the opposite page of the bill he will find an explanation of the obligation of the ship owner as to responsibility for the ship. If the accident occurs because of the unseaworthiness of the ship the ship owner is liable, but unseaworthiness cannot be pleaded unless the action arise because of that unseaworthiness.

Mr. BENNETT: Mr. Chairman, this is the only section upon which I wish to make a few observations. The minister knows that we in Canada have been very reluctant to pass this statute. It lessens very materially the burden of the ship owner. It represents the high point of the influence of shipping in Great Britain. The Brussels conference was the triumph of the great shipping interests over, shall I say, the agitation that commenced in the days of Plimsoll and was maintained with varying degrees of success until this final action was taken. Far be it from me to say it is absolutely unfair because that would not be the proper way in which to describe it. But in two or three particulars it very greatly changes our conception of responsibility on the part of the ship owner.

The minister will recall the circumstances that led to the enactment of the drastic legislation in connection with the seaworthiness of ships, ships in the fall of the year overladen, laden far beyond their proper depth, and going out to sea heavily insured, which finally culminated in that historic scene in the House of Commons when Mr. Plimsoll completely lost his head and was escorted out of the chamber in a desperate physical condition. But the result of the breakdown of Mr. Plimsoll was that Plimsoll's mark appears on every ship that leaves a British port. That of course has only to do with the depth to

which the ship is loaded, and with conditions under which the seamen are provided with food and other necessities while on the articles of the vessel.

Section 3 of this bill says:

There shall not be implied in any contract for the carriage of goods by water to which the rules apply any absolute undertaking by the carrier of the goods to provide a seaworthy ship.

The law as it developed was that in all contracts for carriage there was an implied condition, and that implied condition was the basis upon which, on the one hand, the owners of the cargo relied for assurance of the ship being in a condition of seaworthiness to carry the cargo, and, on the other hand, the crews relied upon it, feeling that there was no risk of life involved so far as the seaworthiness of the vessel was concerned.

The minister has not forgotten the terrible disaster which happened off the United States coast to a southbound British ship or the serious loss of life involved in the disaster to a northbound ship which was destroyed by fire off the coast of New Jersey. The question of liability is always a question of fact, determined as it was in those days by the question of seaworthiness. But now we have the word "absolute" inserted. It still maintains the principle upon which the law was predicated, that is, there is an implied contract of seaworthiness but not of absolute seaworthiness. When the minister said that this lessened litigation, I would say that while it is true it has lessened litigation because the British commercial interests do not have recourse to litigation except where great principles are involved, but rely upon arbitration—the great interests of the city of London determine questions of this kind not by reference to the courts except where great principles are involved, when they have recourse to the House of Lords—yet it has always seemed to me that this is rather a dangerous section, and I shall content myself with making that statement of my position. When you have regard to the enormous amount of traffic that is handled on the inland seas of this country—I do not think it affects so much shipping from our great seaports because sooner or later the ship will have Plimsoll's mark and be subject to the survey of the board of trade; if she is insured by Lloyd's there will be a survey, and if she is insured by other companies there will be a survey and the question of seaworthiness will always be considered. But when you come to our great lakes and to the question of the loading of the ship and the transporting of cargoes in the fall it is another matter. The minister referred to the Sarniadoc case as an outstanding illustration of recent occurrence about which there was much litigation. We now have Canada engrafting upon its rules of law with respect to carriage a rule which says that the ship shall not be taken to be guaranteed to be absolutely seaworthy. The word "absolute" means of course just what it says. There was a condition that willy nilly the ship had to be in an implied seaworthy condition. Now you say there is no condition that a ship shall be absolutely seaworthy. I have a good enough opinion of my fellow countrymen and of all others who sail the great waters of the lakes to think that this is a dangerous thing.

Mr. NEILL: It does not say absolutely seaworthy.

Mr. BENNETT: The undertaking was implied and it now is no longer absolute. The undertaking is a condition attaching to the contract. It is an implied condition, but there is no longer an absolute undertaking as to seaworthiness.

Mr. NEILL: Would the leader of the opposition (Mr. Bennett) explain the difference between an implied undertaking and an absolute undertaking? If I sign a note, that is an undertaking, and I cannot plead in court that it is not an absolute undertaking.

Mr. BENNETT: That is just the point I am endeavouring to make; that is just the difficulty to which I was referring when I brought the matter to the minister's attention. Certain rules are attached to the bill as a schedule and become part of the bill. Article I of these rules refers to what is a contract. There are questions in these rules which entirely change the existing law with respect to delivery as distinct from merely putting the cargo out on a wharf or a dock. The hon. member for Comox-Alberni (Mr. Neill) asks me to explain the difference between an absolute undertaking and an undertaking. That is used purely in a legal sense. I speak subject to the views of other members of the profession in the chamber, but this is the explanation I would give: When you say that an implied condition attaches to a contract and that it is of an absolute character, you mean that the undertaking is subject to no possible qualification, but when you say it is not absolute, that means it may be qualified. The extent to which it may be qualified under these rules depends upon the considerations which we will speak of when we come to the rules. That is the distinction between an undertaking and an absolute undertaking. An absolute undertaking is an

unqualified undertaking and means the assurance, as the hon. member said, that it is true. On the other hand, a mere undertaking may be subject to qualifications, if it is not expressed to be absolute.

Mr. KINLEY: But this section does not relieve the ship owner of all responsibility.

Mr. BENNETT: Oh, no.

Mr. HOWE: I think perhaps I can give an example. The laws require that a ship carrying bulk wheat must have shifting boards. For twenty-five years boats have been carrying bulk grain on the great lakes without shifting boards. A particular type of boat had been built for this purpose and in theory it was thought that shifting boards were not needed. In the Sarniadoc case the boat did not have shifting boards, and this was discovered from a chance remark of the captain that he had not done certain things because he was afraid his cargo would shift. Under this bill such a defence could not be offered.

Section agreed to.

On section 4—Documents of title subject to the rules.

Mr. STEVENS: Mr. Chairman, I feel it is my duty to call attention to this section, which has caused a great deal of friction between shipper and carrier. In order properly to understand the section one must turn to article III of the schedule attached to the bill. Section 4 reads:

> Every bill of lading, or similar document of title issued in Canada which contains or is evidence of any contract to which the rules apply shall contain an express statement that it is to have effect subject to the provisions of the rules as applied by this act.

In paragraph 3 of article III we find one of the rules referred to in this section. I want to draw attention to this rule because I believe it is not fair to the shipper. It will be noted that this rule first refers to the receiving of the goods by the carrier, and it then goes on to indicate certain conditions. I invite the attention of the committee to the proviso at the bottom of the rule, and I ask hon. members to bear in mind that all these things apply after the goods have been received by the shipper. This proviso reads:

> Provided that no carrier, master or agent of the carrier, shall be bound to state or show in the bill of lading any marks, number, quantity, or weight which he has reasonable ground for suspecting not accurately to represent the goods actually received or which he has had no reasonable means of checking.

A shipment of goods consisting of miscellaneous packages may be delivered on a wharf and accepted by the carrier. These packages are marked in a certain way, which marks are shown on the bill of lading. The carrier, having accepted the goods, may then be asked to issue a bill of lading, which is usually done. After all this has been done, the carrier can then plead that he has reasonable doubts as to the accuracy of the marking of the goods. The marking of goods is sometimes quite complicated, especially when they are being shipped to foreign destinations, but under this rule the carrier can plead, and I believe it is done, that he does not think the goods are accurately marked, and the shipper is out of luck. I know this thing is very often the subject of dispute between shipper and carrier.

While I am quite willing to admit that the carriers should be given every reasonable protection, I do submit that this is a carriers' bill and not a shippers' or merchants' bill. This bill is modelled on the British act which has been notoriously a carriers' act. I am extremely doubtful as to the protection given to our Canadian shipper—that is all we are concerned about—as against the carriers. It will be noted that paragraph 4 of this rule reads:

> Such a bill of lading shall be prima facie evidence of the receipt by the carrier of the goods as therein described in accordance with paragraph 3(a), (b), and (c).

If any dispute or difficulty arises the carrier is able to plead that he has reasonable grounds for suspecting that the goods were not properly marked. This whole rule shows how well protected the carriers are. Paragraph 5 reads:

> The shipper shall be deemed to have guaranteed to the carrier the accuracy at the time of shipment of the marks, number, quantity, and weight, as furnished by him, and the shipper shall indemnify the carrier against all loss, damages, and expenses arising or resulting from inaccuracies in such particulars.

There is the other side of the story. You are not only imposing upon the shipper the obligation to be accurate in every particular regarding the marks, number, quantity, weight and so on, but you are laying upon him the penalty that if he makes an error of any kind he shall indemnify the carrier, notwithstanding that the carrier has checked the goods, received and accepted them. The point I am arguing is this. When the goods are brought to the ship's side and offered by the shipper for carriage, it is the duty of the owner of the ship or of his agents to check these goods and see that they are in proper form and in accordance with the documents. I am not suggesting that the shipper should be relieved of obligation, but I am protesting, and I know it has been a fruitful cause of

dispute in years gone by, against the absolute indemnifying of the carrier against loss, and the protection of the carrier if there is any reasonable doubt, whereas the shipper seems to be lost sight of entirely.

I confess that had I known this was coming up to-day there is a great deal of documentation with respect to past disputes that might have been brought to the fore and cited. The subject has not been before me for two or three years and my memory is therefore rather hazy on these technical points; but I do recall some very trying cases that shippers have been confronted with, even under the old Canadian act, which was less drastic than this bill as regards the protection it afforded carriers. While I have a great admiration for British legislation, generally speaking, I cannot help realizing that the chief industry in Great Britain is the carriage of goods by water. The shipping interests there are overwhelming in their influence upon legislation in Great Britain. That however is not so in Canada, and I question very much whether this country would have gone as far as Great Britain did in connection with the water carriage of goods act. In saying that, I do not wish for a moment to suggest that we should not give adequate protection to carriers, but I think the Canadian parliament is largely on the opposite side of this question to the British parliament. The British parliament would naturally go a long way to protect British shipping, which predominates throughout the world, whereas we are shippers of goods. We are the owners of goods rather than the owners of ships. Consequently if the Canadian parliament wishes to take every precaution to protect the shipper of goods, we cannot expect an act modelled on the British act to provide these adequate safeguards. As I have pointed out, this particular section and the article in the rules based upon this section, would appear to me to be unreasonable in the extent of the protection or the immunity granted to the carriers.

Mr. HOWE: My hon. friend stresses England. I may remind him that twenty-four maritime nations have agreed to uniformity in this type of legislation. I was looking at the United States act, passed two months ago, after that country had watched the operations of the English act, and I find that in this respect it is exactly the same as the English act, and the same as this bill. The three contain identically the same clause. If Britain is a nation of carriers, I would point out to my hon. friend that in the United States, as in Canada, the shipment of goods predominates.

[Mr. Stevens.]

Mr. STEVENS: The information offered by the minister is scarcely an answer to the point I have raised. As a matter of fact I differ from him, because in recent years the United States has been trying to rival Great Britain in the carriage of goods. It has made vast strides in that direction and it might well be that with the enormous amounts of money spent by the American government in building freighters and passenger ships, and with the enormous subsidies they have been granting shipping on the Atlantic and the Pacific, and in fact throughout the world, the American congress may have been influenced in this respect. I am not very much impressed by the statement that the Americans have adopted this precise clause. I was not aware of that fact; I knew they had been considering these matters but I was not aware that they had adopted this precise provision. In any case, it would not be an answer to the question I have raised as to the wisdom of going quite as far as we have gone. The minister has referred to the clause. I should like to know whether the rules in the United States are exactly the same as the rules here, because the rule is what governs the clause, or at any rate it governs the action that may be taken based upon the clause.

Mr. HOWE: The rules in both countries are identical. This is rather a large subject to debate, but it does not seem reasonable to me, if the carrier is given a package by the shipper and is not able to verify the contents and weight, that the responsibility should be his. The responsibility with regard to contents and weight should be on the shipper if the carrier delivers the package on the other side.

Mr. STEVENS: That is not what we are talking about; that is not the clause nor is it the rule. It is after he has received the goods, after he has had an opportunity to check them and measure them—it is all a matter of measurement—it is, after all, this that we are talking about. The clause which the minister is now referring to is another clause altogether. I believe it is section 7 or section 6 where, if there is a weight which is agreed to by a third party such as an elevator shipping wheat, the carrier has no responsibility for verifying the weight. Here however we are faced with something entirely different. I am sorry the minister does not seem inclined to make an explanation or to throw some light on the subject. I can only say that in my opinion this is not giving adequate consideration to the rights of shippers. That is all I have to say.

Mr. HOWE: I should be glad to elaborate, but we are passing this act for the sake of uniformity, having complied with the findings of the Brussels convention. It does not seem to me that we can change it.

Mr. STEVENS: Has a convention been entered into? I am not aware of any convention that obliges us to accept the British law in its entirety.

Mr. HOWE: We were not one of the twenty-four nations that agreed to it, but since then through correspondence with Great Britain and the United States, I am informed, we have committed ourselves to this bill. The United States passed their act on the understanding that we would fall in line. I do not know whether that is a legal commitment or not.

Section agreed to.

Sections 5 and 6 agreed to.

On section 7—Liability of owner of vessel.

Mr. BENNETT: Might it not be desirable, instead of numbering the sections, to obviate the necessity of subsequently passing a statute to overcome difficulties regarding changes that may be made in the numbering of sections in other parts of the act? This, as a matter of fact, is the Merchant Shipping Act, what now we call the Canada Shipping Act, which is being amended at this very session; and we had a similar case in connection with the insurance act. Might we not say, "Nothing in this act shall affect the operation of the Canada Shipping Act limiting liability of the owner of vessels as therein provided," rather than attempt to number the sections? I suggest that because of the difficulty we had with the insurance act; I am not urging it at all. Sometimes the numbers are altered by putting in a new section of the act and giving a number to it, and the changes are automatic.

Section agreed to.

Sections 8 and 9 agreed to.

The CHAIRMAN (Mr. Johnston, Lake Centre): Shall the schedule carry?

Mr. BENNETT: The schedule should be taken up carefully, because, as far as we are concerned, it is really the whole of this act. It was the schedule that was discussed. The schedule represents the convention—that is the real fact of the matter—and the legislation is merely to give effect to the provisions of the rules. Since the minister began his explanation I have recalled something of the circumstances to which he refers. An effort was made by the maritime powers to get a universal bill of lading, one that would be adopted by all the maritime countries. It was found that Norwegians were large merchant shippers, the Germans before the war had an enormous amount of eastern shipping, the British also, and others; but we were not there, for a reason which I suppose is quite apparent—that we now have practically no shipping on the high seas. Our shipping is largely inland. It is a long time since the Brussels convention was held. It took place in what year?

Mr. HOWE: In 1922.

Mr. BENNETT: They succeeded in formulating this set of rules, and that is the real convention; the rest is legislation based on the rules, to give effect to them. There are three things to keep in mind as far as we are concerned. The charter of the ship is altogether a matter of contract between the owner of the ship and the shipper. We have nothing to do, as far as this bill is concerned, with the charter of the ship. But when it comes to the question of the contract for the carriage of the goods, and which by long custom we have called a bill of lading,—just what it says, the bill of what is laden into the ship—under our law both the shipper and the carrier have the right to tally what goes into the ship. The shipper delivers the goods within reach of the ship's tackle, and the ship keeps a tallyman or tallymen for the purpose of ascertaining what goes into the hold of the vessel. The point to which the hon. member for Kootenay East directed attention is one that has been the subject matter of much discussion. When I was a student at law I had cases in which the shipper signed his bill of lading under protest, and he drew up a formal notarial protest in which he claimed he had the right to protest against its being said there were so many standards of deals in the ship when as a matter of fact, according to his contention, there were not that number—or whatever the case might be. He therefore signed his bill of lading under protest and made his notarial protest. Now this is an endeavour to give effect to that rule of maritime law that the master, representing the owners of the ship, signs his bill of lading under protest, but the form whereby it is to be done is a very strange one, and I wondered at the language as it was being read:

> Provided that no carrier, master or agent of the carrier shall be bound to state or show in the bill of lading any marks, number, quantity, or weight which he has reasonable ground for suspecting not accurately to represent the goods actually received or which he has had no reasonable means of checking.

Another paragraph of the rules gives effect to the old common law rule that the owner of the ship checks or tallies what goes into the vessel. The captain is usually the man to do this, or he has one of his officers doing it. It seems strange to say that in lieu of the old form of signing his bill of lading under notarial protest he is to decline to sign that bill of lading by stating—going so far as to say, if he has reasonable ground for "suspecting"—it does not accurately represent the goods actually received. "Suspecting" is a strange word to use in a statute with respect to a contract. When the minister says this represents the rule that has been agreed upon, I suppose it is desirable that ninety-five per cent of the carrying business of the world should be subject to some general rule. We however are more concerned in shipping the goods by freight, by vessel, than we are in the position of the owner of the ship. In other words, we are shippers, not carriers. The United States did not pass this bill, I believe, until two years ago?

Mr. HOWE: Two months ago.

Mr. BENNETT: Oh. That explains something that I could not quite understand. If that happened only two months ago I quite appreciate the position, because the United States had declined up to a quite recent time to complete any arrangement by passing the legislation affected by this rule of Brussels. If they have done it now, I suppose it is because the carriers are becoming more important than the shippers, and they are able to influence congressional action, whereas in years gone by they certainly were not. At any rate, this being so, I quite understand the minister's position.

There is one thing I think he might do. It seems to me that in a country like this we should not bind ourselves to this three-day rule. We might modify at least that rule without affecting the general principle. There is no reason why the question of time should not be regulated by the necessities of each country rather than by any general rule. I refer to number six:

> Unless notice of loss or damage and the general nature of such loss or damage be given in writing to the carrier or his agent at the port of discharge before or at the time of the removal of the goods into the custody of the person entitled to delivery thereof under the contract of carriage, or, if the loss or damage be not apparent, within three days, such removal shall be prima facie evidence of the delivery by the carrier of the goods as described in the bill of lading.

As the law stood, at least under the ordinary rule governing sale of goods under contract, it was that a man had a reasonable time within which to inspect and reject or accept. The old rule in our Sale of Goods Act was "a reasonable time." Our old rule used to make delivery absolute. As it is now it is somewhat changed. The carrier hands the goods over, and when they are removed if within three days he does not get notice that there has been loss or damage, the claim to loss or damage is gone. There are certain types of goods, both coming into this country and departing from it, in respect of which it seems to me that three days may be too short a time in which to make it clear that the damage, although not apparent, is there. "Such removal shall be prima facie evidence of the delivery by the carrier of the goods as described in the bill of lading." In other words, he has complied with the bill of lading and delivered the goods safely under the conditions mentioned in the rule, unless within three days the person receiving them gives notice that there are now apparent conditions which make for loss or damage of the goods that he is receiving.

Mr. STIRLING: Why should it be any different in Canada?

Mr. BENNETT: Consider our position. First of all we have great frosts and the other difficulties that are incident to climatic conditions, so that what might be apparent in four days might not be apparent in three days with respect to the condition of goods. I do not think there is any point in regard to the arbitrary fixing of the period, but it appeared to me that three days was rather a short time. I recall a case which one always recalls in these matters, of a cargo of turkeys that went from eastern Canada to the west.

Mr. DUNNING: They move the other way now.

Mr. BENNETT: Yes; the last five years brought that about. The carload was inspected and it was found that it had not been properly refrigerated so that apparently there was a loss. It was contended that the inspection and rejection had not taken place promptly and therefore the owner brought an action to recover the purchase price—at least the bank, as the holder of the bill of lading, brought the action, which failed. It struck me that the officers of the department would be able to tell the minister whether in a country such as this, where we have sudden extreme heat and cold and where we move cargoes so rapidly, this length of time was sufficient. For instance, suppose a cargo was accepted in Vancouver for shipment to Calgary and it made the journey in three days. When it arrived there, as soon as the consignee had an opportunity it was inspected and found to

be not in good condition, attributable entirely to the voyage. In such a case one might say that three days might be too short a time.

I have no settled views on the matter, except that it struck me in that way. The whole series of rules, as I said in the beginning and as has been said by the hon. member for Kootenay East, is predicated upon the carrier receiving every consideration and the shipper being more or less at his mercy, subject of course to the terms of the rules. Probably it is better to have those rules in that form, so that they are uniform throughout the shipping world, than to rely upon the varying decisions that might be given if there were no uniformity. Every country has its own common law rules. We have rules in this country that are far more favourable to the shipper than these. The statute we are repealing is far more favourable to the shipper than the one we are now passing; it affords him a measure of protection which we do not now afford him. I have no doubt, as the minister has said, that the carriers are pleased to have this statute become part of the laws of this country, but I am afraid that the shipper is less vocal than the carrier because he is not organized, whereas the carrier is organized and speaks with authority and with a single voice when he attends a conference. The only surprise I felt was when the minister said the United States had passed a statute accepting these rules, because I knew that up to a few months ago they had not done so. Then when the minister told me it was only two months ago that this had been done, it removed the necessity for any further observations on my part. With our small shipping I think we were content to become a party to the general convention provided that in addition to the other countries the United States, our near neighbour, accepted it, and that had not been done when I was last familiar with the matter.

Mr. HOWE: As to the time limit, as I have said this is an attempt at uniformity, but as far as I can see there is no objection to a longer period, if my right hon. friend cares to move an amendment.

Mr. BENNETT: I was just asking if the minister had thought about it, because it struck me that three days might be a little too short a time. After all, in a country like this five days might not be too short or too long, but I am not definitely committed to anything.

Mr. HOWE: Three days is the uniform period.

Mr. BENNETT: Then I would hesitate to change it.

Mr. NEILL: I suppose I am only showing my ignorance in asking this question, but perhaps I can obtain some information. I revert to the section referred to by the right hon. leader of the opposition, the proviso at the end of paragraph 3 of article III of the schedule, which reads:

> Provided that no carrier ... shall be bound to state or show in the bill of lading any marks, number, quantity, or weight which he has reasonable ground for suspecting not accurately to represent the goods actually received ...

As the right hon. leader of the opposition has stated, this certainly seems to me to be a carriers' bill. Supposing I ship fifty gallons of whisky in a number of demijohns and the man says he suspects that my statement as to the quantity is incorrect. Does he only put down on the bill of lading "whisky"? In that case, when it reaches the other end and my consignee takes delivery, he is entirely at the mercy of the carrier. The carrier may have drunk half the whisky, and then he could say, "All we undertake to deliver was whisky, and you have received whisky." Surely there should be some provision for protecting the shipper; surely the carrier should say "so many demijohns said to contain so many gallons of whisky" or something like that. Apparently, if I am reading this aright, all he has to put down in that case is the article shipped; he is not bound to put down the number, quantity or weight. Would the minister explain that?

Mr. HOWE: I think it was explained by the right hon. leader of the opposition that it has always been possible to take a notarial statement casting doubt on the representations made as to the shipment. This is a similar provision. In other words, if you said there was whisky and the other man had some doubt about the quantity, if you still insisted that he take it for delivery I think perhaps he would say on the bill of lading "fifty demijohns full of liquid" or something like that. In other words, he has a right to refuse to put on the bill of lading something he does not believe is true, and I suppose you have your right to withdraw the shipment under those circumstances. I think that is the position.

Mr. NEILL: Then would the minister explain this other point in regard to the definition of goods, contained in paragraph (c) of the definition:

> "Goods" includes goods, wares, merchandise, and articles of every kind whatsoever, except live animals and cargo which by the nature of carriage is stated as being carried on deck and is so carried.

Why is that exception made? Within the last two or three years we passed an act by which large quantities of lumber might be carried on deck, so why should that lumber be exempt from the presumed benefits of this act? Since it is not defined as goods I assume it does not come under the act.

Mr. BENNETT: Lumber does come under this act but it did not come under the old act.

Mr. NEILL: This definition states:

... except live animals and cargo which by the contract of carriage is stated as being carried on deck and is so carried.

If it is carried on deck it does not count as goods.

Mr. HOWE: That is true. Lumber did not count as goods even if stored below deck under the previous carriage of goods act. Under this act it qualifies as goods if it is properly stowed, but if it is put on deck it is subject to special risks and does not come under the ordinary ship cargo insurance.

Mr. KINLEY: Mr. Chairman, from the very nature of it this legislation is intended for the future. The idea has been expressed that the act is extremely in favour of the carrier, and the hon. member for Kootenay East in particular said that we are not a carrying nation but a shipping nation, and therefore—

Mr. STEVENS: I did not say that; I said we were not a carrying nation in the sense that Great Britain is.

Mr. KINLEY: I quite accept what the hon. gentleman says, but it only emphasizes my point: I hope we do not accept the idea that we shall always be a shipping nation and not a carrying nation. We in the maritime provinces have some aspirations in regard to preserving to Canada the carrying of our goods upon the sea. It is our ambition that in the future we should become more of a carrying nation.

Mr. STIRLING: The explanatory note opposite article III reads:

It will be noted that the carrier is bound to exercise due diligence before and at the beginning of the voyage. The present Canadian statute (section 4) requires due diligence to be used to make and keep the ship seaworthy. It is not practical to require the owner to keep the vessel seaworthy and the wording of the British Act is desirable.

To one who is not particularly versed in shipping it seems an extraordinary statement that the ship owner is not required to keep the ship seaworthy.

[Mr. Neill.]

Mr. HOWE: While we will all agree that it is possible to make a ship seaworthy it may not be always possible to keep it seaworthy. In other words a ship may be technically unseaworthy as the result of a storm. It may be made seaworthy again after that, but I think the distinction there may be recognized.

I have a few amendments, chiefly typographical errors. On page 4, section 6, the word "damage" is misspelled, and an "a" should be inserted.

Mr. BENNETT: I do not think that is necessary

Mr. STEVENS: We do not need an amendment for that.

Mr. RINFRET: I move:

That section 6 of article III be amended by substituting the word "damage" for "dmage" in the second line thereof.

Amendment agreed to.

Mr. RINFRET: I move:

That subparagraph (b) of section 2 of article IV be amended by inserting the word "fault" after the word "actual" in the first line thereof.

Amendment agreed to.

Mr. RINFRET: I move:

That subparagraph (q) of section 2 of article IV be amended by substituting the word "and" for the word "or" in the first line thereof.

Amendment agreed to.

Mr. RINFRET: I move:

That article V be amended by inserting the words "and liabilities" after the word "responsibilities" in the third line thereof.

Amendment agreed to.

Mr. STEVENS: That sounds rather strange to me, to provide that a person shall surrender his liabilities. I should think they would be glad to surrender their liabilities at any time. Is that in accordance with the British act?

Mr. HOWE: Yes. It was left out in the printing by mistake.

Mr. BENNETT: It is not a surrender of responsibilities; it is an increase of them—a surrender of rights and immunities.

Articles as amended agreed to.

Schedule as amended agreed to.

Bill reported.

CUSTOMS ACT AMENDMENT

Hon. J. L. ILSLEY (Minister of National Revenue) moved the second reading of Bill No. 67, to amend the Customs Act (Canadian waters).

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Johnston (Lake Centre) in the chair.

On section 1—"Officer."

Mr. STEVENS: Would the minister be good enough to make a brief statement as to the general purpose of the bill?

Mr. ILSLEY: It is a short bill, five sections in all. It is designed to strengthen the preventive work of the customs service. Section 1 defines "officer" as used in the Customs Act. Section 2 defines "Canadian waters" and "Canadian customs waters." Both these terms are new as far as I know. "Canadian waters," roughly speaking, comprise all the marine league, that is the waters included within the three mile limit, and "Canadian customs waters" the waters in the nine mile belt outside the three mile limit.

Mr. BENNETT: Why did they make it that rather than twelve miles?

Mr. ILSLEY: We would have to have some description. In the act being amended we referred to them as territorial waters of Canada, or some phrase which I do not just remember, which did apply to waters within the twelve mile limit. But His Majesty's government in Great Britain made representations that it was of some importance not to define territorial waters of Canada in that way. The powers to be exercised outside the marine league, outside of Canadian waters, so-called, are very limited powers.

Mr. BENNETT: Police powers, practically.

Mr. ILSLEY: Police powers, yes. Section 3 provides that certain vessels must carry manifests. Section 4 defines hovering, sets out the powers in respect of hovering vessels and contains other provisions relating to hovering. Section 5 repeals section 207 of the act. I hope that the brief explanation is sufficient for the purposes of the member for Kootenay East.

Mr. KINLEY: I assume this bill is for the purpose of the better enforcement of the Customs Act, that it concerns only Canadian shipping, and that the authority is over every Canadian ship within the twelve mile limit.

Mr. ILSLEY: That is scarcely correct. If the hon. gentleman will look at the bill he will find that vessels other than Canadian vessels are affected by its provisions.

Mr. BENNETT: For police purposes only.

Mr. ILSLEY: For police purposes only. This bill affects vessels registered in Canada and unregistered vessels owned by a person resident or domiciled in Canada and other vessels or classes of vessels specified or enumerated by proclamation of the governor in council. This third class of vessels would be vessels registered in countries other than Canada. But the bill does not assert jurisdiction over these vessels within the nine mile limit unless they are enumerated or specified by proclamation of the governor in council. It is anticipated that that will be dealt with by agreement. For instance Newfoundland vessels in the nine mile belt, outside the three-mile limit, will in all probability be specified or enumerated by proclamation of the governor in council as a class of vessels to which this act will apply.

Mr. KINLEY: By agreement.

Mr. ILSLEY: By agreement between the government of Canada and the government of Newfoundland, and agreements of this nature will undoubtedly be made with many countries.

Mr. KINLEY: Have you now an agreement with Great Britain?

Mr. ILSLEY: No.

Mr. KINLEY: The point that occurs to me is that vessels sailing out of Canada might change their registry to Barbados or Bermuda or the Jersey Islands. The Jersey Islands in the past have been a favourite place to register vessels. They have some peculiar sort of independence from Great Britain, and in days gone by to register a vessel in the Jersey Islands gave them almost absolute freedom. Now if this bill is enacted into law, will it cause a certain class of vessel to register in foreign countries and thus give them greater freedom than they would have if they were registered in Canada, although they may be owned in Canada only by mortgage or on shares?

Mr. ILSLEY: The control over vessels registered in foreign countries which is to be exerted in the nine mile belt outside of the marine league will be effective only if an agreement is made between this country and the country of registry of the vessels. Does that answer the question?

Mr. KINLEY: I understand that perfectly. But the point I want to make is that after all this is a very ineffective way of controlling the customs situation. It will not get you very far, will it?

Mr. ILSLEY: I do not know why it should not. Canada will have complete jurisdiction over vessels in the three mile limit.

Mr. KINLEY: It always had.

Mr. ILSLEY: And will have the right of pursuit, which is dealt with in the bill. It will also have control over vessels registered in certain countries which make agreements with Canada when those vessels are outside the three mile limit.

Mr. NEILL: Will it not induce Canadian vessels to register in a foreign country that does not have an agreement with Great Britain in order to smuggle goods within the nine mile area without restraint by Canadian officers?

Mr. BENNETT: I think what the government has in mind is bringing vessels of a notorious character engaged in certain well known activities within the police powers of this act. If a proclamation were made following an agreement between this country and the country whose ships notoriously engage in illicit operations, such vessels would be subject to the punitive powers we have provided by our statute. Is not that correct?

Mr. ILSLEY: That is correctly stated.

Mr. NEILL: But the notorious vessels will take care not to register in countries with which you have an agreement.

Mr. ILSLEY: We believe no country will refuse to make an agreement.

Section agreed to.

On section 2—"Canadian waters."

Mr. ILSLEY: Since the bill was prepared it has been deemed advisable to strike out the words "and shall conform with," in lines twenty-eight and twenty-nine, so that it will read:

> Canadian waters shall not extend beyond the limits of exclusion recommended in the North Atlantic Fisheries Award,

And so on. That makes a difference in the meaning of the section, of course, but it really does not injure the section because in another part it is provided that a map or chart may be issued under the authority of and approved by the governor in council which shall be conclusive evidence of the due determination of such base lines, and Canadian waters shall not be defined on that map to extend beyond the limits of exclusion recommended in the North Atlantic fisheries award. There is a real reason for the subsection.

Mr. BENNETT: I think the addition of the extract from the award as a part of the bill is highly to be commended. It gives to those who read the bill immediate knowledge regarding a matter of some importance, namely, what the decision of the arbitrators was. It gives the information at once by looking at the statute, which I think is exceedingly desirable having regard to the technical character of the answer given to question V as set forth in the schedule.

Mr. DUNNING: I move the amendment accordingly, Mr. Chairman.

Amendment agreed to.

Mr. BENNETT: I would have worded the paragraph a little differently and said "beyond the limits of exclusion recommended in the answer to question V," but I do not desire to suggest that my draft would be any better than that of the gentleman who drew this.

Section as amended agreed to.

On section 3—Master shall have manifest on board.

Mr. BENNETT: There is not much difference here except that this makes it obligatory. But most ships do carry manifests that give these particulars, as I understand it.

Mr. ILSLEY: Many ships carrying smuggled liquor do not carry manifests.

Mr. BENNETT: I realize that, but the manifest usually contains this information.

Section agreed to.

On section 4—Application of section.

Mr. KINLEY: The minister said that there was no arrangement with Great Britain. I am puzzled about this because I believe that any good effect to be derived from this bill will be derived by arrangement with other countries. Otherwise, it will only drive ships from our shores until we do have such arrangements. England entered into a twelve mile arrangement with the United States, to which agreement we are a party. Would that not mean that at the present moment we have an arrangement with Great Britain as to the twelve mile limit?

Mr. ILSLEY: At the present time we have limited rights over vessels within the nine mile belt, but this section will give us

the right to conclude arrangements with other countries by which we can exercise much more complete control than we can at the present time.

Mr. KINLEY: It will be recalled that the United States legislation called for an hour's sail from shore. England and the United States entered into an agreement to this effect; they were the primary signatories, but we were a party. A vessel might register at Bermuda or some other British possession and thus be exempt from the twelve mile limit regulations.

Mr. ILSLEY: That arrangement does not enable seizures to be made within twelve miles of Canada. It deals only with seizures within twelve miles of the American coast.

Mr. KINLEY: It was a one way agreement.

Mr. BENNETT: The minister will remember the circumstances. The Americans were imposing upon British ships a certain condition, namely, that they should not have in their possession any intoxicating liquors while in the United States during prohibition. The great steamship companies carrying passengers across the Atlantic were confronted with a serious situation and as a result Great Britain negotiated with the United States. The United States said that they must have the right within twelve miles of their shores to search and exercise police powers over ships flying the British flag. The price paid for that concession was the permission for British vessels to bring their liquors into American ports. Otherwise, it would have been very difficult for them to operate. The matter was all the subject of diplomatic correspondence and discussion before my time, but the counsel of the department could tell the minister the circumstances. The Cunard line took a very active part in this, and finally the British government secured the rights I have indicated, while they conceded the right to have searches made on their ships and police powers exercised within an hour's run or twelve miles from shore, within nine miles of what was known as the territorial three mile limit.

Section agreed to.

Section 5 agreed to.

Mr. BENNETT: I was going to suggest to the minister that it might be desirable in the interests of administration to provide that this act shall come into force on a date fixed by proclamation published in the Canada Gazette. If this legislation became effective immediately there would be no opportunity for the minister to discuss these matters with other countries and it struck me that his purposes might be better served if the act were to go into force on a date fixed by proclamation, in the same way as we did with the bill we just passed. The minister might also provide that this act shall come into force in whole or in part on proclamation. In practice it has been found very useful to proclaim one section when you could not proclaim the whole act. I make this suggestion only in the interests of effective administration.

Mr. ILSLEY: I think the suggestion of the right hon. gentleman is a valuable one, especially the latter part with reference to the whole or part of the bill coming into force on proclamation. I shall ask my colleague to move such an amendment.

Mr. DUNNING: I move that there be added a new section 6 as follows:

This act in whole or in part shall come into force on a date or dates to be fixed by proclamation of the governor in council published in the Canada Gazette.

Amendment agreed to.

Mr. MacNEIL: I would direct the attention of the minister to an apparent misprint in the last word of rule 1 on page 7. This word should no doubt be "miles."

Mr. ILSLEY: That is correct; it should be "miles."

Mr. DUNNING: No motion is needed to correct that.

Bill reported, read the third time and passed.

SUPPLY

The house in committee of supply, Mr. Johnston (Lake Centre) in the chair.

DEPARTMENT OF THE INTERIOR

Other projects—national parks—

Buildings—construction and repairs, including buffalo abattoir, $20,000, $100,000.

Forest and game conservation works, $25,000.

Municipal services—construction, extensions and improvements, $25,000.

Recreational areas—extensions and improvements, $25,000.

Roads—construction and repairs, including Golden-Revelstoke highway and improvements to main tourist routes from international boundary to Banff, Yoho and Kootenay parks, $850,000.

Townsite development, $25,000.

Wharves and beach protection works, $13,200.

Development of new parks—maritime provinces, $140,000.

Miscellaneous, $25,000.

Mr. BENNETT: The minister was going to give further information about the roads.

Hon. T. A. CRERAR (Minister of the Interior): There is not a great deal I can add to the information I gave when the matter was under consideration on the last occasion. We have under negotiation now with the British Columbia government the question of an agreement definitely fixing the completion of what is known as the west leg of the Big Bend highway. It may be recalled by hon. members who were present when the item was last discussed that the arrangement to complete that portion of the trans-Canada highway was embodied in telegrams and letters which had been exchanged. We hope to reach an arrangement with the British Columbia government whereby we shall complete that part of the work within the next three or four years.

Mr. BENNETT: As long as that?

Mr. CRERAR: Certainly three years, with the understanding that the British Columbia government will take over the maintenance of each year's portion as it is completed. There have been some discussions with that government with respect to the road from Kingsgate into the park, and I hope we shall be able to conclude with them, by formal agreement, an arrangement whereby they will bear fifty per cent of the cost of dust-proofing that road, the federal government to put up the other fifty per cent.

Mr. BENNETT: Has that road from Kingsgate been standardized?

Mr. CRERAR: Not all of it. Part of it is now so constructed.

Mr. BENNETT: What distance is that?

Mr. CRERAR: About 150 miles, from Kingsgate to the park.

Mr. BENNETT: I know that; but how much has been standardized?

Mr. CRERAR: About twenty-four miles has been hard-surfaced, and about a third of the road is graded to standard. I have also had under discussion with the Alberta government the matter of assisting with what they describe as the blotter type of road. I believe that they constructed some mileage of that in Alberta between Waterton park and Calgary. If the arrangement is carried out it will probably involve a total expenditure of $75,000 on the part of the federal government by way of assistance. When that work is completed we shall have the circle from Waterton park right on to Calgary, Banff and Kingsgate, or the other way round, which will be dust-proof, and I believe it will be useful in attracting tourist traffic from the United States.

[Mr. Bennett.]

Mr. BENNETT: What part of the park would the Kingsgate road strike?

Mr. CRERAR: The Kootenay national park, at Radium Hot Springs. I am not familiar with the geography of the place, but I trust that is the information my right hon. friend wants.

Mr. STIRLING: What view will the minister take of the suggestion made a year or two ago that a strip of land on the west leg of the Big Bend highway should be created a park?

Mr. CRERAR: I was not aware that such a suggestion had been made, but at the moment I do not see what particular bearing it would have. The road is in British Columbia, and after its completion it is the responsibility of British Columbia to maintain it. I assume they own the land, or the portion that is adjacent to the road. If the hon. member has in mind some particular reason why such a strip should be set aside, I am certainly not aware of any such suggestion.

Mr. STIRLING: I am not presently advocating it, but the suggestion certainly was made, I think in 1934. I heard it discussed. I hold certain views with regard to it which it is not necessary for me to express now if the minister is not contemplating carrying it out.

Mr. CRERAR: This is the first I have heard of it, but my deputy informs me that in 1934 there was some discussion on the basis of the federal government's completing the road and probably maintaining it in consideration of getting this particular strip to which the hon. member refers. What practical value a strip of land on either side of the road would be to the federal government I am not at the moment in a position to say.

Mr. BENNETT: I think the information the minister has given is that which the committee was asking for the other day, but I am disappointed to hear him say that it will take three or four years to complete the road to the coast because that will stand in the way of complete means of transport being afforded from the park to Vancouver. There is the old road, and I fancy that cars sometimes go through, though I doubt it. I thought, however, that the road would be completed in less than three years. I say that for this reason. The province of British Columbia entered into a contract to complete the road within a shorter period than that. That is the old contract under which we did some work up to a

certain point, and they were to finish it. I am not sure of the exact date when it was to be finished. This is 1936 and it would probably be 1939 or 1940. Can the minister tell me the date of completion as given in the original contract?

Mr. CRERAR: We now hope it will be finished in the fall of 1939.

Mr. BENNETT: Yes. It will now be 1939-40, which is a serious matter. If the road from Kingsgate is completed to Radium Hot Springs and made dust-proof, and the same with the road from Waterton park to Calgary, then there has been a certain amount of dust-proofing done between Calgary and Banff; the only other stretch would be from Waterton park to the United States boundary, and that has been put into fairly good shape. But it will take some time to complete the road from Kingsgate to Radium. Only twenty-four miles of it has been constructed, and the balance has not been graded. The territory is fairly difficult, while affording an excellent opportunity for relief work, which is what is contemplated under this expenditure. Therefore I think it is an admirable enterprise, provided an arrangement is made that will not create a precedent which will be embarrassing to the minister. As to the extent of the contribution, that does not make so much difference, because we must recognize that the road itself as far as the park, between Kingsgate and the park, is the property of the province of British Columbia, and not ours, and therefore we must not put ourselves in entire possession of provincial roads which belong to the crown in another relation, as the minister said the other day.

On another occasion I mentioned to the minister the matter of the completion of the road from Edmonton to Jasper along the line of the old Canadian Northern grade. The minister will recall that the city of Edmonton took up with the then president of the Canadian National the question of the acquisition for highway purposes of the abandoned right of way between west of Edmonton and Jasper park. The president was willing that this right of way should be acquired, but there were certain difficulties—very great difficulties, legally—from the standpoint of securing a good title or a lease for any great length of time. Finally the province expressed willingness to take the right of way and make the necessary changes and alterations to fit it for a highway. So far as I know that work has not been completed, and I suggest to the minister that it would be very helpful if something of the sort could be done, because otherwise it will continue to be difficult to get into Jasper from Edmonton. The present condition has interfered seriously with the movement of tourist traffic. If the road to Jasper is finished, and then the work upon the line from Jasper to Banff is completed, within a reasonable time there will be a fairly complete tourist highway, meeting the situation, if not as fully as one would like, at least in a moderate way having regard to our financial and other conditions.

Mr. CRERAR: I appreciate the importance of the point raised by the right hon. leader of the opposition. This arrangement with the British Columbia government regarding the Kingsgate-Kootenay park road will, if it is completed, constitute a definite agreement covering only that work, and for a specific purpose, also with the obligation upon the British Columbia government to maintain the road in that condition. That is the basis of the arrangement which we are trying to carry out.

Mr. BENNETT: And it is a relief undertaking.

Mr. CRERAR: And, of course, it is for the relief of unemployment. I venture to say that were it not for the calls of relief, a great many of these expenditures we are considering would not be undertaken. I know very little respecting the road from Edmonton to Jasper. That matter has not yet come before me. I believe representations have been made—

Mr. BENNETT: Oh, yes, by the board of trade.

Mr. CRERAR: —by the board of trade of Edmonton. Of course, in all these matters it is largely a question of money. I should like to finish the west leg of the Big Bend highway next summer, if that could be done. But when I bring these estimates, amounting to a good many hundreds of thousands of dollars, before a Finance minister who is rather stony-hearted when it comes to expenditures, I have to take that circumstance into account. If our revenues improve and the situation becomes brighter financially the road might be completed in a shorter period, but at the moment I should not care to give any undertaking that it will be completed before the time I have already mentioned.

Mr. BENNETT: I mentioned the Jasper matter because it is one singularly within the jurisdiction of the federal government, having regard to the fact that the rails and ties have been removed from that section of the right of way west of Edmonton into Jasper, and I think a good deal could be done without

too great an expenditure. This would certainly be helpful in getting into that park, because the road from Calgary to Edmonton is not too bad for motoring, and some steps have been taken to relieve it of the dust nuisance.

Mr. GREEN: Just what work is to be done this year on the Big Bend highway? We are very much interested in that, because it is the last gap in the western portion of the trans-Canada highway.

Mr. CRERAR: I think I gave that information before. It is intended to spend about $400,000 on the west leg and $70,000 on the east leg, which expenditure, it is estimated, will complete the latter portion of the highway, including the bridge across the Columbia river.

Mr. GREEN: How much mileage will remain to be completed on the west leg?

Mr. CRERAR: I am informed that there are about seventy-two miles on the west leg yet to be completed, but that portion is expensive to construct. For instance, we had some slides on a portion of the work which has already been done this spring, and it was estimated that it would take a steam shovel two weeks to clear these mud slides off the road. I mention that merely to give an indication of the difficult nature of the country through which the road is being built. However I hope it will be completed within three years.

Mr. GREEN: Does the minister mean that it will take three or four years to complete those seventy-nine miles of road, including the work that is to be done this year? This is important also to the prairie people, because it is their way of getting out to British Columbia, as well as our way of getting to the prairies.

Mr. NEILL: I know the matter has been brought to the attention of the department by public bodies and by myself, but I wonder whether the minister has considered the advisability of establishing a beach park in British Columbia? He has four parks in that province. They are all highly mountainous, with wild and rugged scenery, wild animals, big precipices, hairpin turns, and things like that; but to round off his program I suggest, and others have suggested, that he needs a park on a beach to which people could come, not only from California and the southern states, but from our own country. As times improve we get a considerable tourist trade from the prairies, and I know, from people whom I have met, that very many persons are ordered to leave the prairies and come to the coast, temporarily or permanently, to get away from the high altitude; it gets on their nerves, and causes a condition which medical men can explain better than I can. If those people can go to the coast for only a couple of months in the summer, spend their time at sea level, with a beach for the kiddies to play on, and enjoy themselves in a quiet way, without any great expense, this would be a tremendous advantage to persons in that condition who have a little money to spend. In my district—and though I am apparently speaking selfishly, I have no personal interest in the matter—there is an area which can be obtained for a mere trifle, having almost every advantage that can be named: a beautiful white beach with no stones on it, warmed by reason of the shallowness of the water and so made suitable for bathing, a beautiful park behind it, close to the public highway, with facilities for electric light almost on the ground, and with trout fishing in the neighbourhood which will provide recreation for adults. I believe it would be a good thing to round out the department's policy by acquiring such a park, and I should like the minister to promise at least to give the suggestion his consideration.

Mr. CRERAR: With respect to the matter mentioned by the hon. member for Comox-Alberni (Mr. Neill), he has made representations to our parks branch for the establishment of a park of the kind to which he has referred. Any area for a park, of course, must be supplied by the provincial government. Under the act the federal government does not purchase or acquire such property; that is acquired and turned over by the provincial government to the federal government for park purposes. That would naturally be a prerequisite in this case. Then, again, there is the question of the amount of money that the federal government can spend year by year in park development all over the country. I think I mentioned to the committee previously—and, if not, I will do so now—that the total investment in parks in Canada is approximately $30,000,000.

With regard to the other point raised by the hon. member for Vancouver South, the matter is not so much one of distance. The seventy-two miles would seem to be a comparatively short distance in order to complete the west leg, but the real question is the amount of money involved. It is estimated that it will cost $2,000,000 to construct that portion of the highway.

Mr. GREEN: That includes the $400,000 being voted this year?

Mr. CRERAR: Yes, of course. If next year I can get a million and a half dollars to spend on that road I will spend that much money,

but it must be borne in mind that certain expenditures have to be made in all these parks. There are roads leading into them; there are in the parks works that are partly completed, and it would be difficult to take the whole vote and spend it in one locality. The hon. member will appreciate the difficulties of a minister who would endeavour to do that. So I am afraid I shall have to ask him to be as patient as possible in connection with this matter, and we will complete the highway as soon as it is reasonably possible to do so.

Mr. GREEN: It may be that the burden is being placed on the wrong department. After all, this question goes much deeper than the national parks. This is one very sure and effective way of drawing the provinces of Canada closer together, and on that ground alone I think the government should see to it that the trans-Canada highway is completed without delay. Perhaps the expense should not be borne by the national parks branch, but certainly some department should see to it that this section of seventy-nine miles of road is completed right away.

Mr. CRERAR: The expense is not borne by the national parks branch, but that branch has the responsibility of building the road, so, of course, it gets the money to do the work. As far as the tourist business is concerned I might say that I understand the Canadian Pacific Railway Company have arranged a sort of land ferry for transporting cars across the base of the triangle formed by the big bend of the Columbia river, and it is possible for tourists to leave Vancouver, come as far as possible by road, load their cars onto the facilities provided by the Canadian Pacific and be transported to the road on the other side of the big bend.

Mr. GREEN: Of course the tragedy of that situation is that tourists will not travel that way. They will go by road through the United States, and Canada will lose that business.

Mr. CRERAR: We shall get it after a while.

Mr. NEILL: I quite realize that any park taken over by the dominion government would have to be offered to them free of charge. What I wanted, rather, was an indication from the minister that he would favourably regard such an offer and that he appreciated the value of having a beach park. The minister has spoken for quite a while this afternoon as to the various developments being carried on in connection with the interior parks; he has been throwing around sums like $75,000 as if they were mere bagatelles. There is a public road right into this particular park of which I speak, so the cost of developing the park would be practically nil. The electric line is within a few hundred feet, and nature has done everything else. All that needs to be done in connection with the park portion is to leave it alone, for the most part; it would require only a very small sum, perhaps two or three thousand dollars, to put up a number of cabins such as are common for the use of tourists, and even these could be made self-sustaining by the imposition of a small charge.

With regard to the accessibility of this park, a man and a woman with a car coming from the prairies, however poor their car might be, can cross on the ferry from Vancouver to Nanaimo for a dollar or two, and reach this park in three hours. They do not have to spend two or three days going down through the United States or over impossible roads to get to this park, and then face the necessity of retracing their steps to get home again. This park is thoroughly accessible and would be used to a great extent not only by people from the United States but also by our prairie people and by the residents of Victoria and Vancouver. It would be used particularly by people of the prairies who have to get to this low altitude from time to time because of their health. I meet many people who have come to the coast because they have been told by their doctors that they had to get to a lower altitude because of heart or nerve trouble. The cost would be absolutely a bagatelle. If the minister will give the offer favourable consideration I will guarantee to do the rest. We will deliver the park to him on a platter, and the expense of developing it would be practically nothing.

Mr. CRERAR: I am always glad to give consideration to any suggestion that may be made by my hon. friend. I have just had handed to me a brief memorandum, in which the point is raised that the area of this proposed park, which is 321 acres, might not be sufficient for a national park. Probably that matter could be adjusted if we were in a financial position to allow us to go ahead with it. That would depend upon financial conditions which at the moment we cannot foresee. We do not know what our revenue is going to be for the coming year. If it increases, as we hope it will, it may be possible to extend our parks operations. If conditions are such that we have to limit the expenditure of money, then I am sure my hon. friend will appreciate the significance of that fact.

Mr. NEILL: The area is small, but in a case of this kind it is quality we want rather than quantity. This particular park has a beach which I think is about a mile in length. A picnic was held there last year which was attended by five or six thousand people, and the beach could easily have held three times as many. There is no danger of its not being ample for the ordinary traffic that might be anticipated for quite a number of years to come.

Mr. BROOKS: It has been interesting to listen to the remarks of the minister in regard to these parks throughout Canada, especially the statement that $30,000,000 has been invested in the national parks in the different provinces. I was also interested to hear the hon. member for Comox-Alberni (Mr. Neill), with three or four parks in British Columbia already, asking for another. The other evening we were discussing a park in New Brunswick, and at that time the minister stated that the creation of a park in that province depended upon factors as to which I should not care to pass an opinion at the moment. I should like to ask the minister just what really are the factors which are holding up the creation of a park in New Brunswick. I was pleased to note a vote of $100,000 for a park in Nova Scotia. It is pleasing to know that the members from Nova Scotia have been able to sink any differences of opinion that they may have had, and to decide on a site for a park. The same is true of Prince Edward Island, but the people of New Brunswick would like to know what is holding up the development of a park in that province. If the minister can give me that information I shall be glad.

Mr. CRERAR: I think what I stated when the matter was before the committee previously was that a definite area had not yet been selected for park purposes in New Brunswick. An investigation was made by one of the officers of the parks branch, who examined several sites. I believe he recommended one particular site, but considerable objection was taken to that by certain interests within the province which did not think it suitable. When a site for a park is once determined, it is fixed for all time to come, and consequently I am sure the hon. member is impressed with the importance of having the selection wisely made. It is better to make haste slowly and make the best selection, rather than act hurriedly and get a location which perhaps for all time after one would regret. That is why no selection has been made definitely in New Brunswick.

[Mr. Crerar.]

Then, of course, there is another fact. The government of New Brunswick will have to deed over free this park area, so naturally the government of that province is interested. We hope to get further with the matter this year; we shall have further reports, and if circumstances warrant it we shall bring forward a recommendation next year for the establishment of a park in New Brunswick.

Mr. BROOKS: I thank the minister for his explanation, and I would like to ask if in Nova Scotia the provincial government has already deeded over the site.

Mr. CRERAR: The area has been selected in Nova Scotia. The Nova Scotia government had to acquire certain private lands, but they advise us that they expect to be able to turn over title of that park area to us within a short time, probably during the coming week.

Mr. MacNICOL: For a long time I have been interested in conservation work. I see one item in this estimate, namely, forest and game conservation works. I have been working for the past two days in connection with conservation for Ontario—

Mr. FINN: Of the party!

Mr. MacNICOL: —assisting in selecting the new premier-to-be of Ontario, when the provincial government next goes to the country, so if the minister has answered any questions in regard to this item I can look up in Hansard what he has said. If he has not, I shall be glad to have some explanation of it.

Mr. CRERAR: I think it was referred to when the matter was under consideration before. This item is to provide for telephone lines in some of the parks, and the making of trails and roads to facilitate the park wardens in getting over their territory and making contact with their central authorities as rapidly as possible. Some of these park areas, particularly at Banff and at Jasper, are very large. We are making every effort to conserve the game and the beauty of the parks. In the judgment of those responsible for the administration of the parks these amounts are necessary, and those responsible carry my judgment with them in that respect.

Mr. BENNETT: With respect to this particular matter I desire to make some observations, which I will make when the bill in respect to the Nova Scotia park is before the committee. I find it a little difficult to accommodate myself to the view that one should be called and the other not. I suppose the minister thinks he is following the

words of Scripture, "the one shall be taken, and the other left." Just why New Brunswick should be left and Nova Scotia taken I find it difficult to understand, except that when I look around on the Nova Scotia members, I realize that they are more insistent as supporters of the administration than are my New Brunswick colleagues in their attitude towards this matter.

Mr. CRERAR: I assure the right hon. leader of the opposition that he is quite mistaken. Of course I did not find any opposition to this park among hon. members from Nova Scotia. And I found a good deal of support from New Brunswick. But the fact is as I have stated. I have not the necessary information definitely to reach a judgment as to the best location in that province; that will have to be determined this summer. As I stated a moment ago, if our financial circumstances warrant—and I think perhaps they will—there will be provision for a park in New Brunswick next year.

Item agreed to.

Forest service—development of experimental stations and forestry research, $75,000.

Mr. STIRLING: Is this with regard to national parks only, or generally in Canada?

Mr. CRERAR: This is general.

Mr. STIRLING: Could the minister give us some information in regard to the disease which is attacking the tamarack?

Mr. CRERAR: We have quite a number of these forest experimental stations development of which was really started for us by the National Defence department in connection with the relief camps. That work, of course, is important, but probably it might not be undertaken now if a start had not already been made. The nature of the work is the study of the rate of growth and the conditions under which growth takes place, and generally the application of scientific principles to afforestation and reforestation.

Mr. STIRLING: Has this only sprung up consequent upon the relief work? I thought it existed long before.

Mr. CRERAR: Some of it is the completion of works already started at these stations under the relief administration.

Mr. BENNETT: But part of this work, such as the study of forestry conditions, was going on long years ago, as my hon. friend says. When, however, the natural resources were turned over to the provinces, and the remainder of the railway belt was handed over to British Columbia, there was not the same activitiy in that direction as there had been. The first effort was to establish the time of maturity with respect to many kinds of forest trees, for instance how long it took the spruce to grow to a point where it was marketable either for pulpwood or lumber. That work went on many years ago; the commission on conservation had something to say about it. Then, for the reasons I have mentioned, the matter fell into disuse.

Mr. CRERAR: All these stations, with the exception of the one at Petawawa, were established since 1930. They include Valcartier, Acadia, Duck Mountain and Kananaskis. This vote is to complete some buildings that are now partly completed; to complete the building of roads and generally to equip the stations to carry on their work.

Mr. TAYLOR (Nanaimo): How far does this service extend? Does it relate to one province or more?

Mr. CRERAR: It covers all the provinces, although there is not a station in each province. There is one at Petawawa on the Ottawa river, about one hundred miles away; one at Acadia, New Brunswick; one at Valcartier, Quebec; one at Duck Mountain, Manitoba, to cover the prairie provinces, and one at Kananaskis on the east slope of the rockies.

Item agreed to.

Topographical and air surveys bureau—ground and aerial surveys and mapping, $20,000.

Mr. STIRLING: Will the minister explain this item? This cannot be the total vote for topographical surveys.

Mr. CRERAR: This is to assist in a survey of the boundary line between northern Ontario and Manitoba through an important mining area. The boundary line between Ontario and Manitoba is definitely established only as far as a point called Island Lake. We have offered to supply the umpire, and to assist in fixing the boundary line and to pay certain expenses. Then topographical survey work is to be done mapping areas where maps are required for development. The vote also covers the drawing and compiling of aerial maps of areas in which mineral development is taking place, and the making of base maps.

Mr. BENNETT: This item overlaps to some extent the work carried on by the Department of National Defence in mapping mineralized areas, does it not? I speak very frankly because I know my own difficulties over this duplication of work and the effort

that was made to prevent duplication, something which is not easy to do. I suggest that this item will stand perhaps the minister's personal consideration and scrutiny because there is a tendency to duplicate effort. In the parks this should not be so because the mineral areas in them are so separate and distinct from mineral areas in any other part of Canada. We have imposed such restrictions in the parks as to working for minerals that it is a little difficult for me to understand why we should make more readily available knowledge which might encourage people to do what on the other hand we are taking steps to prevent.

Mr. CRERAR: This is not in the parks area.

Mr. BENNETT: No, but I am speaking about the parks. Certain work of that kind has been done; we find both the Department of Interior and the Department of National Defence doing the same work, and it is necessary to be very careful to avoid a duplication of effort.

Mr. CRERAR: I am aware of the difficulty the leader of the opposition has indicated, and in arranging this work I think every effort has been made to avoid duplication and to get the most useful and efficient results from the expenditure.

Mr. HEAPS: How many men does the department expect to employ on survey work this summer? I understand a large number of university students are to be engaged in survey work in the ensuing months. Can the minister give any information as to the number, and, second, has he had any difficulty in securing sufficient help for the class of work that has to be done?

Mr. CRERAR: I can assure my hon. friend that there has been no difficulty in getting sufficient help. But the point my hon. friend raises probably comes under a different vote in the mines branch, and when that vote is before the committee I shall be in a position to give him the information he seeks. This is a vote for the Topographical surveys branch of the Department of the Interior.

Mr. HANSON: What about topographical mapping in British Columbia this year?

Mr. CRERAR: I am not in a position to tell my hon. friend just where the work will be carried on in British Columbia, but there will be work carried on there to an expenditure of a little over $5,000.

Mr. HANSON: The reason I asked is because in that province there are areas which have not been linked up by survey mapping.

Item agreed to.

[Mr. Bennett.]

Water power and hydrometric bureau—international gauging station on the Columbia river near Birchbank, B.C., $10,375.

Mr. MacNICOL: Does the United States government also subscribe to similar work?

Mr. CRERAR: Yes, on their side of the international boundary. We do the work on the Canadian side, and they do it on the American side.

Mr. MacNICOL: Have they a survey station close to the international boundary, and have we one close to the international boundary?

Mr. CRERAR: I am informed that they have a station quite close to the international boundary. This work is carried on in cooperation with the United States government.

Mr. MacNICOL: That is what prompted my question. I was wondering whether there were two stations close to the international boundary doing the same work.

Mr. CRERAR: I can assure my hon. friend that is not the case.

Mr. STIRLING: Will this supply a considerable quantity of work to those in need of relief?

Mr. CRERAR: This work will be done by contract. I am unable at the moment to say to how many persons it will afford relief.

Item agreed to.

At six o'clock the Speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

CONSIDERED IN COMMITTEE—THIRD READING

Bill No. 62, for the relief of Pedro Alfonso Baptista.—Mr. Jacobs.

Bill No. 63, for the relief of Louise Isabel Sutherland Chaplin.—Mr. Walsh.

Bill No. 64, for the relief of Clara Violetta Dodge Connolly.—Mr. Heaps.

Bill No. 65, for the relief of Marie Consuela Hill Montabone.—Mr. Bothwell.

Bill No. 66, for the relief of Lona Marie Vaughan Burnett Gravina.—Mr. White.

THOUSAND ISLANDS BRIDGE COMPANY

The house in committee on Bill No. 59, respecting Thousand Islands Bridge Company —Mr. Stewart—Mr. Johnston (Lake Centre) in the chair.

Sections 1 and 2 agreed to.

On the preamble.

Mr. HEAPS: I should like to ask if this bill contains a provision with respect to fair wages. I do not want to delay the passage of the bill, but I want to say that in previous bills of this kind there has always been inserted a clause providing that fair wages shall be paid, as well as a clause providing for the purchase of goods in Canada. If there is no similar provision in this bill I think it should stand over.

Mr. BARBER: This bill was before the private bills committee; it was gone into by that committee and approved.

Mr. CRERAR: This bill was considered by the private bills committee and I understand it is the custom of the house to accept their report.

Mr. HEAPS: I do not think we can always go on the assumption that because a bill has been reported from a committee we are bound ipso facto to accept the bill in toto. The minister will remember that when bills of a similar kind were before this house a clause providing for the payment of fair wages was inserted.

Mr. BENNETT: There is a general statute.

Mr. HEAPS: This is not public works; this is a private corporation. I do not think any harm would be done by having the bill stand over until Tuesday of next week in order that this omission might be rectified. I can assure the minister that a similar clause was inserted in previous bills.

Mr. CRERAR: The hon. member who is sponsoring this bill is not in the chamber to-night and we on this side have no objection to allowing the bill to stand until next Tuesday.

Progress reported.

SECOND READINGS

Bill No. 72, for the relief of Madeleine St. Clair Peacock Milroy.—Mr. Plaxton.

Bill No. 73, for the relief of Bella or Bessie Laurie Wozik, otherwise known as Bella or Bessie Laurie Rabinovitch.—Mr. Jacobs.

Bill No. 74, for the relief of Agnes Hannah Wright.—Mr. Heaps.

SUPPLY

The house resumed in committee of supply, Mr. Johnston (Lake Centre) in the chair.

DEPARTMENT OF MINES

Projects already undertaken—for geological surveys and investigations in the Northwest Territories and elsewhere in Canada—including amount required to prepare, publish and distribute results of field investigations of 1935, $150,000.

Mr. BENNETT: What has been done so far under this item?

Hon. T. A. CRERAR (Minister of Mines): This is really the unexpended portion of the $1,000,000 vote of last year which was allowed to lapse at the end of March. It is to complete the preparation of data and the compilation and publication of reports.

Item agreed to.

Other projects—to continue geological surveys and investigations in the Northwest Territories and elsewhere in Canada, uncompleted in 1935, $200,000.

Mr. MacNICOL: Why is this item not taken in conjunction with the previous one?

Mr. CRERAR: The explanation is contained in the statement I made a moment ago. The first item is to complete the work which was undertaken last year under the special vote of $1,000,000 appropriated by parliament a year ago. The reports have not all been compiled. The preparation and compilation will have to be completed, and these reports, based upon the work done a year ago, have in the main to be published. The second vote is for geological surveys and investigations in the areas mentioned in the estimate, and that will be undertaken this year.

Mr. MacNICOL: It says, "uncompleted in 1935."

Mr. CRERAR: That is the field program which was undertaken in 1935, and which was not completed. According to the information supplied me, the work was mapped out in the field, covering very large areas, but it was not all completed. All the reports covering the work that was finished must of course be published, and that is why the first vote was required.

Mr. REID: Are surveys carried out in the coastal regions, in inlets and bays?

Mr. CRERAR: No; that is not covered by this vote. This has reference to the parties that explore the geology of the country in areas which are believed to be mineral-bearing.

Mr. GRAYDON: Have the appointments to the personnel of the geological survey parties which will be sent out this year been completed yet?

Mr. CRERAR: They have been practically completed. That is covered not only by this vote but also by the vote in the main estimates.

Item agreed to.

To assist in provision of transportation facilities into mining areas, $1,500,000.

Mr. BARBER: Can the minister give some particulars?

Mr. CRERAR: The purpose of this vote is, as stated, to assist in the provision of transportation facilities into mining areas. Within the last five years there has been a notable extension of prospecting, exploration work, and the development of new mines. In that period, for instance, mines have developed in the Great Bear lake area, away up on the rim of the arctic circle, where they are producing silver and radium. I believe there are three small mines operating in that area. Transportation costs amount to $140 a ton from the end of the railway at Waterways in northern Alberta. In the Central Patricia area there are two mines operating over 100 miles from the railway, producing gold to a value of approximately $250,000 a month. My information is that their freight costs from the railway line to their mines are about sixty dollars per ton. Instances of a similar kind could be multiplied, although perhaps not to the extent of the same cost as far as other mines are concerned. The purpose of this vote is to help reduce, where possible, those costs. It is also intended to use a part of it in opening up new areas. For instance, in British Columbia, north of Prince George, there is an area known as Manson Creek. Quite obviously it is out of the question to build a railroad into that area, but we propose to assist in the construction of a motor truck road to it that will enable the people who are operating there to bring in their supplies and to do their business more economically, from the point of view of freight costs, than they are doing at present. I expect that, as a result of this, there will be a stimulation of development in many areas of Canada.

We have not as yet quite determined how the vote will be divided so far as the provinces are concerned. I have discussed the matter with representatives from all the metal mining provinces and suggested to them that the provinces should put up one-third and ourselves two-thirds; that is, for every two dollars we put up the provinces put up one dollar; and they have agreed, without exception, to that suggestion. In the result there will be available altogether, between what the provinces supply and what the federal government is providing under this vote, something over two million dollars. In selecting the areas that will be assisted we have consulted with the provinces. We do not propose to spend any of this money in building roads to a prospect where some person thinks he has a mine; there must be reasonable evidence that there may be a mine there. In many cases we know the mines are there, because they are producing, and as far as one can judge now, some have a promising future. Approximately it will probably work out in this way, that British Columbia will get about $300,000 of this fund; Alberta, a comparatively small amount, because there is as yet no metal mining in that province, but there is some work to be done.

Mr. BENNETT: How much?

Mr. CRERAR: I said, a comparatively small amount. As yet there is so far as I know, no metal mining in Alberta. But the waterways into the great northern hinterland, pass through the northern part of Alberta to this area at lake Athabaska, where a mill is being established; to Great Slave lake, where drilling operations are going on, and then to the region up in the Great Bear lake area. Freight for each of these points is moving to Waterways at the end of the steel in Alberta, and by water transportation from there on. In many cases there are portages which are extensive, where freight has to be unloaded, and reloaded again after the portage is crossed. An examination is being made to see what assistance can be given there with a view of reducing the cost of transportation. That principle will apply all the way through. Manitoba will probably get between $260,000 and $270,000; Ontario, probably $325,000 to $400,000, and a somewhat smaller amount for Quebec. Roughly, that is the classification of this vote. I wish to make it clear to the committee that so far these arrangements are only tentative; they are not completed. I think the vote will be of considerable assistance. I hope a little later, when we come to our main estimates, to give the committee some information as to the development which has taken place in mining in Canada during recent years.

Mr. PERLEY (Qu'Appelle): The minister has not mentioned Saskatchewan.

Mr. CRERAR: For Saskatchewan, I should say, probably about $80,000 to $90,000.

Mr. BARBER: This appears to be a relief vote; I suppose that is what it is. I understand that it is under relief measures or that the work is to be done along with relief measures. The minister said a minute ago that the provinces would contribute. I can quite understand that the Northwest Territories will not contribute. He stated

that about $300,000 might go to British Columbia. How much will the provincial government be expected to contribute before the dominion undertakes any work in British Columbia?

Mr. CRERAR: One dollar for two, I said.

Mr. BARBER: $150,000?

Mr. CRERAR: They would put up approximately $150,000.

Mr. McCANN: Who has the actual administration of the money—the province or the federal government?

Mr. CRERAR: I should have explained that to the committee. We propose to make arrangements for the provinces to supervise the expenditure of the money. I certainly do not desire to set up any road building organization in the Department of Mines; neither does the Labour department wish to do that; but the matter will be worked out on the projects that are agreed upon between the provinces and the federal government. The federal government will reserve the right to inspect the work as it is progressing, and the payments will be made under agreement as the work is completed, or, possibly, as it progresses. That, I think, is the most economical manner in which to make the expenditure.

Mr. McCANN: Will the provinces determine the policy with reference to the locations?

Mr. CRERAR: I should say that they will be determined as a matter of agreement between the department of mines of each of the provinces and the federal Department of Mines. So far as I am aware the matter of doing the work will be under the highways department in each of the provinces.

Mr. McCANN: Will these projects be let by contract, or will they be done by day labour?

Mr. CRERAR: I should think in the main they would be let by contract. That point has not been discussed. There are some instances where it may be difficult to let them by contract. If you are clearing up the work on some portage, or building a small wharf on some water course, it may be difficult to get a contract placed for that particular work, but I should think that in the main the work will be done by contract.

Mr. McCANN: Will any of this appropriation go as a subsidy to aeroplane companies that are carrying freight?

Mr. CRERAR: That has not been contemplated and has not been suggested.

Mr. FAIR: Will the minister state approximately what amount will be allowed for Alberta?

Mr. CRERAR: At the moment I cannot give my hon. friend that information. It is difficult to get details of the work which requires to be done in Alberta, but it will be only in the northern part, in connection with cheapening as far as possible the means of transportation on these waterways.

Mr. BENNETT: No item in the estimates has caused more unfavourable discussion than this, for reasons that I think the minister must easily appreciate. In the first place, except in the Northwest Territories, any work done on a highway to improve transportation, means work done upon roads entirely under the control of the provinces. No federal money can be expended by the federal government on a provincial highway or transportation road or colonization road without the consent and approval of the provincial authorities. The principle that is to govern should not be unlike that which governed an appropriation of several million dollars for the construction of roads many years ago. That money was divided among the provinces on the basis of population. It will be recalled that at that time the senate insisted that this should be done, and on the part of the then Liberal opposition there was a great deal of discussion and, frankly, some opposition to the proposal to utilize federal money for the purpose of improving highways in provinces. That opposition was overcome by the method I have indicated, namely a division of the money on the basis of population. A standard type of road was agreed upon, and the work was done under the inspection and, shall we say, the general supervision of the late Mr. Campbell, who represented the federal power.

This is an appropriation of $1,500,000 to be expended on the improvement of transportation to mining claims in every part of Canada. There are still some mining claims left in Nova Scotia, for instance, in connection with some minerals other than coal that are being sought for there. The disaster about which we were all so much concerned recently had to do with an old gold mine that was being exploited. In New Brunswick there are still some mining claims left, though comparatively few. In Quebec there are the great northern areas where the general formation is similar to that of northern Ontario, and it is proposed to divert the same sum

of money to each province for the improvement of transportation.

When I asked what principle was to govern, the minister said that the money would not be spent to improve transportation to what a man might think was a mine. But if geology is a science, as it is, and if the reports of those who have made surveys of the territory are worth attention, it should not be a case of what a man thinks. I had concluded that the minister would say that this money would be used to enable promising areas to be prospected, because if the mines have come into production they do not require much assistance in the construction of roads. By reason of the fact that mines are producing, they have ample money with which to provide transportation to the markets for their products; they have ample money with which to carry on their operations. That is not the case, however, with a great area which has been, shall I say, closely investigated by geologists in the manner in which that is done nowadays, and which is very interesting even to read about. When an area is regarded by geologists as being promising then it is of first importance to get diamond drills and other necessary equipment into that area, and in that case some expenditure is required to be made to enable transportation to be carried on.

From what has been said by the minister I gather that this is not what is intended. I repeat that a mine already in production does not require very much assistance. If it is producing every two or three days a block of gold worth $25,000, $30,000 or more, it does not require much help in order to provide transportation. I thought the minister was going to say that this money would be spent in order to encourage the development of the mineral areas. Certainly the amount of $1,000,000 which was appropriated by parliament last year to enable investigations to be undertaken had behind it the idea that we would become familiar with geological conditions and the extent to which work might be carried on in given areas for the purpose of securing valuable metals through the development that was to go forward. Until the minister spoke I had certainly concluded that this, in a sense, was to be supplementary to what was done last year, so that areas of promise would be made possible of development by reason of these expenditures, in cooperation with the provinces, to enable the transportation of supplies to be carried on. The hon. member for Renfrew South spoke of aeroplanes being used for the transportation of supplies. In the Northwest Territories, which are completely under the jurisdiction of this government, every dollar of this sum could be spent and still it would not meet the requirements, so difficult is transportation into that area.

The minister knows that we have spent a considerable sum of money in providing radio stations for the purpose of enabling news to be sent into and out of those areas, and although it has been very expensive we have endeavoured to do something in the Great Bear lake and Slave lake regions. Both of those mineral areas are in the Northwest Territories, if I am correctly informed, and I would think it desirable that as much money as possible should be spent there, where we have no province with which to cooperate or consult, where we own the highways and everything else. It occurred to me that the minister might say that a good deal of this money would be spent there, where any revenues, royalties or fees come to us and not to any province. We have supreme and complete control over that area, which contains pitchblende, copper and some promises of gold. I do not know that the gold deposits have been developed to any considerable extent, but certainly other minerals have been reported there. I was surprised at the small sum the minister mentioned as having in mind to be expended in the Northwest Territories. If he will look at Hansard to-morrow he will see that it would appear that this money is to be used on behalf of those who least require it and not in aid of those who most need it, and when I say that I mean those who as yet have not been able to demonstrate that a given area will be productive, those in territories that geology, which is a fairly exact science, has indicated might contain gold-bearing rock or quartz. It is in such territories that one would expect at least a good share of this money to be expended in order to make transportation feasible.

I have nothing to say with respect to the situation in Alberta. There is very little in the way of mineral deposits in southern Alberta, though, of course, in that province they have the fields where they have been prospecting for oil, which is almost as important as minerals from the standpoint of the immediate production of new wealth, and I suppose these petroleum products might, in a sense, be classed as mineral wealth. In the northern part of the province, however, bordering on the Northwest Territories, as the minister has said the waterways require some attention. I had hoped that in connection with those great Northwest Territories, where

last year considerable geological work was done and where every promise was found of rich deposits of valuable minerals, the minister would say there is a duty devolving upon us, for we are both the province and the dominion as far as those territories are concerned. Wherever there is a possibility—and I do not want to use that word in too narrow a sense—or, we shall say, a geological probability of there being valuable mineral deposits, as far as we can we should use this money for the purpose of making it possible to have those deposits developed.

It would seem to me to be a very great mistake to leave entirely in the hands of the provinces the selection of those on whose behalf and for whose benefit this money should be expended. On the other hand, of course, we cannot expend any money in this way without the consent of the provinces; that is obvious, and therefore there must be cooperation between the provinces and the dominion. The extent to which that cooperation will be given will depend entirely, it seems to me, upon the view the provinces may take as to the desirability of this or that area being assisted in the way of transportation facilities. If an agreement cannot be reached, then I suggest that the money should be expended where I expected the minister would spend most of it, namely in the area where there is no province, no government except our own, nobody to receive any benefit except the people of Canada who derive the whole benefit, both in respect of any income the companies may secure and in royalties that may become payable on the minerals taken out. I cannot say that I congratulate the minister upon the method he proposes to adopt, because I cannot help thinking it will bring him a good deal of difficulty, and in the end the money will be frittered away without any corresponding advantage.

Mr. CRERAR: I think my right hon. friend need not have the fears that he has just expressed.

Mr. BENNETT: I have heard a good deal about this vote.

Mr. CRERAR: I have, too, heard a great deal that is favourable.

Mr. BENNETT: I have heard a great deal that is favourable for one or two people.

Mr. CRERAR: As far as the Northwest Territories are concerned, to get back to the Great Slave lake and Great Bear lake region, practically all the expenditure that has to be made in order to give transportation into those areas has to be made in Alberta.

Mr. BENNETT: You cross the boundary line and get to where you leave the river, and then you have to get to where the claims are located. On Great Bear lake you go by water.

Mr. CRERAR: For instance, on Great Slave lake, which is wholly in the territories, the mining claims that have been prospected and explored are on the north shore.

Mr. BENNETT: And that is so because prospectors cannot get into the other parts of the area at present by reason of bad transportation.

Mr. CRERAR: They get to lake Athabaska by the river from Fort McMurray. One of the chief difficulties of transportation into that north country is the stretch of river for six miles north of Fort McMurray. In low water the boats cannot get up to rail head. We do not propose to undertake any work this year by way of deepening the river.

Mr. BENNETT: Is there not a small item in the main estimates for that?

Mr. CRERAR: There may be for investigation, but deepening the river would involve blasting rock out of the river bed. The solution of the problem is probably either a motor road for six miles from Fort McMurray to a point where the boats can take their freight—

Mr. BENNETT: Or an extension of the railway.

Mr. CRERAR: Or an extension of the railway.

Mr. BENNETT: Both expensive.

Mr. CRERAR: There is partly within the Northwest Territories one other portage on which some work will be done, and indeed some has been done. To-day a private company has the privilege of carrying freight over that portage.

Mr. BENNETT: They get how many cents a pound?

Mr. CRERAR: They get a good rate; I have forgotten what it is.

Mr. BENNETT: It is a very large figure.

Mr. CRERAR: Of course this is in the north country.

To come to another point, the assistance is not alone for mines that are developed. It may be a nice question to what extent a company producing, say gold, should pay the expense of providing the highway or railway to the mine. For instance, there are at present two mines working in the Central Patricia area. The likelihood is that within twelve months another mine will start operations;

that is, steps will be taken to get in mill machinery and the equipment and accessories necessary for the successful operation of a mine. If the first mine there builds the road in, the second mine is at the mercy of the first. Consequently the highway should be in the nature of a public highway.

Mr. BENNETT: The province has control of that though.

Mr. CRERAR: Quite so. I fancy, however, that if the mine which commenced operations had the responsibility placed upon it of building the road, at a cost of, say, $100,000, it would not undertake that work unless it had some way of collecting tolls from others using the road. This brings up the question of the regulation of those tolls. That is largely a new principle in the development of the country. We are applying here a principle which has always been applied.

Mr. BENNETT: Is it not a very old one? Long before confederation they had toll roads.

Mr. CRERAR: This work will be done in conjunction with the provinces under agreements. My right hon. friend when he was Prime Minister made agreements with several of the provinces for work on roads. That was done, for instance, in Manitoba in 1935; there were definite agreements covering the work. That did not commit the federal government to the principle of building roads in Manitoba.

Mr. BENNETT: No; those were existing highways.

Mr. CRERAR: In some cases they were not.

Mr. BENNETT: All of them were, I think.

Mr. CRERAR: No. There were one or two cases where a road might be called a highway, but it was only a rough wagon road.

Mr. BENNETT: Does the minister mean the one in the park?

Mr. CRERAR: The one in the park and the one from Dauphin to Winnipegosis. The point I am making is that my right hon. friend adopted that principle. What we are doing is precisely the same thing. We go to the province and make an agreement in respect to a mining road, after we have mutually decided where one should be built. The province bears one-third of the cost; we bear two-thirds; they agree to maintain the road and to bear all the expense of engineering and supervision. That is to be covered by the agreement just the same as the Russell-Clear lake road in Manitoba a year ago, or the one from Dauphin to Winnipegosis.

Mr. BENNETT: Or the road running south.

Mr. CRERAR: Yes. We are following under this vote precisely the same principle and the same practice as were followed then. Now the advisability, the wisdom of this expenditure might be questioned. Personally I think it will be money well spent. The increase in mineral production in recent years has been phenomenal. I shall give some figures on that when I come to the main estimates. What is expected from this vote, and what I think will certainly ensue, is a stimulation and aid to the development and production of a great deal of real wealth. That is the purpose. The problem of the expenditure of the money will be studied, is being studied with the provincial departments of mines. They canot say, as my right hon. friend hinted, where this money will be spent; that has to be agreed upon between the two governments. We shall use our best judgment in deciding where the expenditure will produce the best results. As far as the vote itself is concerned I have had a good deal of commendation for this step having been taken, and so far no criticism. The only criticism that I anticipated is that the vote is not nearly large enough. There are a great many cases where the people think they need assistance; many of them do need it, but broadly speaking what we propose to do is to spend the money so that in the years to come we shall get the greatest possible results from it.

Mr. BENNETT: I am bound to say that my hon. friend the minister did not quite follow me. I am certainly fully aware of all the agreements made between provinces and the dominion, and I was not in any sense taking exception to the good example given by the late government being followed by the present administration, in this as in many other things. What I was endeavouring to direct attention to is that the principle adopted in determining what mines should receive the benefit of the vote is a principle with which I could hardly agree, because it does not touch what I conceive to be the general idea underlying the policy of the government in making this grant, namely, to secure further development, and the creation of more new wealth. I was suggesting that that result be brought about by utilizing the geological surveys and determining with the cooperation of the provinces

what areas would likely be benefited by development; that is, where it would be probable that suitable returns and probably a mine would result from the efforts which might be made in that territory. I thought the money would be used in such areas rather than where established mines already exist. On the other hand, if this is merely for assisting the provinces to provide transportation to known mines, then, of course, it is nothing more or less than the application of the general principle that has been applied during the last three or four years with respect to such highways as the minister mentioned, such as there are, for instance, in Saskatchewan extending west, and in Alberta and other parts of the western provinces. My anxiety was to ascertain the general principle that was to govern. I was approaching the matter from the standpoint of the money being utilized to assist in the development of new areas and the production of new work rather than for the purpose of providing better transportation facilities in areas where it had already been demonstrated that satisfactory results had followed the efforts which had been made to establish mines. The latter view, of course, can be supported, but I had assumed the other view, that a province being unable to undertake an exploratory road, the dominion had said: We realize that any new wealth you develop will be to our benefit as well as to yours, and we shall therefore assist you in territory that our department and your own geologists believe to be promising. But, as I say, the view which the minister has put forward can be supported on the general principle that, wealth having been discovered, it is the duty of the state to endeavour to make it available. That is the general principle you would be following if you are going to use the money in territories already developed.

Mr. KIRK: The minister made no reference to any amount being set aside for Nova Scotia or the maritime provinces generally, and I was wondering whether it was his opinion that they did not need any assistance. In the county of Antigonish-Guysborough which I represent there has been considerable gold mining activity recently, and I have no doubt many companies there would be glad of assistance. The government that was in power in Ottawa started in 1928 and 1929 to build the Guysborough railway, which would have been of considerable assistance to the people there, but in 1931 the government under the present leader of the opposition did not see fit to continue the construction of that road. I would ask the minister if Nova Scotia and the maritime provinces generally will receive consideration under this vote.

Mr. CRERAR: Some consideration has been given to that question, but transportation costs to the mines in Nova Scotia to-day are relatively low, whereas in British Columbia, for example, there are mining areas that are from fifty to seventy-five or even one hundred miles away from a railway and are without roads, yet they are producing placer gold and have indicated that they can develop others. Obviously it is at just such points that assistance is needed rather than where transportation costs are at present relatively low. The same argument would apply to New Brunswick, where I understand there are no metal mines. I hope that one day there will be a revival of the gold mining industry in Nova Scotia. Without doubt the increase in the price of gold has helped the gold mining industry of that province. On the other hand, many of the mines to which I have referred to-night are large potential producers situated in favourable areas. I might mention again the Central Patricia region which affords a splendid illustration. Two mines there are now producing approximately one-quarter of a million dollars worth of gold a month, and it is costing them $60 a ton to get their freight in. Should either of those mines have a major break in its equipment it would be tied up for six months unless the replacements could be carried in by aeroplane. Conditions of that sort we are seeking to overcome, and if we could get a road into that region or assist in cheapening transportation costs into it, the likelihood is that within the next twelve or eighteen months there might be three or four more mines in that area. It is with the idea of stimulating such developments as rapidly as possible that this vote is placed before the committee.

Mr. DONNELLY: What about a mine that is a paying proposition? Does the government build a road into an area where there is a paying mine, or does the mine or the province put up a certain portion of the costs, or just what arrangement is made in building a road under those conditions? Is it built under the plan of two-thirds of the cost being met by the dominion government and one-third by the province, or do the mines themselves that are paying producers pay any portion of the cost of building the road?

Mr. CRERAR: It is not contemplated that the mines would pay any portion of the cost, because such mines have spent a great deal of money in providing present transportation facilities. I have in mind, for instance, a mine north of Port Arthur producing chromium ore. They have to transport that ore twenty-five miles to the railway. That mine supplies a great deal of freight to the Canadian National Railways every year, and the industry is still only in its infancy. Probably we shall provide $5,000 or $10,000 to help gravel their road.

Item agreed to.

Mines branch—for investigations of mineral resources and deposits; of the mining and metallurgical industries, and of mineral technology; wages, and expenses of testing and research laboratories; for publications, English and French; for purchase of books and instruments; for miscellaneous assistance and contingencies; and for investigations by the Dominion fuel board, including salaries and all other expenses, $250,000.

Mr. CRERAR: I think it might be interesting to the committee if I gave a survey—and I shall make it as brief as possible—of some of the facts that indicate the value of the mining industry to this country. It is interesting in an historical sense to note that the first suggestion for making a geological survey was made in Upper Canada about one hundred years ago, in 1836, and the motion asking that a small amount of money be appropriated for that survey was moved by a gentleman who afterwards acquired a great deal of publicity, William Lyon Mackenzie. In the political troubles which followed, prosecution of the work was lost sight of until after the union of Upper and Lower Canada, and then in 1841, as a result of suggestions made by the National Historical Society of Montreal and the Historical Society of Quebec, a resolution was passed appropriating £1,500 for the purpose of causing a geological survey to be made of the province of Canada. The expenditure of this money was entrusted to William Logan, who later became Sir William Logan, and who was for some years the head of the geological survey. Later on, in 1855, a further appropriation of $20,000 annually was made, and $8,000 was set aside for the publication of the results of Logan's explorations. It is an interesting fact to note that his work was so thoroughly done that where he reported favourable geological formations in areas in Ontario and Quebec our great metal mining development has since taken place.

Mr. BENNETT: And in British Columbia too, later on.

[Mr. Donnelly.]

Mr. CRERAR: That publication was given to the public in 1866, and along with it a geological map was published. However the mining industry did not attract a great deal of attention in Canada, and it was not until 1907 that the Geology and Mines Act was passed and a definite effort made to bring about development work. The work done by the mines department falls into four divisions. First, there is the geological survey, which covers the sending of survey parties to the field to search for favourable formations. Second, there is the ore dressing and metallurgical plant on the outskirts of the city. Third, there is the division for testing fuels, oils and coals. Fourth, there is the division of ceramics where a study is made in the use of the various clays to be found in Canada.

The work of the ore dressing plant particularly has attracted international attention. When the Ottawa conference was held in 1932 it was attended by the Premier of Southern Rhodesia. Southern Rhodesia has large mining possibilities, but the ores there are of a complex type and prior to that time they had been unsuccessful in discovering a proper method of treatment. As a result of inquiries made here and an examination of the ore dressing division of the mines branch, two tons of ore were shipped to Ottawa and the officers of the division worked out a treatment for the ore. Many of the mines in Canada have testified to the useful assistance given by this division. I mention this merely to indicate to the committee that the mines branch is performing a very useful service for the country.

If the committee would bear with me I should like to give a few figures indicating the growth of the mining industry in Canada. In 1901 the value of the metals produced in Canada was approximately $25,000,000. In 1935 this had grown to over $220,000,000. Of this latter figure, $116,000,000 was gold, $88,000,000 was base metals and the balance was made up of various precious metals, such as silver, platinum and other metals found in small quantities in some of our larger mines. It may be of interest to the committee to know that in January, February and March of this year our gold production exceeded the production of the corresponding months in 1935 by 17½ per cent. The total value of all mineral production in Canada in 1935 was $310,000,000.

The contribution made by the mining industry to the railways of Canada is considerable. I was surprised when I noticed a statement by the president of the Canadian

Bank of Commerce in the annual report of that bank to the effect that the mining industry contributed practically one-third of the total freight handled by the Canadian railways in 1935. I had these figures checked and I found they were correct, according to the information in the possession of the bureau of statistics.

Mr. BENNETT: That is directly and indirectly.

Mr. CRERAR: That includes ores, coal, stone, gravel and everything that is classed as minerals in the records of the bureau. In 1935 the Noranda mine paid over $1,000,000 in freight. Ten years ago there was not one dollar's worth of freight originating in that area. Hudson, which is on the Canadian National Railways on the way to Winnipeg, produced no freight ten years ago, but in 1934 the freight receipts from Hudson totalled $232,000. In 1935 the freight receipts from Ilford on the Hudson Bay railway, 286 miles north of Le Pas, in the distant northern part of Manitoba, totalled $150,000. The freight receipts directly and indirectly from the Flin-Flon mine of the Hudson Bay Mining and Smelting Company in northern Manitoba totalled $1,302,000 in 1935, Consolidated Smelters have contributed in freight payments an average of $4,000,000 per annum during the last ten years.

Mr. BENNETT: That would include ore from the Sullivan mine at Trail?

Mr. CRERAR: That is the total freight contribution of the Consolidated Mining and Smelting Company.

Mr. GREEN: Is that $4,000,000 per annum?

Mr. CRERAR: That is the yearly average for the last ten years. The International Nickel Company pay over $1,000,000 per month in wages. The Consolidated Mining and Smelting Company have paid over $76,000,000 in wages in the last ten years. Since 1911 the Hollinger mine has paid over $79,000,000 in wages. In 1935 the mining industry as a whole contributed $88,000,000 in wages.

In connection with supplies we find that in 1934 heavy mining machinery, practically all of Canadian origin, was purchased to the extent of $6,500,000. Purchases of lighter equipment, such as rock drills, pipes and fittings and so on, amounted to $3,250,000.

Mr. BENNETT: Did the minister say that was practically all Canadian production?

Mr. CRERAR: Practically all of Canadian origin. In fact, practically all mining supplies are of Canadian origin with the exception of certain chemicals which cannot be secured in Canada.

Mr. MacNICOL: Drills are now being made in Canada as a result of the tariff policy of the late government.

Mr. CRERAR: Electrical equipment to the extent of $2,125,000 was purchased. As an illustration of the value of this industry in another field, the mining region round Sudbury used over 40 million feet of lumber in 1935, and I am told that over eighty per cent of this came from British Columbia. In the way of foodstuffs the mining industry consumed last year 38,000,000 pounds of meats, 7,500,000 pounds of lard; 7,500,000 dozen eggs; 11,000,000 pounds of butter; 7,500,000 pounds of cheese; 760,000 sacks of flour; 114,000,000 pounds of potatoes, or 57,000 tons, and there were over 100,000 pounds of turkeys shipped from the western provinces into the Porcupine and Kirkland lake area.

I venture to say that very few people in Canada appreciate fully the very great heritage we have in the mineral wealth of the country. It extends practically from Labrador round the south shore of Hudson bay, swinging north to the arctic circle, east of the Mackenzie river; and so far as our geological information goes we may expect to find mineralized areas, some of them rich, over that vast extent of territory. I do not think it is an impossible dream that we can within the next five or ten years increase by fifty or probably seventy-five per cent our metal production in Canada, and I know of nothing that will contribute so much to placing this country in the way of permanent national recovery as the sound development of our mining industry. I apologize for taking up the time of the committee in supplying it with some of these facts, but I thought it might be of interest to hon. members in the consideration of these particular estimates.

Mr. MacNICOL: I am very much interested in what the minister has said. Most of his remarks were confined to the precious metals, but I should like to say a word in regard to the baser metals, particularly iron. The minister spoke of mineral development either having been recommended or having commenced in Ontario about 1836. The iron industry in Ontario commenced about 1815. I am not sure of the exact date, but I believe the first development took place near

the west boundary of the present county of Lanark, though they did not begin to smelt there at that time. The first place in which iron ore was smelted in Ontario was at the ancient village—there is still a cluster of cottages in the locality—of Normandale, founded by one of the early pioneering families, Van Norman, of the province. I have always been interested in the iron industry, and for some time past I have been trying to dig into the early history of iron production in Ontario, which is not known to many people in Ontario, and certainly not to the people at large throughout Canada. It is not generally known that our first real iron industry in Ontario began at Normandale. The ore was what was known as bog ore. During the last couple of years I have covered the district many times and have been intending to get into touch with the Department of Mines to find out whether it is possible that there may still be some ore there, because at one time there was quite a pocket in the county of Norfolk, about seven miles north of the present site of Normandale. Later, after that ore became exhausted in Norfolk, a considerable pocket was found in the adjacent county of Elgin. Two others of our principal old pioneering families of Ontario were associated with this original Norfolk development of the iron industry in the province: a pioneer named Tillson, after whom the present Tillsonburg was named, in the riding of the hon. member for Oxford, and the Leonard family, who were also associated with the Van Normans, later established in London, where their descendants are still making the very good Leonard boilers. It is remarkable that at Normandale in those very early days, about 1820 or 1822 and prior to about 1848, they melted approximately 900 tons of iron a year, which they dug out of the swamps and bogs in that locality, a very fine iron. It was a soft iron and when smelted and poured it had to some extent the texture of what is now known as malleable iron; it would almost bend, and one characteristic was that it did not rust easily. Last summer I went into a wood just north of Normandale where I saw one of the old stoves made in Normandale, bearing the date 1845, and it had been in the farmer's back lot many years and showed no evidence of rust. I wonder if the department has ever made an investigation in that locality to see whether this ore is really extinct. The soil seems to me to be very much like the soil west of Duluth, where there are vast iron ore ranges.

[Mr. MacNicol.]

I have often thought, in connection with the development of iron ore in Ontario, that if Ontario ore is suitable—and I am going to speak now of the ore in the vicinity of Sudbury; I believe it is what is called the Atikokan range—and if the government would produce the iron by smelting the ore by means of electricity, seeing that there is ample power there, and then dispose of it to the iron foundries in the province at cost, on the same basis that the hydro electric commission of Ontario delivers power to the factories in the province, the government could not do better to develop the iron industry in the province. Though, as I believe, ore was first smelted in Canada a few miles north of Three Rivers, I do not think there is any doubt that the iron industry in quantity really began in Ontario. If there is iron in the province and it can be economically developed, it would be a considerable boon to the great iron industry of Ontario, which is our basic industry next to agriculture. Agriculture comes first and then iron. At the moment, so far as I remember, no iron is produced in the province, although many long years ago, away back in the 1820's, as I have said, in that little village of Normandale, on the shores of lake Erie, they smelted 900 tons of bog ore a year. I once saw in one of the Toronto newspapers the reproduction of an advertisement that appeared in 1830, indicating that 1,000 stoves had been received from the Normandale foundry. It is interesting to know that so long ago in this province we did smelt iron ore in a village that has passed away. Four hundred men were engaged in fabricating iron in that industry.

I am glad to endorse whatever the minister can do to develop mining. What he has said as regards the development of mines in this country, and their tremendous importance to Canada, is perfectly true, and it is all new money. If there is iron in Ontario, even in those places where it is now supposed to be extinct, and if iron can be produced in this province, the government should do whatever it can to assist in the development of the industry. It would result in a good deal of employment in Ontario factories.

Mr. MACDONALD (Brantford): As my hon. friend from Davenport (Mr. MacNicol) has told us something of the families originally settled in Normandale, I should like to inform him and the other members of the committee that the Van Normans came to the city of Brantford and associated themselves with the Watrous family, and the Watrous family established what was known as the Watrous Engine Works and is now known as Watrous Limited. I mention this that the committee

may know that it is Watrous Limited of Brantford which manufactures a great deal of the mining machinery that is not now used in Norfolk, but is used in northern Ontario and all parts of Canada.

Mr. HEAPS: This afternoon I asked certain questions of the minister with reference to the number of persons likely to be employed as a result of this vote and other votes of a like kind. Perhaps the minister now has the information and can give it to the committee.

Mr. CRERAR: The total number of parties, as worked out to the present time by officers of the department, will be fifty-seven. There will be a total of 392 engaged in the work, or, including the chiefs of parties, 447.

Mr. HEAPS: I assume that most of the men who go on these parties will have had some technical training, probably in the universities. In spite of the fact that most of those young men will require a certain amount of training, has the minister had any difficulty in filling these vacancies?

Mr. CRERAR: No. I believe I intimated to my hon. friend this afternoon that there had not been any difficulty in filling the vacancies. These parties are staffed in the following way: There is a chief of the party. He has an assistant geologist, depending upon what particular field he is going to work in, and there are student assistants. These latter are selected from the various universities, from students who are taking up geology and mining engineering and are in their second, third or fourth year. They get their ratings through the civil service commission, and as a result of those ratings the commission give us a list from which the selections can be made. Then the selections are made on the ratings supplied by the commission. It is interesting to note, though it is not quite germane to the question my hon. friend has asked, that several of the universities of Canada are recognizing the importance of geological work and some of them are providing excellent courses. That is all to the good as far as this industry is concerned. I may be unduly optimistic, but I am of the opinion that, for the next ten or fifteen years at any rate, mining will be the large developing industry in this country. It is, if I may use the term, one of the coming industries for Canada during the next ten or fifteen years. We have to provide the technical men who are required, and it is a matter of satisfaction that bright young fellows are taking up the study of geology, mining engineering and electrical engineering. I have been told by some of the larger mining companies that they are experiencing some difficulty in getting technically trained men. The expansion of the industry in the last few years has been so rapid that the trained men graduating from the universities have had little difficulty in finding suitable work, and very often remunerative work, in this particular field of endeavour.

Mr. PERLEY: (Qu'Appelle): How many of these parties will go into northern Saskatchewan, and how many young men are being accepted from the university of Saskatchewan?

Mr. CRERAR: There will be seven parties out in Saskatchewan. I am unable to give my hon. friend information as to the latter part of his question, but I am informed that as far as possible students were taken from Saskatchewan university, in some cases students who graduated within the last few years and who are resident in Saskatchewan. So far as possible that method has been followed in staffing these parties.

Mr. GREEN: How many parties will there be in British Columbia, and in what parts of the province?

Mr. CRERAR: There will be ten geological parties and six topographical parties in British Columbia. It will be of interest to the committee to know that so far as Manitoba and British Columbia are concerned, under arrangements made, I think, at the time those provinces came into confederation the federal government has to carry on the geological survey work of those provinces.

Mr. BENNETT: That is in the British North America Act.

Mr. GREEN: Can the minister say to which parts of British Columbia they are going?

Mr. CRERAR: There will be two parties in the Manson Creek area, that is about a hundred miles north and a little west of Prince George; there will be two parties in the Hazelton area; there will be another party working along the line of the Canadian National east of Prince Rupert; there is a party at Smithers; two parties in the Fort Fraser area; two parties in Keithley Creek and the Cariboo mountain; a party at Greenwood; a party at Tyaughton lake; two parties in the Nelson country, and another one in the Kettle river country.

Mr. BARBER: There are two items, 153 and 154. No. 153 does not, I take it, provide for field work; No. 154 provides for that. I

notice that in each is included publications, purchase of books and instruments. Would the minister explain the difference in these two items?

Mr. CRERAR: We have really been discussing pretty much item 154.

Mr. BARBER: We are still on 153, I think.

Mr. CRERAR: Item 153 is for investigation of mineral resources and deposits, and so forth. It has to do largely with the investigational work that is done in the ore testing, ceramics and fuel-testing laboratories in Ottawa. This vote is to cover the expense incidental to that work, and also the purchase of equipment which may be necessary and the publications of the results of those investigations. I may say that we get requests from many parts of the world for these publications.

Mr. BARBER: The extra vote is to take care of that expense?

Mr. CRERAR: Yes, vote No. 153 covers that.

Mr. BENNETT: I think the committee must be under a sense of obligation to the minister for the very frank and interesting statement he has made as to the development of our mining industry. I have read some of the addresses he made over the radio; I heard one of them, and I realize that the industry has become very important. But there are one or two observations I should like to make, not in any critical sense, but rather, I hope, in a way that will be helpful to the minister in dealing with some of the problems which he has to meet.

In the first place I think it highly undesirable that there should be duplication of effort. We have a national research bureau; we also have this research bureau for mines. And it must be remembered that outside the Northwest Territories we have not the remotest interest in these mines except as mining corporations may pay us taxes. There was a time when the crown in the right of the dominion had a direct interest in some of these mineral areas, but outside the Northwest Territories we now have none. One of the problems that every government in this country will have to face is the extent to which the federal power shall maintain facilities that are used by industries over which the provincial power has complete control in the matter of royalties and in the determination of the terms and conditions under which the industry shall be carried on. I found, as undoubtedly the minister has found, that the maintenance of this mines branch and this research bureau was in effect the maintenance of an organization which received its raw material entirely from outside,—I am eliminating the Northwest Territories for the moment—from provincial sources. When, not by the action of any province but solely because of economic conditions to which this country as a nation contributed, the price of gold went to $35 an ounce, and the suggestion was made that a portion of that increment between $20.67 and $35 should be paid into the national treasury, such a furore of opposition was created from one end of the country to the other on the part of the mining interests that I really thought it was an extremely unfair attitude to take. The nation and not the provinces had brought about the end by means of which these industries profited greatly. For example, they were able to use lower grade ore, that in days gone by they had abandoned, for the production of gold at $35 an ounce instead of $20.67, which was the former statutory value of it, and for which the dominion could continue to purchase gold if it so desired. Yet from their annual meetings they sent statements all over the world complaining to their shareholders that the dominion had taken a portion of this money, although it was a very small portion at that.

That brought to my mind as nothing else did the fact that here we were maintaining a research bureau at very substantial expense to dominion taxpayers; yet when an effort was made to secure a portion of the money that came to this industry by reason of national policies and the general economic structure of the nation a tremendous objection was made. Why, I used to receive letters from shareholders in the United States and other parts of the world complaining of the burden of taxation we imposed upon the gold mining industry of the country. That made me think then, as I now say to the minister: Why should we engage in research work? Why should the nation engage in that work when the matter is purely provincial? The province secures the royalties; the province controls the areas; the province owns the mines, as far as the crown is concerned. It is the crown in the right of the province, not in the right of the dominion.

The second point is that we are maintaining a research bureau of our own. Why should we maintain a second one for a specific particular kind of commodity? That was the second point, to which it was difficult for anyone to furnish an adequate answer. It is not as though our situation were similar to that of South Africa. I do not know whether the minister has had his attention directed to

some of the reports of the great mining companies in South Africa, but I saw some a few days ago and put them to one side, intending to bring them here. There is a series of companies operating in the Rand in South Africa, and the taxes they pay to the state are so great that they bear a direct relation to the entire production of gold in that area. The Rand gold is extracted from quartz lying many hundreds, if not thousands, of feet below the surface. They have now completed their investigations, their diamond drill boring and so on, and they know that the Rand is capable of producing gold for a period of many years. Perhaps that gold production will continue well into the second century. That is why the other day South Africa paid off part of its national debt. That is why within a very short time South Africa will become a creditor nation. There has been a general disposition on the part of the proprietors of those mines, in Great Britain and elsewhere in the world, to complain as to the burden of taxation; yet they have paid handsomely and willingly.

I mention this because it has to do with the dominion engaging in research work in connection with this industry when we already have a research council, and in at least one of the provinces similar work is being done, though not to the same extent. I mention this to the minister lest in his enthusiasm for the mines he should forget that vast sums of money have been expended, at times when it was difficult to find money, and that it is no more than right that there should be some contribution back to the state in connection with that which belonged to the state and with which the state parted. The crown was trustee for all the people, and when the crown parted with any precious metal it did so on terms that involved the payment of a royalty of some kind. That always has been the law; that should be the law, and I assume it always will be the law. As trustee for all the people, not for a few of them, the crown has to distribute the burden as well as it can over those who are winning great rewards from the utilization of these resources which are vested in the crown as trustee for all the people.

Let me sum up that phase of the question by suggesting to the minister that he should investigate very closely the question of duplication and determine whether it is desirable, with respect to matters over which we have no control, to maintain research bureaux of this kind when we already have a great national research council which might do the work. That means that there is no coordination; that there is lack of effective, direct control over the whole enterprise; it means that one department, instead of making its contribution to the general research effort of the country, is maintaining its own organization for its own purposes. In the same way we have at Montreal a timber testing laboratory. It would be very difficult to justify that by any principle that could be thought of, since we have brought into being a general national research council.

Now we proceed to the second point to which I desire to direct attention, that is, that the influence which the winning of great mineral rewards has upon the nation as a whole is very subtle. I believe from what I have read that for every dollar which this country has taken out of mines it has probably put back two dollars, or perhaps five dollars; some put it as high as that. If hon. members ever took the trouble to think of the various mining stocks which they have owned at some time, I wonder how many have ever received any return from their expenditures? That has been going on all over the country. It is a dangerous thing to suggest that because, in some instances, there has been a certain measure of success, everybody is warranted in paying ten cents a share for the beautifully engraved certificate which, in the end, sometimes represents little or no value. I mention this because there are other branches of human endeavour of which we sometimes think too little, which produce very great rewards and much new wealth without the corresponding risk of loss of such vast sums as have been lost in mineral exploration in Canada. I should not care to repeat figures given to me by those who thought they were in a position to speak of the relationship of the expenditure to what we have been able to obtain—I am speaking now of the more precious metals, where the returns are great once you have returns, but where there have been so many failures—but I think the minister should keep that in mind, lest we too strongly emphasize one phase of our national economy.

Let me put this to the minister: What we are endeavouring to get is new wealth. Every new country desires to produce new wealth. The complement of that is that we desire to produce it as quickly as possible. That is the reason why vast sums are spent in endeavouring to find petroleum, because, when found, it brings immediate returns. And of course the same thing happened there; promoters immediately began to offer certificates. I am happy to say that I never did; I sold only one that I bought, though the temptation was very great; so I can speak on that point without any personal feeling. But this is the point; Petroleum, once it is found, brings immediate new wealth. Did hon. members ever

think of the amount of time that must elapse from the moment a man kicks a piece of rock, picks it up, looks at it and thinks: There is evidence of a rich vein of gold, until the first gold brick comes from the area? Did hon. members ever think of the amount of money that has to be spent and the time that must elapse? On the other hand, if you happen to strike a pool of oil you get immediate returns.

But there is another side of the question. Take our wheat; wheat has become of tremendous importance in our national economy. Why? Because you sow it in the spring and reap the new wealth in the fall. The reaping of the new wealth in the fall meant that you had available within the period of a few months vast sums of money which represented the return from an effort made only a few months before. That is the distinction we must always keep in mind between the development of gold and mineral areas and the development of purely agricultural areas. Agricultural areas produce the new wealth almost at once; therefore agriculture must be the basic industry of a country such as this. Mineral development will produce new wealth, but sometimes you have to wait a long time for it. Unfortunately, also, it is a wasting asset, for whenever a ton of quartz is taken out of the ground, milled and the gold taken from it, it is so much waste material; it is gone forever, whereas the soil properly cared for by rotation of crops and the addition of fertilizer may continue to produce prolific crops for centuries. Those are the distinctions which I suggest the minister must keep in mind, because the change in the price of gold from $20 to $35 an ounce was a sudden one, and we are dependent upon that new price of gold for this abnormal development. There would never have been this enormous development but for the fact that what was formerly low grade ore has now become profitable. I mention this in order to suggest to the minister that we must never forget to maintain a proper balance. For instance, in an English journal the other day I read an article in which they quoted from the Minister of Mines, indicating that he thought the day of agriculture in Canada is about ended.

Mr. CRERAR: I never said that.

Mr. BENNETT: Of course the minister did not mean any such thing. I heard what he said and I saw it in print afterwards, but that is the construction that has been placed upon it, which indicates the absolute necessity of not putting too much emphasis upon any one particular industry in our economy. I say that the production of new wealth from mines and minerals has in the main been fraught with great uncertainty and the expenditure of vast sums of money and that the returns have very often been greatly delayed from the time the initial effort has been made. What kept this country solvent for twenty-five years is the fact that in that other branch of our national endeavour we had immediate returns of new wealth from the effort made during each year. Perhaps no one knows that better than the minister himself. I mention this fact merely because it is desirable that while we rejoice, as we all do, that our mineral production has increased from $25,000,000 to $222,000,000 in the period from 1901 to 1935—and it is a very great progress—at the same time all one has to do is to read Mr. Vaughan's life of the late Sir William Van Horne to realize that half a century ago when the first train of the Canadian Pacific railway reached Port Moody, no one was thinking that between the lakes and the mountains there was territory capable of producing new wealth to the extent of hundreds of millions of dollars every year. Yet, for over a quarter of a century that territory was producing millions of dollars of new wealth year after year in the very year in which the effort was made. That has had the most significant influence upon our economic life of any single factor in our development, because never have so few people, as far as the ordinary history of the world is concerned, produced so much new wealth in a given time as has been produced within the last thirty years between the lakes and the mountains in this dominion. That, I think, is borne out by the statistics of world production.

I do not in any sense disparage the effort to assist in the development of our mineral resources; neither am I one who believes that because it is a wasting asset we should remember that we owe some obligation to posterity, because if we are right in our view there will be ample left for succeeding generations. But I am not unmindful of the fact that as I travelled over the Cariboo country I had pointed out to me localities where within the lifetime of men who were with me there had been considerable settlements and wealth had been produced by millions of dollars; yet that has all been abandoned, and the old Cariboo trail is but a memory of past greatness. All one has to do is to go to California and look upon the remnants of what was once a great industry there to realize that a wasting asset in our generation is after all, something to be thought

of and considered when we are dealing with the question of the production of new wealth, for nothing is worse for the state as such, it has always seemed to me, than the spasmodic production of new wealth. That is the reason why agriculture is, and always will be, the basic industry of the country, and the difficulty with agriculture at the moment is to procure with extended production adequate markets. Even with the drought conditions we have had in the territory west of the lakes, agriculture is still the basic industry of Canada.

I am not saying this in any way of criticism of the minister or of the efforts he is making in developing the mining industry. I am simply observing that in order to maintain a proper balance one must never forget that great as is the mining industry and important as is the production of new wealth from that source, yet the greatest source of the production of new wealth in this country has been, during the twenty-five to thirty years of its greatest expansion, those vast agricultural lands between the lakes and the mountains, and notwithstanding anything that may be said to the contrary it is to agriculture we must look for the stable production of that new wealth which is essential for the continued steady development of this dominion and its economic life. If we undertake, I repeat, the duplication of existing facilities —and we are undertaking them without getting any thanks, getting nothing but complaints at what we secure by way of taxes from those who receive the benefits—I think we might consider the whole situation in the light of the factors which, I believe, are important at least in determining the policies we should pursue with respect to the development of mineral and other areas and industries of this country.

Mr. CRERAR: I find myself in agreement with practically all that my right hon. friend has said.

Mr. BENNETT: I hope the minister does not think he is wrong because he is in agreement with me.

Mr. CRERAR: No; once in a while both might be right. I certainly agree with what my right hon. friend has said as to the importance of agriculture in the country's economic life. No one who has studied its record can be blind to the fact that that great area in the prairie provinces which has suffered so severely in the last four or five years has in its time, as it will do again, produced a very great deal of new wealth.

Whether the research laboratories of the mines branch should be brought under the national research council is a matter of opinion.

Mr. BENNETT: It is.

Mr. CRERAR: Certainly the laboratories were established long before the research council, and established at a time when I believe scarcely a province had a department of mines. Whether they should be maintained separately might be debatable. But in the field of agriculture, the great basic industry of this dominion, the federal government has assumed the responsibility of establishing experimental farms in practically every province.

Mr. BENNETT: The constitution by section 94 provides for that.

Mr. CRERAR: I was not aware of that.

Mr. BENNETT: Oh, yes, my hon. friend was Minister of Agriculture.

Mr. CRERAR: I am not so familiar with the constitution as is my right hon. friend. At any rate this branch of the Department of Mines has been efficient in its work.

Mr. BENNETT: I agree.

Mr. CRERAR: Whether or not it should be put under the research council is a matter of opinion. I am informed by my deputy, who is a member of the research council, that the work of the council and of this branch of the Department of Mines is coordinated; there is cooperation between them, doubtless with the objective of getting the best results. So far as economy is concerned, I doubt whether very much would be saved by putting the mines branch under the research council.

Mr. BENNETT: If the minister will look at the report of the national research council and then look at the laboratories of the Department of Mines, he will see that there has been duplication. That is all I have to say.

Mr. CRERAR: I do not wish to see duplication that involves the unnecessary expenditure of public money. I appreciate what my right hon. friend has said about my enthusiasm for mines.

Mr. BENNETT: That is not a fault.

Mr. CRERAR: He was hardly putting it correctly. If he had spoken of my enthusiasm for mining development I would have agreed with him.

Mr. MACDONALD (Brantford): We have heard several interesting discourses on mining and we must all be more enlightened than when we came into the house. There has been very little said that was of a controversial nature. There is one question, however, to which I wish to direct the attention of hon.

members, and that is with regard to taxation. Personally I cannot see why the mining industry should be singled out for this taxation.

Mr. BENNETT: What taxation does the hon. gentleman mean?

Mr. MACDONALD (Brantford): I understood the right hon. leader of the opposition to say that he had received from the people interested in mining a number of complaints against the taxation which had been directed against mines.

Mr. BENNETT: No; against the tax on the difference between the statutory price for gold of $20.67 and $35. We did impose a tax upon the increment between $20.67 and $35, and there was keen criticism and a great deal of objection to it. That was the particular tax I was speaking of. I am sorry if I did not make myself clear.

Mr. MACDONALD (Brantford): I was just going to say that we had spent a great deal of money on agriculture, fishing, shipping and a great many other things, and that we had done more research for these other industries than we had done for mining. Apparently I misunderstood my right hon. friend.

Item agreed to.

Mines—salaries, $530,152.75; contingencies, $20,000.

Mr. BENNETT: What changes are there in this item?

Mr. CRERAR: There is an increase of two employees in the staff of the mines department, as will be noticed by the details on pages 87 and 88 of the estimates. The extra positions provided for are: one geologist, one assistant geologist, and one editor. Offsetting this, the salary of one stenographer, grade 2, has been dropped. Provisions has to be made for the three new positions as they were recreated early in the fall of 1935 as a consequence of the relaxation of staff control regulations by order in council of July 16, 1933, whereby effect could be given to acting promotions made at earlier dates. The increase of $9,994.57 in the vote is due, first, to the salaries of these three positions and, second, to the statutory increases that apply.

Mr. BENNETT: I am not going to deal with this at length because it would not be fair to do so in view of the fact that the government has been responsible for this department for only a few months. I have always been curious—I never got round to getting an adequate answer—as to why we should engage in the museum business without undertaking any real work with respect to the national museum. We have a palæobotanist; we have an invertebrate palæontologist; we have an archæologist and we have other "ologists;" we have our editors and our statisticians; I have found that we are endeavouring to maintain in each department a self-contained structure. In view of the union that is about to take place between the Department of Mines and other departments it struck me that this item in its present form was hardly an adequate expression of what it was hoped to do. This department is to be merged with other departments; other considerations will enter into its administration, and I can say now that the former Minister of Mines, Mr. Murphy, along with a group of officials in other departments, prepared a memorandum looking towards the union of this department with other departments and what might be effected in the way of reductions. I cannot say that everybody agreed to the reductions. If the minister will look at the list of 198 people on pages 87 and 88 of the estimates, I think he will have a clear understanding of what I mean.

Mr. CRERAR: I have looked at it.

Mr. BENNETT: I have no doubt the minister has looked at it. I certainly appreciate his feeling in that regard, but I suggest to him that the uniting of this department with other departments offers an admirable opportunity for the minister and his staff to take drastic steps in the way of the reform of what I regard as the tendency, not in this department alone but in all departments, to create a self-contained unit of the public service in each department. It was not easy to break this down and it has not been entirely broken down, but at some time or another it is bound to be. Take, for instance, the creation of assistant deputy ministers. There was about as much necessity for that position in this country as there is for a fifth wheel to a coach. Yet the minute one department had an assistant deputy minister, every other department wanted one. One department was not to be outdone by another and the result is that we have an assistant deputy minister in, I believe, every department of the public service.

Mr. REID: The government can hire but never fire.

Mr. BENNETT: The striking evidence during the last few weeks and months is hardly an adequate expression of that fact. I can only say that judging from what I have myself observed during the last few months. Probably the minister will say that they were but copying their predecessors in that regard. Be that as it may, I think there is room for a

complete reorganization in that regard. The Department of Mines is an efficient department and I think it reflects great credit upon the deptuy head, but I think if you said to him, "Go and cut down that staff by twenty-five per cent," he would do so and have a more efficient organization than he has to-day.

Item agreed to.

DEPARTMENT OF THE INTERIOR

Topographical and air survey bureau—

From topographical and air surveys, compiling, drawing, printing and distributing, geographical base maps for all purposes, issuing technical instructions for air photography and reconnaissance, under supervision of committee on air surveys and base maps; land and mining claim surveys of all remaining dominion lands (Northwest Territories, dominion parks, ordnance lands); preparing electoral district maps; maintaining central office for indexing, filing and recording of survey notes and plans, and the distribution of maps, et cetera, $104,600.

Amount required to provide for the purchase of air photographs or negatives for adding to the national air photographic library, $5,000.

Amount required to pay the fees of the board of examiners for D.L.S., of the secretary and of the subexaminers and for travelling expenses, stationery, printing, rent of room and furniture, etc. (the fees of Messrs. F. H. Peters, W. M. Tobey and Harry Parry, members of the board and J. A. Coté, secretary, are to be paid out of this sum), $820.

To assist in printing the publications of the Canadian Institute of Surveying (formerly the Association of Dominion Lands Surveyors), $350—Total, $110,770.

Mr. STIRLING: Earlier in the evening the minister gave a description of certain survey parties which were being sent out in the various provinces. He was then dealing with the vote in the special supplementary estimates?

Mr. CRERAR: Yes.

Mr. STIRLING: Could the minister give similar information in connection with this vote?

Mr. CRERAR: There is one large party in Quebec round Joliet. There is a large party in Ontario east of Sudbury, and two small observing parties in the Northwest Territories, north and east of Great Slave lake. That is the topographical and air survey work planned for this year.

Mr. STIRLING: Does that mean that no further air surveys will be made in order to get on with the air map of Canada?

Mr. CRERAR: The work is proceeding of the classification of all these air photographs that have been taken, and some additional ones are being taken this year by these particular parties. A considerable amount of that work has been done. So far as air mapping this year is concerned, we are endeavouring to direct it to the areas where it will be perhaps most immediately useful.

Mr. BENNETT: I would gather that the item of $5,000 is to be paid to the Department of National Defence for the photographs taken. That is to say, they do the work and the Department of the Interior purchases the photographs. Is that right?

Mr. CRERAR: Some of the provincial governments take air photographs which we can utilize in the collection that we are making, and this represents the amount that may be expended, or the estimate of the amount that will be required for the purchase of such air photographs. It simply supplements the photographic work that the department has already done.

Mr. STIRLING: Does that apply to Ontario only?

Mr. CRERAR: No, not Ontario only.

Mr. STIRLING: Photographs taken by the provinces?

Mr. CRERAR: I believe it is mainly in Quebec and Ontario.

Mr. MacNICOL: In northern Ontario?

Mr. BENNETT: Here again the question of duplication comes up. The Department of National Defence is taking photographs in connection with the development of its air service. So far as I know, the Department of the Interior has not at present any air force for the purpose of taking photographs.

Mr. CRERAR: We have no air force.

Mr. BENNETT: These aerial photographs are being taken by the Department of National Defence for the purpose of affording opportunities to men in training. That was what was intended—to afford opportunities to men in training to get experience in the air, taking photographs of the country over which they pass. But this item apparently is for the purpose of developing the survey work which they have done. As I remember, it was thought that this item would not continue to increase, and though apparently it is not increasing it is still over $100,000.

Mr. CRERAR: I understand that there is a coordinating committee and all these air surveys and pictures are correlated for the purpose of producing maps. I appreciate

fully, I hope, the need of doing away with overlapping in the various government departments. I do not know that blame can be attached anywhere particularly—

Mr. BENNETT: I agree.

Mr. CRERAR: —because this condition has simply developed. I was surprised, when I endeavoured to make a brief survey of the numerous branches under my direction, to find that there were duplications. I shall not attempt to suggest why it happened in that particular way. I will say, however, that my earnest effort is going to be directed towards creating an efficient administrative unit, and from my experience in the past I maintain that where you have duplication of expense and duplication of effort you have not efficiency.

Mr. STIRLING: I think that in this case the coordinating committee set up for this purpose has been successful in its survey work and in cutting out duplication. It is all under the direction of that coordinating committee and each of the contributing departments fits into the scheme in accomplishing what the committee arranges.

Mr. CRERAR: That is largely true.

Item agreed to.

Geodetic Survey of Canada—
Control operations—precise levelling based on mean sea level, triangulation, geodetic astronomy and investigations—all basic for correlation of water areas, power developments, charts and maps and for the scientific study of the earth's crust, curvature, figure and dimensions. The above is the recognized basis of operations for federal and provincial departments, municipal authorities and engineering projects over the whole country, $134,600.
To recoup the Temiskaming and Northern Ontario Railway Commission in connection with their claim for injury to John Hedin, $240—Total, $134,840.

Mr. CRERAR: I have a note with respect to geodetic survey, which is a little beyond my knowledge. I will read for the information of the committee this note with regard to the functions of the Geodetic Survey of Canada. They are:

To determine the geographical positions of horizontal control points throughout Canada by means of geodetic triangulation, geodetic traverse, geodetic astronomy and radio observations, all points being based on the North American datum.

If the members of the committee are any wiser after hearing that description of the functions of the geodetic survey—well, I simply congratulate them. What is a little more intelligible, to me at any rate, is the following:

To establish bench marks throughout Canada by means of precise level observations, whose elevations are based on mean sea level; and by collecting, correlating and adjusting the results of engineering levelling to place all elevations in Canada on the same sea level datum.

I understand that these are the means by which accurate surveys are made. I do not know that I can add anything to that.

Mr. BENNETT: Two years ago it was suggested that a new method of ascertaining these points might be followed with success, at not so great cost, in connection with the actual work. Of course, this necessitates actual travelling over the areas to fix the points, having regard to the conditions that prevail from the standpoint of the magnetic needle and matters of that sort, and higher mathematics must be had recourse to. The exact point is located by triangulation and the fixed stars, and a few factors of that sort, the method being the same by which Columbus steered his course to America. It is a highly complicated application of higher mathematics. A few years ago the matter was brought to the attention of the government and an effort was made to devise a new plan to lessen the expense, in view of modern scientific developments. I do not know how far it got, because at that time it was only in its infancy, and I do not suppose that anything further has been done. This method of geodetic survey has for its object a thoroughly legal and complete description of points in this country. It has been going on now for a very long time, I think little by little for a period of at least twenty-five to thirty years, and it will not be finished for another twenty-five or thirty years, if then. For instance, we have been settling the boundary between the United States and Canada, and as far as I know now there is at least ten years' work in sight before it is concluded. The point I desired to make was whether any success had been achieved in devising a less expensive way of doing the work. At the present time it is very costly.

Mr. REID: A few moments ago I asked the minister with regard to making surveys of the inlets and the bays of the Pacific coast of British Columbia. I am not sure whether this matter arises under this item, but I should like the information. What I have particularly to say is—and he can tell me if I am wrong—that I think more attention

should be paid to the surveying of the Pacific coast. Hon. members will realize that when I tell them that the Japanese fishermen have better surveys, obtained from their own country, of our Pacific coast than we have in British Columbia. The Japanese fishermen using this coast have up to date maps of our coast. It is just about time we took note that we are very far behind in the making of surveys. Surely we should have modern surveys of our own coast line. It almost makes one hang one's head in shame to see these Japanese in possession of better maps than any that are available to us. I would ask the minister to look into the matter and see that more survey work is done so that our own people can have up to date maps of our bays and inlets going all the way from the United States boundary line to Alaska.

Mr. BENNETT: I might point out that that is under the Marine department. Hydrographic surveys have been going on steadily for a period of fifteen or twenty years, but the truth is that in the main we still rely upon the British admiralty charts for much of our, shall I say, authentic information in connection with the bays and inlets and harbours of the country, but we are making some progress. On the Pacific coast it has been slow. I am sorry to say that what the hon. member for New Westminster (Mr. Reid) has said is true. Another country can give us hydrographic maps of the west coast of British Columbia that are more complete than any we have available. Such as we have are, in the main, those that were completed for us by the British admiralty many years ago. Our own hydrographic work has been very, very slowly done. I think we have now a fairly complete map of Vancouver island and of that area on the west coast which runs from Vancouver harbour north to as far as Powell river, or somewhere in that locality, but beyond that, up towards Prince Rupert, I think there is nothing.

Mr. REID: Nothing done at all.

Mr. BENNETT: Except there is something in the Queen Charlotte area and up towards Prince Rupert, which was done in a preliminary sort of way when that ship, the name of which is probably known to the hon. member for New Westminster, spent a summer there before confederation in doing hydrographic work. Beyond that I fear little or nothing has been done.

Item agreed to.

International Boundary Commission — expenses connected with the maintenance in a state of effective demarcation of the international boundary, $29,200.

Mr. CRERAR: This is mainly in connection with the international boundary.

Mr. BENNETT: How far is that work done now? I am curious to know.

Mr. CRERAR: I am told that this is maintenance I understand the vote varies to some extent from year to year.

Mr. BENNETT: Yes. But the line near where the Premier mine is situated—Alaska is on the other side—was completed about twelve or fifteen years ago. The line travelling east from British Columbia over the mountain areas and then along the plains has been all marked; I do not know how far this demarcation has been done in the east. I remember looking up the mountain side and seeing the clearing that had marked the boundary line as defined by the surveyors of that time. Of course the line has been there ever since the last arbitration took place in the far west, which was finally settled by the old emperor of Germany, but as I understand it this work takes care of the demarcation of the exact spot and the marking of the lines by proper cairns. The line was down in southern British Columbia, between there and the United States. I just wondered how far it had been completed in the way of permanent markings. I do not know.

Mr. CRERAR: I understand it is practically completed. There are a few places, such as my right hon. friend refers to, where matters are still under discussion as between the United States commissioners and the Canadian commissioners.

Mr. BENNETT: It is nothing very important.

Mr. CRERAR: That is so. The main part of the vote, however, is for the maintenance of the monuments that mark the international line.

Item agreed to.

Government of the Northwest Territories—salaries and expenses connected with the administration of the Northwest Territories Act and ordinances, Northwest Game Act and regulations, Eskimo affairs, Wood Buffalo park, reindeer industry, game preserves and sanctuaries, wolf bounties, exploration, investigation and development of natural resources, fire protection, construction and maintenance of buildings, schools, hospitals and roads, relief to destitute, maintenance and transportation of prisoners and insane patients, equipment and supplies, contingencies, et cetera, $187,700.

Mr. BENNETT: I was going to mention the case of Mr. Douglas, the stipendiary magistrate in the Northwest Territories. It was said that he was removed from his position for the purposes of economy. He was appointed some years ago; I think he was in the house when the Minister of the Interior was here; and I noticed in the press that he was removed. I put a question on the order paper, and the reply was that he was removed because the duties had been taken over by somebody in the Department of the Interior, as a matter of economy. What official took over his duties?

Mr. CRERAR: Mr. Douglas was removed from his position, or rather the position was discontinued and the duties assigned to Mr. Norquay. The two of them were under salary, and the duties discharged by Mr. Douglas, which I think were magisterial duties of a kind in the Northwest Territories—he lived in Edmonton—were taken over by Mr. Norquay. The reason as given to me is the one that was stated in the answer to the question.

Mr. BENNETT: Oh, I have no doubt as to that.

Mr. CRERAR: I think the appointment was really under the Department of Justice, but the salary was paid by our department.

Mr. BENNETT: I think it might be well to ask the minister a few questions, in order that the public may understand how the administration of the Northwest Territories is carried on. Perhaps the minister would indicate how the Northwest Territories are governed at the present moment through the Department of the Interior, how its ordinances are enacted, how they receive the authority of law, with what subjects they deal, the general scheme of administration in connection with mining recorders, fishing regulations, policing, radio and other matters affecting the well-being of that enormous area. Perhaps the minister would indicate something as to the population, the number of white people who are supposed to be within the area and the number of Indians. It seems to me it would be helpful to have that on record, because nowadays many people are interested in the Northwest Territories, having regard to the mineral development that is taking place there.

Mr. CRERAR: I do not know that I can give all the information my right hon. friend has suggested.

Mr. BENNETT: Many members of the house are new, and I thought they would like to know something about that vast area.

[Mr. Crerar.]

Mr. CRERAR: I am, in a way, new too, as far as the Northwest Territories are concerned. On the basis of the 1931 census the total population is 9,723, of whom 1,007 were classed as white, 4,046 as Indians and 4,670 as Eskimos. I take it that the Eskimo population is largely an estimate; probably it was not made up by actual count, but at any rate the records available give the population as I have just stated it. The government is carried on by a council under the Minister of the Interior. There is a commissioner, a deputy commissioner and five councillors, appointed by the governor general in council. The commissioner in council has power to make ordinances for the government of the territory under the instructions of the governor general in council or the Minister of the Interior, respecting direct taxation within the territories in order to raise revenue, and so on; the establishment and tenure of territorial offices and the appointment of officials; maintenance of prisons; municipal institutions; licences; solemnization of marriage; property and civil rights; administration of justice and generally all matters of a local nature. That covers a considerable range. Fortunately the population is not very large, so the duties are not very heavy.

Mr. BENNETT: It is practically section 92 of the British North America Act applied to the Northwest Territories.

Mr. CRERAR: Yes. That is vested in the federal authority.

Mr. HEAPS: Perhaps the minister might give the committee the total cost of the government of the Northwest Territories.

Mr. CRERAR: The vote for this year, covering the matters mentioned under the item we are discussing, is $187,700, which is a reduction of some $60,000 from last year.

Mr. HEAPS: But there are some other costs which should be added in order to give the total cost of government in the Northwest Territories, are there not?

Mr. CRERAR: This is all that comes under this department. There are other matters under other departments, such as the maintenance of the police, any public works that might be undertaken, and so on.

Mr. BENNETT: The radio.

Mr. CRERAR: Yes, the radio which is under the Marine department, and so on.

Mr. ROSS (Moose Jaw): Is there a similar system in the Yukon territory?

Mr. CRERAR: Yes, to some extent similar.

Mr. BENNETT: There is no elective assembly in the Northwest Territories at the moment. Government is carried on by this council of seven members who sit in Ottawa and pass the ordinances to which reference has been made. Would the minister tell me how many people are receiving salaries in the Northwest Territories and what salaries they receive?

Mr. CRERAR: There are twelve in the head office at Ottawa, and the total salaries will be $14,364, according to the estimate, after allowing for the deduction of five per cent.

Mr. BENNETT: How many in the territories?

Mr. CRERAR: I am informed that there are two mining inspectors, two clerks and a number of medical officers.

Mr. BENNETT: Where are the mining inspectors now?

Mr. CRERAR: At Fort Smith and Cameron Bay. The medical officers are located at Fort Smith, Aklavik, Chesterfield, Pagnirtung, Resolution, Great Bear Lake, Fort Simpson and Good Hope. The last four are part-time officers.

Mr. BENNETT: Are there any other administrative officers? Of course the police come under another item.

Mr. CRERAR: Yes. I think the only other senior official we have is the man in charge of the reindeer station.

Mr. BENNETT: Does any one of the seven governors of the Northwest Territories reside there? Either the chairman or the deputy chairman was there at one time. Is he still there?

Mr. CRERAR: Mr. Cumming is at Fort Smith.

Mr. BENNETT: Perhaps the minister would tell us about the reindeer now.

Mr. CRERAR: The herd has been safely delivered on the east side of the Mackenzie river after a journey from Alaska that occupied the better part of three years. The last report we had in August gave the number in the herd as 2,960.

Mr. STIRLING: As of what date?

Mr. CRERAR: At the round-up in August last.

Mr. BENNETT: How many left Alaska? I did know but I have forgotten.

Mr. CRERAR: About 3,000 left Alaska, and there were 2,370 delivered. Evidently there was some mortality on the way. I hope this reindeer herd will justify the high expectations that were held in regard to it when the enterprise was undertaken. It is necessary, I am informed, to maintain guards for the reindeer to prevent decimation by wolves and Eskimos. There is an assistant superintendent and several labourers. The total cost is estimated this year as $21,800, covering everything.

Mr. BENNETT: I think if the minister will look he will find that the arrangement is older than three years. I think Mr. Stewart, his predecessor in office, made the arrangement. At one time it was not quite certain whether they were going to be got over at all, but they were finally got over.

Mr. ROSS (Moose Jaw): Some of them went back.

Mr. BENNETT: Yes; I think that is true; they fled from the wrath to come. They had heard of these Eskimos and Indians and wolves that the minister has been speaking of, and they went back. The $21,000 surely involves more than the mere keep and caring for the reindeer. We have got them safe now on this side of the Mackenzie river and now their lives are threatened by the wolves; we pay a bounty for killing wolves and we also take care of the Eskimo, so the problem is: What is going to happen to the reindeer? Santa Claus will perhaps come down with them.

Mr. CRERAR: Well, to be perfectly frank, I know very little about these reindeer. I believe I am correct in saying that certainly no responsibility can attach to my right hon. friend or his government.

Mr. BENNETT: Oh, I was not speaking about that.

Mr. CRERAR: I think the intention was a very good one, and they may serve a very useful purpose. It seems to me that as the years pass the federal government is being pushed further and further into responsibility for looking after the native inhabitants of this country. From my brief experience in the department I imagine I can foresee that the government's responsibility to the Eskimo is likely to increase rather than to decrease.

Mr. BENNETT: I think that is sound.

Mr. CRERAR: If we can provide them with means of subsistence I think it is good business, and when I reflect on the fact, which

I think I mentioned to the committee when the estimates of the Indian Affairs department were before it, that we paid out in relief last year about $900,000 for the care of Indians, I aim to create, if possible, conditions that will prevent the Eskimo from coming on relief. How far the reindeer will help in that direction remains to be seen.

Mr. BENNETT: If we do not try to civilize the Eskimos they will never be on relief.

Mr. HEAPS: It is only civilized people who are on relief.

Mr. STIRLING: Can the minister say whether the reindeer are staying put, or are they wandering?

Mr. CRERAR: They are herded.

Mr. STIRLING: The idea was that they should go into that area and spread, was it not?

Mr. CRERAR: They are under the care of herdsmen; they travel, I understand, over a considerable area in order to find pasturage. In the autumn they are rounded up into their winter quarters.

Mr. BENNETT: No; we set aside an area for them.

Mr. CRERAR: They are brought into winter quarters where the herbage is such that they can feed during the winter.

Mr. BENNETT: The whole reason the reindeer were brought into that area is to afford food for the Eskimo, because they can live under the conditions that prevail in that part of the world.

Mr. MacNICOL: Does the minister know whether they are herded in the land they come from?

Mr. CRERAR: Yes; I understand that the reindeer industry in Alaska is quite considerable. These reindeer were brought from Alaska; they were purchased from a corporation which was a large holder of reindeer in Alaska, and which, I understand, makes a business of shipping reindeer meat to points in the United States.

Mr. BENNETT: It is a Christmas delicacy sent to New York, and that sort of thing.

Item agreed to.

Government of the Yukon Territory—
Salaries and expenses connected with the administration of the territory, including surveys, $42,000.
Grant to the Yukon council for local purposes, the construction and maintenance of roads and such other expenditures as the commissioner is authorized to expend by and with the advice and consent of the council or any committee thereof; and the accounts with respect to such expenditure shall be subject to examination and audit by the auditor general as provided by section 22, chapter 215, revised statutes, 1927, $70,000—Total, $112,000.

Mr. ROSS (Moose Jaw): In connection with the old claims filed in the Yukon many years ago, has any machinery been set up by the department or through the gold commissioner by which these claims can be cleared away? Back in 1897-98, when the rush was on, thousands of claims were staked in the Yukon, some of which were proved up and then abandoned, or the people who owned them are dead to-day or have thrown them up. But with the increased price of gold another move is now starting into that part of the country. If the titles of those old claims are not cleared up it will be impossible for people to file on them again. Has anything been done by the department to clear up the claims staked at that time so that the ground can be staked now by newcomers?

Mr. CRERAR: I think this is the first time this question has come to my attention.

Mr. BENNETT: There is one big company still operating.

Mr. ROSS (Moose Jaw): Yes, the Treadgold company. But there are many thousands of claims that might be staked again.

Mr. BENNETT: I saw their report not long since; they apparently did not make much money last year.

Mr. CRERAR: The information given to me is that the owners of these claims in many instances have moved away; the larger companies have been acquiring them, I assume, by purchase, and they are being operated by these larger companies.

Mr. ROSS (Moose Jaw): But many claims that were staked there have been abandoned. The locators may have proved up or they may not, but as with certain oil leases, once claims are applied for and the fees paid they must go to public auction in order to be acquired by someone else.

Mr. BENNETT: I think the grants all contain provisions that certain operations have to be commenced within a given time, failure to do which empowers the crown to give notice cancelling the right, such as it is. The hon. member will perhaps remember the Polson case which went to the privy council, that decided the validity of the notice, since

which time the department has been very particular to give the notice in the manner prescribed by law. Once the notice is given the claim is cancelled.

Mr. ROSS (Moose Jaw): I have in mind that there will be many pieces of ground which the prospectors may want to stake again and on which there has been no notice given. It is impossible for such claims to be restaked unless these old titles are cleared away.

Mr. BENNETT: I think the Yukon council now have power to clear the titles.

Mr. CRERAR: I do not think any difficulty should arise, because even if the owners have moved away these original claims are registered, and if a patent has been issued the authorities would not issue a new registration on a claim already held by someone else.

Mr. ROSS (Moose Jaw): Many people went in to the Yukon as prospectors, staked claims, proved up on them and possibly did not have enough money to carry on, or did not feel that it was a good enough stake, but to-day with the different price of gold it might be a good enough stake. Now, if such a man has died leaving no heirs to take the claim over, there is a blank piece of ground that might be staked by another prospector, but under present conditions it cannot be staked. Is there no way of cleaning that up so that development can go on?

Mr. BENNETT: If a patent has issued, obviously the title to the property has passed to somebody else. If no patent has issued the claim may be terminated for non-working. There is either a grant or no grant. If there is a grant there is a patent; the property is dealt with as ordinary property because it belongs to the heirs, and we have no jurisdiction over it. If no patent has issued, there is nothing but a claim, which can be forfeited by reason of non-working, and it would then become available for restaking.

In view of the fact that it was not expected we should reach this item to-night, and as the hon. member for the Yukon (Mrs. Black) is not present and wishes to make some observations with respect to the item, perhaps the minister will let it stand.

Mr. CRERAR: Under the circumstances I shall be very glad to do so.

Item stands.

Progress reported.

On motion of Mr. Crerar the house adjourned at 10.55 p.m.

Monday, June 1, 1936

The house met at three o'clock.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

CHARTERED BANKS—DEPOSITS

Mr. ELLIOTT (Kindersley):

1. What was the total amount of bank deposits in the chartered banks of Canada on December 31, 1935?
2. Is it true all bank deposits are created by loans?
3. If not, what portion of bank deposits in Canada on December 31, 1935, was created by bank loans?
4. What portion of the total bank deposits consisted of people's savings placed in the banks to draw interest, December 31, 1935?

Mr. DUNNING:

1. $2,558,966,233.

2 and 3. These questions relate to matters of monetary theory and do not form a proper subject of enquiry of the ministry.

4. Deposits by the public payable after notice or on a fixed day in Canada, amounted to $1,485,977,174.

LEAGUE OF NATIONS—ADVISORY DRUG COMMITTEE

Mr. HARTIGAN:

1. Who is the Canadian government representative on the advisory drug committee of the League of Nations?
2. What was his previous occupation?
3. When was he appointed to this position?
4. How long has the committee had habit-forming properties of codeine under advisement?
5. Who was the Secretary of State for External Affairs when the present representative was appointed?

Mr. MACKENZIE KING:

1. Colonel C. H. L. Sharman, C.M.G., C.B.E,. chief of the narcotics division of the Department of Pensions and National Health.
2. Chief of the narcotics division of the Department of Pensions and National Health since the 1st April, 1927.
3. Appointed representative of the government of Canada on the League of Nations advisory committee on opium and other dangerous drugs February 1, 1934.
4. The opium advisory committee requested the health committee of the League of Nations to investigate the question of codeine addiction the 23rd November, 1934.
5. The Right Honourable R. B. Bennett.

FEDERAL BORROWINGS

Mr. PELLETIER:

1. Has the federal government ever been obliged to borrow from any source whatever in order to make a loan to a province?

2. Is there any arrangement between the federal government and any banking or financial concern to supply the government with credit without recourse to the issue of bonds or treasury bills?
3. When the government borrows money for any purpose from any bank or financial concern, does the government receive actual cash or currency?
4. When has actual cash or currency representing an advance, ever been handed to the government?
5. Has the government ever requested actual cash or currency?
6. If so, from whom and for what amount?
7. Where does the government obtain the necessary funds to loan to provinces when the expenditures of the dominion exceed its revenues?
8. When the federal government makes a loan to a province does it give the amount of loan to the province in actual cash and currency?
9. When has the government ever given cash and currency to a province representing an advance?
10. What was the amount?

Mr. DUNNING:

1, 3 to 6, 8 to 10. Borrowings are not earmarked for specific purposes. Proceeds of loans are credited to consolidated revenue fund from which all disbursements are made. Proceeds of loans are received in the form of bank drafts or marked cheques which are deposited in banks to credit of the receiver general. Disbursements, including loans to provinces, are made by the issue of cheques drawn against bank deposits. Any such cheque drawn in favour of a province and representing a loan from the dominion government would entail the payment of legal tender if required by the payee.

2. No, except for limited amount of ways and means advances from Bank of Canada.

7. From borrowings.

BIGGAR, SASK., MAIL SERVICE

Mr. COLDWELL:

1. What amount is paid for carrying the mail to and from the Canadian National railway station and the post office at Biggar, Saskatchewan?
2. Has a new contract been awarded recently for the carrying of this mail?
3. Who is the present contractor?
4. What remuneration does he receive for carrying the mail?
5. Was his predecessor's application refused, if so, why?
6. How long had his predecessor held the contract?
7. What remuneration did he receive for this service?

Mr. ELLIOTT (Middlesex):

1. $315.
2. No.
3. H. M. Dunbar.

[Mr. Pelletier.]

4. Answered by No. 1.
5. Contract awarded to lowest competent tenderer.
6. October 1, 1929, to January 31, 1933.
7. $444.44 with variations at certain periods according to change in frequency.

EXPORTS TO THE UNITED STATES

Mr. MULLINS:

1. What amount of cheese was exported to the United States from Canada from January 1, 1935, to May 1, 1935?
2. What amount of cheese was exported to the United States from Canada from January 1, 1936, to May 1, 1936?
3. What amount of maple sugar was exported to the United States from Canada from January 1, 1935, to May 1, 1935?
4. What amount of maple sugar was exported to the United States from Canada from January 1, 1936, to May 1, 1936?
5. What number of horses were exported to the United States from Canada from January 1, 1935, to May 1, 1935?
6. What number of horses were exported to the United States from Canada from January 1, 1936, to May 1, 1936?
7. What amount of grain was exported to the United States from Canada from January 1, 1935, to May 1, 1935?
8. What amount of grain was exported to the United States from Canada from January 1, 1936, to May 1, 1936?

Mr. EULER:

1. 1,137 hundredweight—$20,928.
2. 30,944 hundredweight—$407,358.
3. 362,366 pounds—$46,822.
4. 2,743,488 pounds—$491,616.
5. 1,627—$199,309.
6. 8,711—$1,025,304.
7. 2,587,158 bushels—$1,633,059.
8. 1,527,056 bushels—$997,895.

*THE KING'S BIRTHDAY

Mr. CHURCH:

1. What steps are being taken by the government for a national and proper observance of His Majesty the King's birthday on June 23rd?
2. Will a proclamation be issued asking for general observance of the day?

Mr. MACKENZIE KING: The day fixed by proclamation for the celebration of the birthday of the king is a statutory holiday, and the steps to be taken with respect to the observance of the birthday of King Edward VIII will be similar in all particulars to those taken formerly with respect to other British sovereigns.

ST. LAWRENCE RIVER DREDGING

Mr. GARIEPY:

1. Will the government have the St. Lawrence river dredged between Montreal and Three Rivers?

2. Will the government have dams and embankments constructed between the two cities, especially approaching lake St. Pierre?
3. If so, what will be the approximate depth of the improved channel?
4. When is it expected such depth will be reached?
5. What will be the approximate cost of the proposed works?
6. At what points will the proposed dams and retention walls be constructed, and when will they be built, and what will be the approximate cost?

Mr. HOWE: It seems to me that this question is entirely out of order. It refers to future government policy, and I do not think it can be answered.

Question dropped.

QUESTIONS PASSED AS ORDERS FOR RETURNS

WHEAT CROP 1930 EQUALIZATION PAYMENTS

Mr. MAYBANK:

1. Has the payment of a sum of money to the Canadian Wheat Board out of consolidated revenue fund been authorized by the governor in council under authority of section 3 of the 1930 Wheat Crop Equalization Payments Act?
2. If so, what is the amount of such sum of money?
3. Was the authorization by order in council, and when was it passed, and what is its number?
4. Has such a payment been actually made, and if so when?
5. How much of such payment was for durum growers and how much for growers other than durum growers?
6. Were any agencies for distribution of such moneys approved by the governor in council in accordance with the terms of section 3 of said act?
7. If so, was such approval by order in council, and when was it passed, and what is its number?
8. What are such agencies?
9. To what extent was each such agency authorized to distribute i.e. how much money was entrusted to it?
10. How much of such money was payable respecting—
(a) Non-durum wheat.
(b) Durum wheat.
in—
(a) Manitoba; (b) Saskatchewan; (c) Alberta?
11. Were written instructions respecting such payments given by the government to the Canadian Wheat Board?
12. If so, on what date or dates were such instructions given?
13. Were written instructions respecting such payments given by the Canadian Wheat Board or by the government to distribution agencies approved by the government?
14. If so, on what date or dates were such instructions given?
15. Has the Canadian Wheat Board paid out such moneys either partly or wholly, and if so, to what extent, to whom, and at what time or times?
16. Has any agency of the Canadian Wheat Board paid out such moneys, either partly or wholly, and if so, to what extent, and at what time or times, and how much has been paid out by each such agency and to what number of recipients?
17. Were regulations made under the authority of said act respecting the manner of proof by an assignee of a primary producer of the right of such primary producer to receive additional payment in respect of 1930-31 wheat?
18. If so, when were such regulations made and by whom, and if by order in council, what is the number of same?
19. Were any such regulations published, and if so, where and when?
20. Have any of such moneys been paid out by Canadian Wheat Board or any agency of it or of the government of Canada to assignees of primary producers of wheat?
21. If so, what is the total amount of such payments to such assignees in—
(a) Manitoba; (b) Saskatchewan; (c) Alberta?
22. How many payments over $100 have been made to any such assignee in—
(a) Manitoba; (b) Saskatchewan; (c) Alberta?
23. What have been the ten largest of such payments to assignees, giving the amount of each such payment and the name, and where possible the address of each such recipient?

Mr. EULER: As it would be impossible to obtain this information for at least two weeks, and as the reply will be lengthy, I would ask that this question stand as an order for return.

PROVINCIAL INDEBTEDNESS TO FEDERAL GOVERNMENT

Mr. PELLETIER:

1. What amounts are owed the federal government by each Canadian province?
2. Under what authority were these loans granted?
3. For what purpose?
4. At what rate of interest in each case?
5. What guarantees have been given by Canada in respect to loans to provinces?
6. What amount do these guarantees represent in the case of each province?
7. What evidence of debt does Canada hold from the provinces that have received guarantees?
8. Under what authority were the guarantees given?
9. To whom were these guarantees given?

LEVEL CROSSINGS APPROPRIATION

Mr. CHURCH:

1. How was the one million dollars appropriated for level crossings spent in 1935, and for what purpose?
2. What amount of this fund was spent in each province?

DELEGATES TO LEAGUE OF NATIONS

Mr. CHURCH:

1. Who are the delegates to the League of Nations for 1936, and when were they appointed?

2. Who selected them?
3. What are their duties?
4. How many years have they been going there in each case?
5. Do they travel on Canadian or British ships, or American?
6. What expenses and other allowances are they given?
7. Whom they report to and are their reports tabled?
8. (a) How many delegates are there for 1936; (b) how many advisors; (c) how many delegates are not accompanied by advisors; (d) what are the duties of these advisors?
9. When was their appointment reported in the house?
10. Were any requests received by the government to stop these expenditures for 1936?
11. What experience have these delegates, technical or non-technical, in diplomacy and international statesmanship?
12 (a) Are any of the delegates returned soldiers; and (b) are these delegates instructed as to what Canada's foreign policy is, if any?

Mr. CHURCH:

1. What are the names of the outside delegates to the League of Nations, other than members of the Senate or House of Commons, from 1920 to date, including technical advisors?
2. What were the expenses of each of such persons by years?

RAILWAY COMMISSION RULINGS—CLOSING OF QUEBEC LINES

Mr. GARIEPY:

1. Has the government been made aware of the majority and minority rulings of the Board of Railway Commissioners of April 1, 1936, and March 30, 1936, virtually ordering the closing of the railway lines between (a) Nicolet and St. Leonard d'Aston; and (b) Parisville and St. Jean des Chaillons?
2. Will the government delay the operation of these two orders of the railway commission?
3. Will the government suspend the execution of these orders affecting the branch lines mentioned above, at any rate until the new legislation dealing with the Canadian National Railways and the creation of a board of trustees becomes effective?

QUEBEC LEVEL CROSSINGS

Mr. GARIEPY:

1. Will the government take the necessary steps to see that level crossings between Montreal, Three Rivers and Quebec, on the provincial highway, are eliminated during 1936, under the provisions of the special unemployment vote or other subsidy?
2. Will the government, in any agreement with the government of Quebec arising out of the legislation of the present session, and as one of the conditions of the financial contributions to the province, insist upon the early removal of the level crossings referred to?

MOTION FOR PAPERS

CANADIAN COOPERATIVE WHEAT PRODUCERS LIMITED

Mr. MAYBANK:

For a copy of the report of Price Waterhouse and Company, Union Trust building, Winnipeg, Manitoba, dated January 25, 1936, being an audit and a special review of the accounts of Canadian Cooperative Wheat Producers Limited in respect of their operations dealing with the crop of 1930 pools, including the stabilizing operations from September 1, 1930, to October 31, 1935.

GOVERNMENT HOLIDAYS

EFFECT UPON MEN EMPLOYED ON DAY LABOUR BASIS

On the orders of the day:

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, since it is a very great hardship for men employed on a day labour basis at an hourly rate of pay to be expected to forego a day's work, will the government consider the advisability, in making proclamation of a holiday for any purpose, of providing that such holiday shall be with pay? Otherwise the proceeding bears very heavily upon a certain section of the community.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker the government has not given special consideration to the point mentioned by my hon. friend beyond that which it has received at different times. We shall be glad however further to consider the suggestion.

CANADIAN NATIONAL RAILWAYS

CLAIMS OF FIRST AND SECOND GRAND TRUNK PREFERENCE SHAREHOLDERS

On the orders of the day:

Hon. H. H. STEVENS (Kootenay East): About six weeks ago I directed a question to the Minister of Railways (Mr. Howe) and to the government regarding the attitude that the government might take towards the first and second preference stockholders of the Grand Trunk Railway and their claims, or alleged claims. It was pointed out at that time by the Minister of Railways (Mr. Howe) that the matter was before the privy council, and, to quote his words:

As far as I know the decision has not been handed down.

The minister continued:

I am of the opinion that the matter is still sub judice.

The minister added that he would look into it. At that time the matter was before the privy council, but since then the privy council has rendered a decision, so that it is no longer sub judice. I should like to direct to the ministry and to the Minister of Railways in particular the questions I submitted previously: first, whether the claims advanced by the junior and senior preference stock-

holders of the Grand Trunk Railway are receiving the attention of the government, and if so, what action is proposed in regard thereto; and second, would the government consider the advisability of submitting this matter to a committee of the house.

Hon. C. D. HOWE (Minister of Railways and Canals): Mr. Speaker, the hon. member was good enough to give me notice of these questions. His statement that the matter has been disposed of by the recent privy council decision is hardly correct. The Grand Trunk action was directed against the crown and also against the Canadian National Railways as successors to the former Grand Trunk. Two points were involved: one, that the names of the former shareholders should be put back on the registry and the name of the Minister of Finance removed as owner of the stocks, and two, an action for damages for having been deprived of the shares. Inferentially, the validity of the arbitration and acquisition was in question. The judgment held that the petitioners could not proceed against the crown in the matter at issue except by petition of right and the granting of a fiat. However, there was nothing to prevent their proceeding in an action for damages, if any, as against the Canadian National Railways as successors to the former Grand Trunk, and the matter is therefore still in litigation and thus sub judice.

Mr. STEVENS: The minister says the matter is still in litigation. What action is pending?

Mr. HOWE: The shareholders have been granted the right to take action against the Canadian National Railways for damages. That action can be begun at any time.

Mr. STEVENS: With all due respect, I submit that is not an action that is "at present pending."

CARRIAGE OF GOODS BY WATER

Hon. C. D. HOWE (Minister of Marine) moved the third reading of Bill No. 68, respecting the carriage of goods by water.

Motion agreed to and bill read the third time and passed.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

Hon. CHARLES A. DUNNING (Minister of Finance) moved that the house go into committee to consider the following proposed resolution:

That it is expedient to bring in a measure to amend the Bank of Canada Act so as to increase the capital stock of the bank, to provide that certain shares thereof shall be purchased by the Minister of Finance out of the consolidated revenue fund in order to assure ownership of a majority of the shares by the government, to increase the number of directors, and to provide for election and appointment of directors in such manner as to assure voting control of the board by directors appointed by the government.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Mr. DUNNING: Mr. Chairman, this resolution precedes the introduction of a bill which will provide for certain important amendments to the Bank of Canada Act, in order to implement the announcement made in the speech from the throne that parliament would be asked to make such changes in the ownership and control of the Bank of Canada as may be necessary to give to the government a predominant interest in the ownership as well as effective control of the bank.

The bill which this resolution seeks authority to introduce provides among other things for two important and significant changes in the constitution of the Bank of Canada. These changes are: First, the issue of an additional $5,100,000 of capital stock of the bank, to be purchased by the Minister of Finance and held by him on behalf of the Dominion of Canada. This will ensure a predominance of public ownership in the shares of our central bank. Second, the appointment by the government of additional directors of the bank with sufficient voting power to give the government a majority control of the board of directors both immediately and permanently.

There are other changes of lesser importance in the bill to be introduced. Most of these are consequent upon the changes in the capital stock and in the directorate to which I have just referred, but others are being made to clear up ambiguities in the wording of the present act or to provide for changes which experience has shown to be desirable. I might call special attention to one other amendment, which provides that Bank of Canada notes in future will be bilingual instead of some being printed in the English language and some in the French language, as at present.

I should like now to discuss the factors which have led the government to propose amendments to the constitution of the bank providing for a predominant interest by the public in the ownership and also voting control of the bank. In the first place, the fundamental consideration is that the primary function of a central bank is to regulate the volume of currency and credit in use, and this

is so vital a national function that it should not be left to the control of private interests. The issue of currency has always been regarded as a prerogative of the crown. It is true that in all modern countries during the growth and development of banking practice, the use of bank notes, and particularly of cheques drawn against bank deposits, has come largely to supplant in the business world the use of hand to hand currencies. The significance of this amazing development of bank credits as the chief form of purchasing power was not at first perceived, and it is only in comparatively recent times that governmental authorities and monetary experts—and indeed central bankers themselves—have come to realize that the primary function of a central bank was not to make loans to a necessitous government or to provide other banking services but rather to control the volume of credit and currency in the best interests of the economic life of the nation. Some of the leading central banks of the world, including the Bank of England, can trace their origin to the financial needs of a hard pressed sovereign of government. To-day such assistance to a government is regarded as an incidental function of rather minor importance, and one which must be subordinated to the major function of controlling credit and currency.

If in olden times it was considered essential for the sovereign to retain control over coinage, it is enormously more important to-day that sovereign governments should retain control over credit. Consider for a moment what the function means; read the preamble to the Bank of Canada Act:

> Whereas it is desirable to establish a central bank in Canada to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the dominion. . . .

That is the preamble to the present Bank of Canada Act, and one may well ask whether it is appropriate that a privately controlled institution should control and protect the external value of the monetary unit. Is it not the government's function to determine what our monetary standard shall be; whether our dollar shall be 23·22 grains or 15 grains of fine gold; whether in these days we shall tie our dollar to the pound sterling or to the United States dollar or allow it to fluctuate half way between those two currencies. It may be said on behalf of the Bank of Canada that in performing this function the bank would merely endeavour to carry out what the national policy, that is, the government's policy, happened to be at the time. In other words, if the government went back on the gold standard at $35 an ounce it would be the task of the bank so to regulate the volume of credit in the country that our dollar would remain at par, fluctuating of course only within the gold points, in terms of other gold currencies. Or if we decided to tie up with sterling at a certain fixed rate it would be the task of the bank to buy and sell exchange in such a way as to maintain the pegged rate with the pound sterling. I am confident that this would be the way in which the bank under its present management would interpret its functions. But is this a sufficient assurance for the future? Is it not possible to conceive of a privately controlled central bank in conflict with the government, refusing to carry out the declared national policy? The only way by which such eventualities can be prevented is by assuring adequate government control of the bank.

Again: Is it appropriate for a government to leave to a privately controlled institution the stabilization functions which are contemplated by the preamble to the act which I have just read? The preamble contemplates that the Bank of Canada shall, by the appropriate mechanisms—chiefly open market operations and manipulation of the rediscount rate—set influences at work which will tend at times to expand credit and at other times to contract credit, with a view to securing a greater degree of stability in the level of production, trade and employment. In other words, when a boom is on the way and getting out of hand it will be the duty of the bank to put on the brakes, so to speak, by restricting credit, thus tending to cause a decline in prices and to slow down the whole tempo of business and speculative activity. Conversely, in a time of depression it will be the duty of the bank to bring influences to bear to expand credit, thus tending to raise prices and generally to quicken the tempo of business activity.

Surely it is not necessary to stress how important are such functions of the bank. If the bank can by monetary action do something to level off the peak of the boom and to fill in the valley of the depression; if it can, as the preamble to the act contemplates, "mitigate by its influence fluctuations in the general level of production, trade, prices and employment," it will make an important contribution to the economic welfare of this country. But, mark you, it will be affecting the life and the income of every man, woman and child in the dominion, and it will be

affecting various groups and individuals unequally. Changing price levels help some people, some industrial groups, some economic areas, but hurt others. One need only recall the different ways and the degrees to which debtors and creditors, wage earners, bondholders and stockholders, farmers and manufacturers, wholesalers, retailers, and so on, were affected by the collapse of prices in 1929. Indeed the whole depression can be largely related to the fall in prices and the inequalities in various kinds of prices which resulted therefrom. These changes in price levels which bring so much loss to one group and gain to another are probably inevitable under our economic system, and the central bank should mitigate rather than aggravate them.

But the point is that for the first time in this country we have an institution which is charged with the function of regulating credit and currency, and which therefore will consciously and deliberately set influences to work which will affect the price level as well as the level of production, trade and employment. Surely this is too vital a function to leave in the hands of a privately controlled institution. If this function is to be performed at all it should only be by an institution under adequate government control. This is my main point, Mr. Chairman; in fact it is the sum and substance of the whole matter. The matter of credit and currency control is of such vital importance to the national welfare that there should remain no possible doubt as to where this prerogative and the final responsibility therefor should rest. The government therefore contend that the statutes of this country should place in the name of the dominion the predominant ownership of the Bank of Canada, and should assign to the government in the interests of all, the determining voice on the board of directors of the bank.

There are, however, a few other comments I wish to make in relation to certain arguments which apparently weighed with the late government which was responsible for giving the Bank of Canada its present constitution. On the second reading of the Bank of Canada bill in 1934 the then Minister of Finance, Hon. E. N. Rhodes, made use of the argument from historical experience. He pointed out that of thirty-six central banks in leading countries of the world, only six are wholly publicly owned, namely those of Australia, Bulgaria, Finland, Latvia, Russia and Sweden, whereas seventeen are wholly privately owned, namely Albania, Austria, Belgium, Danzig, Denmark, England, Esthonia, France, Germany, Italy, Netherlands, New Zealand, Norway, Portugal, Spain, Switzerland and India. All this may be true; in fact it is true, but its significance may easily be exaggerated. In the first place I should like the committee to note that in the constitution of seven other central banks, those of Czechoslovakia, Greece, Japan, Jugoslavia, Lithuania, Poland and Roumania, provision is made for partial government ownership and partial private ownership, while the central banks of Chile, Colombia and Peru are owned in part by the governments concerned, in part by private shareholders and in part by the private commercial banks. So that in sixteen out of the thirty-six central banks in Mr. Rhodes' list there is precedent for the action which we propose to take.

To complete the record it may be added that the federal reserve banks of the United States are wholly owned by the member banks, while the reserve bank of South Africa is a case of part private and part bank ownership.

In the second place it may be pointed out that the record of most if not all of the publicly controlled of the central banks is a highly creditable one. In fact we have to go, I believe, to the privately owned and controlled central banks to find some of the most glaring instances of unwise management and indeed of undue yielding to pressure from political administration.

In the third place we cannot place too much importance on the fact that central banks like the Bank of England and the Bank of France are privately owned. This fact may be explained by historical circumstances which are no longer relevant. Thus it was largely the credit needs of the state that led to the founding of the Bank of England in 1694 by William Paterson and a group of London merchants who were authorized to raise the capital of £1,200,000 to be loaned to the government, and were given certain banking privileges in exchange. The Bank of France was founded in 1800 by Napoleon, who gave government cooperation in the raising of the bank's capital of 30,000,000 francs and assigned to the bank the double task of restoring the completely disorganized public credit following the experience with the assignats, and meeting the credit demands of business. But it was only after a long history that those two banks gradually evolved and consciously recognized the credit regulating function which is to-day regarded as their primary function. One may venture to ask whether, if these two banks were being founded to-day, they would be organized as private

institutions free from effective government control. The Bank of France is in fact subject to-day to a degree of such control.

Mr. BENNETT: So is the Bank of Canada.

Mr. DUNNING: Yes. Finally, the matter of public ownership is in my opinion much less important than that of governmental control. If we study the constitution of central banks from this aspect we shall find ample precedent for the attempt which we are making to give the government adequate control over the Bank of Canada.

It is not possible or necessary to consider all the precedents. I wish however to draw attention to the constitution of a number of typical important central banks, and particularly to those in some of the other British dominions.

The Bank of England is of course not only privately owned, but also completely free from formal governmental control. The board, consisting of the governor, deputy governor and twenty-four directors, is elected annually by the shareholders. The English statute was passed at a time when individualism was the guiding doctrine in political and economic theory, and to have given the government control over the bank would have been in complete conflict with all the teachings of that day. Nevertheless, as Kisch and Elkin point out:

> There can be little doubt that in practice there is at all times close and continuous co-operation between the bank and the government, and in exceptional periods of stress there is even more than this.

The Reichsbank, the central bank of Germany, is under its present constitution the only other important instance of a leading central bank which, at least on paper is, independent of its central government. The original Reichsbank, which dates back to the founding of the German empire, was subject to a high degree of governmental control. The supervisory powers of the state were exercised by a board appointed by the emperor and the federal council—Bundersrat or Senate—whose chairman ex-officio was the imperial chancellor. The general management of the bank was entrusted to the chancellor, to whom the board of directors was subordinate. The members of the board were appointed by the emperor on the recommendation of the federal council.

Following upon the post-war inflation the Reichsbank was reorganized in 1924, and this reorganization was, to quote Kisch and Elkin:

> Part and parcel of a scheme for the payment of reparations and of the financial rehabilitation of Germany devised by foreign experts at a time when the financial policy of the German government was politically suspect and had proved to be economically unsound.

The act as a result shows a distrust of government influence which would probably not have been so manifest had the reorganization come from entirely within Germany, instead of partly from outside. In the case of the Bank of France the general council consists of the governor, two deputy governors, fifteen regents and three auditors. The regents and auditors are elected by the general assembly consisting of the two hundred largest shareholders, chosen from certain specified economic classes. The governor and deputy governors are appointed and removable by the President of France on the recommendation of the Minister of Finance. No decision of the general council may be executed unless it bears the signature of the governor. In the final analysis it is the government-appointed governor who directs all the bank's business and exercises the final power.

Mr. BENNETT: That is so here, too.

Mr. DUNNING: One might differ from my right hon. friend.

Mr. BENNETT: One cannot differ; it is so.

Mr. DUNNING: My right hon. friend's capacity for differing is infinite. Probably he would credit me with some capacity along the same line.

Mr. BENNETT: I am talking about what the statute says.

Mr. DUNNING: The Bank of Russia, as one would suspect, is a complete state bank managed by a board of directors appointed by the government and supervised by the People's Commissary of Finances. So also is the Bank of Finland, which carries on its business under the guarantee and supervision of the diet. The state owned central bank of Sweden is managed by a board of directors appointed by the king or the riksdag, the one director appointed by the king acting as the president of the bank, and these directors are responsible to the riksdag, its parliamentary committee on banking, and its auditors alone. In the case of Norway, the central bank is privately owned but the private shareholders have no control of the administration and no provision is made for general meetings. Three members of the board of directors and the members of the supervisory council are nominated by parliament, while the governor and vice governor are nominated by the king. In Spain the appointment of the members of the council has always required state approval,

and since 1931 the council has included three government appointees, to represent the general interest of the national economy. The governor, who is executive head of the bank, is nominated by the government and is given power to suspend any decision of the council that he considers contrary to the laws and report it to the finance minister. The Swiss National Bank has a council of forty members, of which twenty-five including the president and vice president, are government appointees, nominated by the federal council.

But government control is not limited to the appointment of governors or of a proportion of the directors. Kisch and Elkin, the authorities on the structure and functioning of central banks, cite a number of instances where more direct supervision may be exercised by the state in certain circumstances. Thus in Italy the finance minister, in addition to supervising the note issue, may annul any decision of the general meeting of the administrative council which he considers contrary to the laws and statutes, acting on his own initiative or on the report of a government official designated by him to attend the meetings of these bodies. In the charters of a number of European central banks, including those of Austria, Poland, Greece, Hungary, Holland and Denmark, there is provision for the appointment of a government or royal commissioner, with supervisory powers. Generally the duties of these commissioners are limited to seeing that the bank's business is carried on in accordance with the law and statutes of the bank. On any disputed point, the commissioner has a suspensory veto until the matter is settled by agreement between the bank and the government. In Denmark, the finance ministry must be notified when the bank's managers wish to change the rate of discount; the minister is entitled to participate personally or by deputy in the discussion but without the right to vote. In Poland, the president of the bank, who is appointed by the president of the republic, has a right of suspensory veto in respect of decisions of the bank council which are, in his opinion, contrary to the laws of the country, the articles of association of the bank or the interests of the state. When he exercises this right of veto, the question is referred to the finance minister, and the contemplated action is not carried out if the president's veto is endorsed by the minister within three days.

In Czechoslovakia, a government commissioner, chosen from officials of the finance ministry, has the right of suspensory veto over any resolution of the bank's managerial bodies if they appear in conflict with the laws, statutes or state interests. Failing agreement between the bank and the government, the matter must be referred to a committee of arbitration. In Roumania, the government commissioner has the right of intervention in regard to any decision by the bank's executive which he considers inimical to state interests. In Japan, government control of the central bank goes to great lengths. Comptrollers acting under direction of the finance minister supervise all matters connected with the Bank of Japan. Wide powers of intervention are reserved to the government, and the decisions of the administrative board are subject, in various important instances, to government approval before they become effective. The bank's by-laws provide that "the government shall control all the operations of the bank and shall prevent not only any operation which conflicts with the act and by-laws, but also any measure that the government may deem disadvantageous to the state."

We may now turn to the central banks of the British dominions. Perhaps these have more lessons to teach Canada because of their comparatively recent establishment, their freedom from accidental developments due to war or other historical circumstances, and also of course the broad similarity of prevailing political and economic philosophies and conditions with those of our own country.

The oldest of these institutions is the Commonwealth Bank of Australia. Founded in 1912, this bank is wholly government owned and operates under government guarantee. The board consists of the governor and seven other directors, including the secretary to the treasury. The governor, deputy governor and directors are all appointed by the government.

The Reserve Bank of South Africa, organized in 1920, is owned in part by the commercial banks and in part by private shareholders. Its board consists of the governor and deputy governor, both appointed by the government, and of nine other directors of whom three are appointed by the government and six are elected by the shareholders.

The Reserve Bank of New Zealand, which commenced operations only a few months before the Bank of Canada, is a privately owned bank but with government representation on its board. The board consists of the governor, the deputy governor, the secretary to the treasury (without the power to vote), and seven other directors. As in the case of the Bank of Canada, the first governor and deputy governor are appointed by the government, while later governors and deputy

governors are appointed by the government on the recommendation of the board of directors. Of the seven other directors three are government appointees, while the remaining four are elected by the shareholders, except the initial four who also were appointed by the government. It will thus be seen that the first board of this bank is entirely composed of government appointees. Under the present legislation, however, the board would ultimately consist of two governors approved by the government, the secretary to the treasury, three government appointed directors and four directors elected by shareholders. As hon. members of the committee are aware, the present government of New Zealand has announced its intention of introducing a greater measure of government control of the bank.

The constitution of the new Reserve Bank of India provides for a central board consisting of the governor, four government nominees representative of territorial, economic or agricultural interests, and eight directors elected from the elected members of the local boards of the five reserve banking areas in certain proportions. Deputy governors and one government official will also be on the central board but without voting rights. The central board can be superseded by another agency for direction of the bank's affairs under government orders, in the event of the bank failing to carry out any of the obligations imposed on it. The governor and deputy governors are appointed by the government, on advice of the central board.

It is of interest to note that government control extends farther in each of these empire central banks than at present in Canada, and in some cases, substantially farther.

So much for the argument based on history and the experience of other countries. The brief review which I have given should be sufficient to show that ample sound precedent exists for the amendments to the present Bank of Canada Act, now under consideration.

A second type of argument used by my predecessor in advocating the present constitution of the Bank of Canada was that based on the opinions of monetary experts or the resolutions passed by international conferences. I do not propose to call experts to rebut experts, although that would not be difficult to do. Someone has said that "where five economists are gathered together there will be found six opinions, and two of them will belong to Mr. Keynes." It is sufficient to say that the examples of government ownership and control of central banks which I have cited above must rest on adequate expert opinion and on the bedrock of experience of other countries and nations. However, considerable stress was laid on a resolution passed at the international financial conference held at Brussels in 1920, and reiterated in a later international conference, and it may be well to say a word with regard to that. The resolution is as follows:

Banks, and especially banks of issue, should be freed from political pressure and should be conducted solely on the lines of prudent finance.

It is desirable to consider the setting in which this resolution was drawn. It was passed just after the war at a time of monetary chaos and currency depreciation when central banks of many countries, whether government owned or government controlled or not, were still busy turning out paper money and inflating bank credit under the direction of their respective governments. The admonition which it gave against influences and against imprudent financing is a natural one and fully warranted under the circumstances then prevailing. But surely we do not need to be warned to-day of the utter folly of printing press methods of finance. I have already shown, I think, that the historical record shows no coincidence between the prudently versus imprudently managed central banks on the one hand and the privately owned and controlled versus government owned and controlled central banks on the other.

This brings me to the third argument of my predecessor, Hon. Mr. Rhodes, namely, the charge that a central bank under government control would be subject to political influence, to the pull and the pressure of this group or that, to political interference in its day to day operations, and to partisan influence in appointments. I might make two comments in regard to that argument.

In the first place there is a type of influence, using the word in its broadest and best sense, to which the Bank of Canada should be subject. I have already shown that the bank is required to perform one of the most important functions of government. The wise and efficient carrying out of that function is of vital concern to every citizen. Under some other form of government we might be content with a privately owned and controlled institution acting as a benevolent despot, answerable to no authority but itself, unresponsive to public opinion, giving the public not what they want but what the experts think is right for them. But that attitude is not possible in a democratic country. The bank may and should resist temporary gusts of public fancy, but in the long run it must show responsiveness to public opinion. In the long run the bank in the performance of a vital sovereign

function must be responsible to the sovereign will expressed through governments. There cannot be two sovereigns in a single state. In that connection nothing I think could be clearer than the statement of the present Prime Minister, then leader of the opposition (Mr. Mackenzie King), taken from Hansard of June 22, 1934, page 4227:

I want to make this fact clear: no one could have had the responsibility of being the head of an administration for any time without realizing all that it meant when one speaks of political pressure. I think I would be the first to sympathize with the Prime Minister in his desire so to frame an act that what is termed political pressure would not be permitted to interfere with the successful and independent working of a great financial institution. May I say we may give a wholly wrong meaning to the word "political" in speaking of political pressure. A political influence or point of view is not necessarily something that is contrary to the national interest; a political point of view is one which arises from an endeavour to give expression to public feeling and public opinion, and I submit that in all democratic countries public opinion is the one great factor for which all governments must have consideration. There are times when it is necessary and vital that every institution in the land should be subject to the public opinion of the nation, and this is always the case when it is expressed in a constitutional way in parliament. I do not believe powers should be given any institution that would enable it to put itself in a position of opposition to a government that has been entrusted with great responsibilities of enforcing particular policies.

In the same speech on the same day, Hansard, page 4228, the right hon. gentleman (Mr. Mackenzie King) said:

What I should like to ask is: Are the institutions created by governments themselves to be made by their very constitutions so powerful that in the matter of national policies they can regard themselves as wholly beyond the direction of a government, where those policies are the result of the will of the people as expressed by their representatives in parliament? In no way could it be possible to have more clearly defined the difference between the right hon. gentleman opposite and myself. The Prime Minister will notice that at the moment, I am not suggesting the government should own the bank. I am not at the moment discussing the question of ownership, at all. As I said last night, I think the question of ownership is debatable. I am however discussing the question of control of policy, and I do say that with respect to policies, whether they relate to trade, to shipping, to marketing, to finance, to defence, or to any other phase of a country's economy, those policies, if they are the expression of view of a government representative of the people, should be capable of being carried out without interference from any institution whatever, but rather with the sympathetic cooperation of all institutions. That is the only way in which in a country we can have either democratic or responsible government.

In the second place, the criticism in so far as it relates to partisan interference in appointments and political interference in day to day operations, and in so far as it is meant to apply to the Bank of Canada, is wholly beside the point. No one proposes that the government should concern itself with minor appointments or with the routine of daily operations. The first governor and deputy governor are, in the present act and in the act as it will be amended, appointed by the governor in council; later appointments to these two positions will be made by the board of directors subject to the approval of the governor in council. I am sure no member of the committee need have any fear that such appointments will be subject to political pressure or to partisan influences. We may safely assume, in my opinion, that these two officials, who are the chief executive officers of the bank and responsible for its detailed, day to day administration, will be appointed on grounds of merit only, particularly with the safeguard provided by the act that they in future are to be nominated by the board of directors and approved by the governor in council.

There remain the government-appointed directors. The bill which it is proposed to introduce will provide for four such directors. For the next four years these government directors will have two votes each. If the government is to secure an immediate majority control of the board, this dual voting provision is necessary, because it is not intended to disturb the present elected directors, numbering seven, until their terms of office expire. As their terms of office expire, they will drop out and not be replaced, except that the private shareholders shall always have the right to elect three directors. After the annual general meeting in 1940 the board will consist of these three elected directors, four government-appointed directors (each with a single vote), the governor and deputy governor (both government-appointed or approved), and the Deputy Minister of Finance (without the power to vote).

This type of board, it is submitted, will achieve the objectives which the government desires without being open to the objections which have been directed against the constitution of the present board. It will, for instance, provide for a predominant interest by the government in the general administration of an institution which is charged with responsibility for performing a vital national function. It will not mean that the government will be concerned with the daily routine management of the bank, but rather that the government will be assured that the direction of the bank is in the hands of men in whose judgment it has confidence. Since the appointments of directors are for limited terms only, a long

continuance of a policy that might conflict with the government's view becomes impossible.

Moreover, it will prevent the sort of fiasco which took place at the time of the first election of directors. It will be remembered that the act placed on the shareholders a task which in my opinion was exceedingly difficult, if not impossible, for them to carry out. Seven directors were to be elected by an unorganized group of over 12,000 shareholders scattered throughout the whole of Canada. Moreover, these directors were to be "selected from diversified occupations," and, while the act did not so state, it was essential in the national interest that they should also be reasonably representative of the various geographic sections of the country as well as of the two chief racial groups. What in fact happened, as you well know, was that the Canadian Chamber of Commerce, an organized business group, intervened in the election and submitted a slate of nominees bearing its recommendation. The result was that every nominee on this slate was elected. Please understand that I am not criticizing the personnel of the present board of directors. On the contrary, I believe that the country is fortunate in securing the services of those now acting in this capacity. What I am pointing out, and criticizing most severely, is legislation which in practice permits a private business association in effect to name the directors of our central bank. That is, in my opinion, an intolerable situation.

Mr. BENNETT: That is not accurate.

Mr. DUNNING: We can debate it.

Mr. BENNETT: It is not debatable. The answer is that 12,000 people voted.

Mr. DUNNING: That is, in my opinion, an intolerable situation, and the amendments which we propose will make it no longer possible. Under the proposed amendments the private shareholders will not have to elect more than one director in any one year and, having in mind the occupations and geographic sections represented by these directors, the government will be able to select its four appointed directors in such a manner as to provide a board which is reasonably representative of all the important national interests which the Bank of Canada has to serve.

It seems to me also that the presence on the board of two types of directors—those appointed by the government and those elected by the shareholders—will have distinct advantages. In developing this argument, I can do no better than quote from a statement made by the present Prime Minister, then leader of the opposition, on June 22, 1934, in this house, on the second reading of the Bank of Canada bill. This statement appears on page 4228 of Hansard of that year, and reads:

I say that power of influence of governments and defiance of governments by the money power is being created by this act in the form in which it is at present, and the only way in which that possibility can be avoided is for the government to see to it that, on the board of directors who are to direct this institution, there are representatives of the government, who will not own any of the shares, but who will be the appointees of the government placed there solely to watch and safeguard the public interest. I think my right hon. friend must agree that in these matters of large finance, check and counter check is wholly advisable. It is advisable in financial transactions of a limited size, and it is more necessary as well as advisable in those of considerable size. But here are financial transactions of the greatest magnitude conceivable, and check and counter check are imperative. I do think the directorate of the bank ought to be so formed that, whether the pressure is upon the bank from the government on the one side, or upon the government from the financial interests and through the bank on the other, there should be on the board of directors some one or more persons who will be quick to sense the situation, give the danger signal, and arouse the country to the pressure which is being brought to bear. There is the danger of a government bringing too much in the way of pressure to bear on a central bank. On the other hand, there is equal danger of the financial interests that are allied with the banks bringing influence to bear upon a government. There will be both these dangers always, and the only way in which that possibility can be lessened is by making sure that both powers, the money power and the power of government, are represented on a common board so that one or the other will be in a position to direct the attention of the people at large to the dangers which they may see developing in the affairs of an institution which is or ought to be a great national trust.

As I have stated already, the amendments proposed are not such as to involve interference by the government in the daily routine administration of the bank, or the possibility of partisan influence in minor appointments. According to the act, the government, "shall be the chief executive officer and shall on behalf of the board have the direction and control of the business of the bank, with authority to act in connection with the conduct of the business in all matters which are not by this act or by the by-laws of the bank specifically reserved to be done by the board or by the executive committee, or by a meeting of shareholders."

Mr. BENNETT: What change is that from the present law?

Mr. DUNNING: There is no change. I am just quoting the authority of the governor as I remember it. I have not the number of the section.

Mr. BENNETT: As I remember, that is the law as it now stands.

Mr. DUNNING: I am now coming to the change. I recited the powers of the governor in order to emphasize the change which is being made. The governor, or in his absence or incapacity, the deputy governor, moreover, is given the power of veto over any action or decision of the board or of the executive committee. That is the present law. This veto power of the governor we propose to retain, but an amendment will provide that the governor shall be required to submit a report in writing to the Minister of Finance within seven days after any veto is given. The minister is required to submit the veto to the governor in council, who may confirm or disallow. Dissenting members of the board or the executive committee may also submit in writing their views in regard to the action or decision which has been vetoed.

Mr. BENNETT: What is the extent of the modification of the present arrangement?

Mr. DUNNING: I have just stated it, the report to the minister and the power in the governor in council to disallow the veto. There is also the provision for the dissenting members of the board to submit in writing their views to the Minister of Finance for presentation to the government.

The effect of these provisions is to give the governor very wide powers over the management of the bank. In my opinion, this is as it should be. Central banking is a very technical matter and the management of the bank should be given as free a hand as possible in selection of personnel and general administration, provided that satisfactory safeguards exist for the protection of the national interest in matters of major policy.

That is about as far as I desire to go at this stage. I thought it best to open the discussion with a general statement of a fairly broad character in the hope that possibly the committee might see its way clear to pass the resolution and thus enable the bill to be submitted, at which stage it would be much more convenient to discuss the detailed provisions.

Hon. J. E. LAWSON (York South): Mr. Chairman, the remarks which I have to make in connection with the bill, which is preceded by this resolution, I believe would be more applicable to the general principles outlined in the resolution than to any detailed discussion on the bill. As I listened to the Minister of Finance (Mr. Dunning) speaking in support of the resolution, I was particularly struck with the number of times the words "predominate" and "predominantly" were used. During the long discussion which took place in this house when the central bank bill was before it in 1934, in the subsequent discussion, and during the election of 1935, it seems to me that those words were strangely lacking. I shall come back later to a discussion of that.

I listened with a great deal of interest and considerable profit to the outline given by the minister of the history of central banks of the world. For a moment or two I should like to review very briefly the history of our central bank in Canada. The minister pointed out the purposes of the central bank. I should like to summarize first what I consider to be the four primary purposes of a central bank: (1) to regulate internal credit; (2) to regulate the foreign exchanges; (3) to mitigate fluctuations in the level of production, trade, employment and prices as far as may be possible within the scope of monetary action; and (4) to give expert and impartial financial advice to the government of the day.

The time having come when it was deemed advisable to consider a central bank for Canada, a commission, commonly known as the Macmillan commission, was appointed. The commission reported, and from its report it became obvious that it would be beneficial to Canada to have a central bank. The question then for consideration by the government of that day was whether the bank to be set up should be a privately owned central bank or a nationally or publicly owned central bank. The Minister of Finance referred to the resolution passed in 1920, I think at Brussels. I call attention to the fact that in addition the government had before it the report of the international economic conference which was held at Genoa in 1922, from which I extract the following:

> Banks, and especially banks of issue, should be free from political pressure and should be conducted solely on lines of prudent finance.

In addition there was the report of the world monetary and economic conference, in 1933, to which Canada was a party. A short extract from its report is as follows:

> The conference considers it to be essential, in order to provide an international gold standard with the necessary mechanism for satisfactory working, that independent central banks with the requisite powers and freedom to carry out an appropriate currency and credit policy, should be created in such developed countries as have not at present an adequate central banking institution.

With these facts and others before it, the former government decided upon a policy which was crystallized in a bill to set up a

central bank. I believe the then Minister of Finance, speaking in support of the measure, epitomized one of the strongest arguments which could be made in its favour when he said:

> Clearly, however, the bank should not be subject to dictation by the government for, at times, the exigencies of the people financed might not be wholly in harmony with the banking policies that might be considered wise and essential in the public interest.

I have said that the government determined upon a privately owned central bank, but I think it should be made clear that it was not a privately owned bank in the ordinary sense of the words "privately owned." This bank was subject to many limitations. For the moment I shall recall but three. One was that neither the commercial banks of the country nor any of their officers or servants or employees could be shareholders, nor could anyone be a shareholder in trust or on their behalf. Another limitation was that the dividends payable to shareholders should be limited to 4½ per cent. In other words, no matter how much profit the so-called privately owned central bank might make in any one year, only an amount equal to a 4½ per cent return on the capital invested could be paid to the private investors, the balance of the profits going to the consolidated revenue fund of Canada. It may be well in passing to point out that in the first ten months of the operation of the new central bank, after providing for the necessary rest and reserves and all other matters of the kind, there was paid into the consolidated revenue fund of the dominion as profit from the operation of the bank the sum of $346,184.33.

The third limitation to which I wish to call attention is that which provided a veto power to the governor of the central bank in respect of any matter of policy previously determined by the board of directors. Therefore, Mr. Chairman, I invite your attention to the fact that you had represented on that bank that which the Minister of Finance to-day intimates is so desirable, namely a viewpoint not solely that of the government; combined with it, and more effective, because of the veto power, than the opinion of the privately elected directors, was the opinion of the governor of the bank, and by a combination of the two a balance was obtained. If for any reason the privately elected directors of the central bank should determine upon a policy with which the governor did not agree, that policy could not be put into effect. May we not assume that if the governor of the central bank was appointed by the government, as he now is, he would have the government viewpoint in respect of policy just as effectually as some director who may now be appointed by the government? And if he has, then he has a veto power in respect of the decision on matters of policy of the privately elected directors. With what result? That the ultimate supreme authority, namely this parliament, must decide on any matter of policy where the governor of the central bank and the privately elected directors were not ad idem. The only change you are making at this time is to give the governor in council power to set aside the veto of the governor of the central bank; in other words you are conferring upon executive authority another great power of the kind which hon. gentlemen opposite, when they were in opposition, have been so wont to say should be exercised only by the parliament of Canada.

When this central bank bill was before parliament for discussion the then opposition, now the government, declared in favour of a policy of a nationally owned central bank, that is, a bank owned, operated and controlled by the government—no private shareholders, no privately elected directors; all appointed by the government. May I recall to the attention of this house the amendment moved by the present Minister of National Defence, then speaking as the responsible and accredited representative of the Liberal opposition, when the central bank bill was before this house in 1934. That amendment read:

> The capital shall be divided into shares of fifty dollars each, represented by share certificates, which shall be held by the minister, who shall subscribe for such shares, and payment for the same shall be made out of the consolidated revenue fund.

Speaking in support of that amendment the hon. gentleman said:

> I do submit, however, that to-day the sentiment of the people of Canada is in favour of absolute public ownership of the greatest asset, the greatest monopoly there is in the Dominion of Canada to-day, namely our national credit and currency.

Well, Mr. Chairman, what is the effect of this measure? Here we have introduced in parliament, I assume as a measure which is to give absolute public ownership of the greatest asset in Canada, the following resolution:

> . . . "it is expedient to bring in a measure to amend the Bank of Canada Act so as to". . .

First:

> . . . "increase the capital stock of the bank, to provide that certain shares thereof" . . .

A predominant number of shares—

. . . "shall be purchased by the Minister of Finance out of the consolidated revenue fund in order to assure ownership of a majority of the shares by the government" . . .

And second:

. . . "to increase the number of directors, and to provide for election and appointment of directors in such manner as to assure voting control of the board by directors appointed by the government."

The effect of the bill, as intimated by the Minister of Finance to-day, will be this: After the bill is carried by parliament and put into effect the minister will hold approximately one per cent more of the capital stock of this bank than is held by private shareholders and will have not one more member but one more vote upon the board of directors than the number of votes possessed by the privately elected directors.

Mr. DUNNING: My hon. friend is wrong there.

Mr. LAWSON: Well, let me see if I am wrong. I understand that we now have seven directors of the central bank, each one elected by the private shareholders, who for convenience I am calling privately elected directors. If I understood the Minister of Finance correctly this afternoon he said the government would immediately appoint four more directors, each of whom would have two votes. Twice four is eight; subtract seven from eight and you have one, so I say my statement, that the government will have one more vote upon the board of directors than the privately elected directors will have, is absolutely correct.

Mr. DUNNING: That simply is not so, and if my hon. friend will permit me to do so perhaps I should put this on Hansard now, so that there may be no later misunderstanding.

Mr. LAWSON: I shall be delighted to have the minister do so.

Mr. DUNNING: By the terms of the bill the relative voting strength on the board in each of the immediately succeeding years will be:

	Government	Private shareholders
1936-37	10	7
1937-38	10	7
1938-39	10	6
1939-40	10	4
1940-41 and thereafter	6	3

That will be the actual voting strength; therefore to say there will be a majority of one is an inaccurate statement.

Mr. LAWSON: Then as I understand it from the statement now made by the minister, my previous statement is correct. When this bill goes through parliament and becomes law, and you appoint your four directors, qua directors you will have one more vote than the privately elected directors.

Mr. DUNNING: That is not right either.

Mr. LAWSON: Just a moment. In order to get your ten votes you include and count as government votes those of the governor and deputy governor of the bank, who already are appointed by the government, who always have been appointed by the government under the privately owned central bank and whose votes shall be always counted as government votes, working on that principle. Now let us make no mistake. Qua the board of directors, when this bill goes through this parliament you will have one more vote on that board, increasing it, it is true, after a certain number of years, than have the privately elected directors.

Mr. DUNNING: I must differ entirely.

Mr. LAWSON: All right; my hon. friend has the privilege of differing. Now, Mr. Chairman, I ask you. Where is the absolute public ownership moved for by the present Minister of National Defence on behalf of the Liberal opposition? Is it a case of absolute public ownership while in opposition and some form of compromise when in government? I say to you, sir, and through you to the members of this committee and the people of this country, that having regard to the statements made by the present Prime Minister throughout the country during the election campaign when he asked the people for votes based on those statements, this measure is a subterfuge and a delusion, and out of the mouth of the present Prime Minister I shall attempt to prove that it is a breach of the pledge he gave to the people. First I should like to refer to a report appearing in Ottawa Citizen of August 3, 1935, reporting a speech made by the present Prime Minister. I quote now what appeared in that newspaper in quotation marks, as being the words of the right hon. gentleman:

"The Liberal party stands for the immediate establishment of a properly constituted national central bank to perform the function of rediscounts and the control of currency issue considered in terms of public need."

Some hon. MEMBERS: Hear, hear.

Mr. LAWSON: Keep right on. I will soon get to a point where you will not shout "hear, hear."

"Usury, once in control, will wreck any nation. Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of sovereignty of parliament and of democracy is idle and futile. To regain for the nation what has thus been lost will continue to be the first objective of Liberal effort."

Some hon. MEMBERS: Hear, hear

Mr. LAWSON: Well, Mr. Chairman, does this measure restore to the government its most conspicuous and sacred responsibility, the control and issue of currency and credit? Here we are to have a board of directors, one-half but one, to start with, elected by private interests—

Mr. DUNNING: That is not correct.

Mr. LAWSON: One-half plus one, to start with chosen by the government. I will add the governor and the deputy governor, chosen by the government, who are already in existence. Now let us assume that after the bill comes into effect there is an opinion as to the expansion of credit among the privately elected directors which is not the view of the publicly appointed directors, or vice versa. I ask, are the government-appointed directors to exercise any freedom of opinion, or are they not. If they are to exercise freedom of opinion then they cannot be carrying out the policy of this or any other particular government. But if their job is to carry out the policy of this government, then I ask, why the private directors and the private shareholders? Where is the government discharging "its most conspicuous and sacred responsibility"? If the board of directors of the bank is to obey the dictates of the government in office for the time being, then why not honestly and fearlessly stand by the policy which I hope to show was enunciated during the election campaign: "Give back to the private shareholders the money they put into this bank; get rid of the private directors." If we are to have complete and absolute government control, why not do it in the right way, and not by some measure which is more or less a compromise between contending factions?

I would like to direct the attention of the committee to the next utterance of the right hon. gentleman, the present Prime Minister, during the election campaign. Again I quote from the Ottawa Citizen, this time of August 8, 1935—Mr. Mackenzie King speaking at Kingston; and again I give the words which the newspaper puts in quotation marks:

"He (Mr. Bennett) had taken the gold reserves from the federal treasury, the backing for the country's currency, and turned them over to a private corporation."

And as the right hon. gentleman travelled west he waxed even more eloquent in that regard, because I observe that according to a report appearing in the Vancouver Sun of September 30, 1935, he had this to say:

Criticizing Mr. Bennett's bank, he said it was owned and controlled by private stockholders. It had been given by the government $60,000,000 gold reserve and the vast number of securities held by the government from the private banks. These were the property of the people of Canada. To-day they belong to the private shareholders of the Bank of Canada, he said.

Now let us see. This "Bennett bank," so-called by the leader of the government took the gold reserves and the securities from the treasury of Canada and did the iniquitous act of handing them over to private interests. May I ask the right hon. gentleman if in principle it is any less iniquitous for him to-day to leave half of them in the possession of private interests? Where is the difference?

Mr. MACKENZIE KING: We are not leaving half of the reserves and securities in the possession of private interests; we are putting back the whole under public control.

Mr. LAWSON: Oh yes, he is. If I correctly understand the Minister of Finance he is now going to subscribe for $5,100,000 worth of stock in the bank. Already you have another $5,000,000 of private money represented by private shareholders. It does not require a lawyers' argument to convince any man who knows anything of business that if I hold half the stock of the company I own half of everything that company has.

Mr. McLEAN (Melfort): You are not going to own half.

Mr. LAWSON: When are you going to take out the private shareholders? There is not a suggestion of it in this resolution. If it was iniquitous to turn over that gold and those securities to the privately owned central bank, then at least it is half as iniquitous to leave half of it in the ownership of private persons. But, Mr. Chairman, the statement was not correct. I shall let the Prime Minister tell the committee whether or not he had knowledge as to the correctness of the statement.

I now turn to the report of the Bank of Canada at the first annual general meeting of shareholders, in which I read:

"The Bank of Canada opened its doors for business on March 11 last. On the date of opening we assumed responsibility for the redemption of all dominion notes issued and outstanding."

Not one word from the Prime Minister about "Bennett's bank" doing that. Continuing the report:

"To cover that liability, which then amounted to $185,455,439, the dominion government transferred to the bank the following assets:

Gold, valued at	$ 69,455,439
Silver, valued at	986,363
Dominion of Canada 3 per cent bonds maturing 1940 of a par value of	115,013,637
Total	$185,455,439"

In plain words, Mr. Chairman, the former government transferred to the central bank an amount exactly equal to the liabilities which they required the central bank to assume, and equal only so long as the bonds of Canada transferred were worth one hundred cents on the dollar.

Speaking on this same subject the right hon. gentleman again used a figure: he said "Bennett had"—he did not use the words "given away"—"Bennett had turned over to this central bank some $69,000,000 in gold." Well, Mr. Chairman, if you turn to the last page of the report of the Bank of Canada and look at its statement of assets and liabilities you will find that to-day instead of the amount turned over being $185,000,000, what is being left to the ownership of private interests is one-half of $307,655,151.86,—in other words the assets of the Bank of Canada—on the principle on which the right hon. gentleman proceeds, for which those private interests have subscribed the enormous sum of $5,000,000.

I should like to go a step further. Let me point out how the right hon. gentleman indicated he was going to discharge "the most conspicuous and sacred responsibility of government." I turn to a report of a speech of the right hon. gentleman contained in the Vancouver Sun of September 30, 1935. I imagine most hon. members of this committee are familiar with the fact that the Cooperative Commonwealth Federation was pretty well in its stride in Vancouver, and is reported so to be in British Columbia. Out there the right hon. gentleman had this to say:

"We believe that credit should be a social service to serve the needs of the people."

"Credit is not the concern of the bankers only but is of concern to you and me."

Credit is to-day controlled by the great international money power. The first step, then, is to establish a national central bank —not another private bank as has been done —but a government bank able to control credit according to the will of the government in matters of great national concern.

The Liberal party believes it is a public matter of direct concern to the average citizen to have a national bank to control currency and credit so that they may serve the public needs.

The first objective is to get back the control that was taken from us. The next is to see that the bank is made national in the truest sense of the word."

Now in fulfilment of that pledge and obligation the government headed by the right hon. gentleman brings forward this anaemic measure providing for a half nationally and half privately-owned central bank which is to discharge "the most conspicuous and sacred responsibilities of government."

Then the right hon. gentleman went to Alberta where the social credit group appears to have been in its stride. According to a report in the Calgary Daily Herald of October 1, 1935, the right hon. gentleman said:

"A central bank is necessary to determine the supply of currency in relation to domestic, social and industrial requirements of the Canadian people, and also to deal with problems of international commerce and exchange."

So far the leader of the social credit group might have been making the speech. The right hon. gentleman continued:

"That was a clear statement"—

He was referring to a statement he had made previously.

—"that what we wanted at Ottawa was a central bank, or wanted in Canada, was a central national bank which would enable private banks to be controlled by the central institution in a manner which would make credit be considered more from the point of public need, domestic requirements, social requirements, and the like, than from the point of view of the interests of capital investors and private bankers only."

Then he went on.

"Then the government policy, if it were one of extension of credit, would be in a position to put that policy into effect"—

That must be a misprint, because I doubt whether the right hon. gentleman would have repeated the word "policy." I continue:

—"through having a central bank which would give more in the way of credit at the time when the need for more in the way of credit was uppermost. It would regulate credit in a manner which would serve the needs of the country, prevent excessive speculation on the one hand, and on the other hand help serve to increase the currency and the facilities for credit when need for increased currency and increased credit facilities were required."

And then this last touch, which I think is sublime.

"We have in the federal field the great issue of monetary reform. I have merely indicated what I have thought was the first step, and if that first is not won then all our efforts at further financial reform so far as the federal field is concerned will be materially impaired."

"Equally"—

Says the right hon. gentleman to the electors of Alberta.

—"if they are materially impaired it will have a very serious effect as far as I see it upon the efforts of any province to improve financial conditions there, so I hope when Monday fortnight comes you will think not only what is important to you locally and in a provincial way, but that you will think even more deeply of what is going to be of vital concern to our country with respect to our policy during the next five years."

I leave it to the judgment of hon. members of the committee and the people of the country

whether the present proposal for a nationally owned central bank, which is neither meat nor fish, flesh nor fowl, is the first step in a great monetary reform in Canada.

I am not sure whether the right hon. gentleman went back to Vancouver, but in any event he made another speech which was fully reported in the Vancouver Province of September 21, 1935. In that speech he said:

"Canada is faced with a great battle between the money power and the power of the people —a battle which will be waged in the next parliament. He pleaded for a sweeping liberal majority in order to carry out his policy of public control of currency and credit, nationalization of the Bank of Canada and monetary reform."

I suppose monetary reform is to follow this half measure of nationalization. The right hon. gentleman went on to say:

The battle which would be fought in parliament would decide whether "we are going to have the money power bend to the will of the people."

He finished his observation by saying:

"Until the control and issue of currency and credit is restored to the government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of parliament and democracy is idle and futile."

Well, the people gave the right hon. gentleman a sweeping Liberal majority, and we are here to-day in the arena ready for the great monetary battle. The right hon. gentleman says he is the gladiator who will champion the cause of the people, that he recognizes the control of currency as the most conspicuous and sacred responsibility of government. But where is the money power with which he is going to do battle? It was the private interests which owned the central bank. Are those private interests, with which the right hon. gentleman was going to do battle, wiped out by this measure? Oh, no! I suggest he is a prudent man. Instead of having them do battle in the arena of parliament he compromises by saying, We will permit you to keep your stock in the central bank; we will continue to pay you four and a half per cent dividend, the maximum amount you can receive if the bank makes money; we will avoid pitched battle in parliament, and by your ownership of forty-nine per cent of the stock of the central bank you are still in possession of forty-nine per cent of the assets. Is it any wonder the electors of Canada were misled? And not only the electors; is it any wonder the hon. member for Rosthern (Mr. Tucker) believed he was supporting a party which had a policy embracing his ideas? How well I remember that gentleman coming as a new member to this parliament, with high hopes for the government he was supporting and with that great confidence and faith which led him to stand in his place and say:

"The government must have time to adopt policies which will enable them to provide the money before we can expect them to bring in such legislation."

Then, after proposing that the Bank of Canada should advance whatever money the country may need against dominion, municipal and provincial bonds, he said:

"I venture to stand in my place to-day and make these suggestions as a Liberal because our great leader has taken the attitude that people of all shades of opinion will be welcome within the ranks of the Liberal party."

Mr. Chairman, can you blame the hon. member for Rosthern for drawing any such conclusion in view of the utterances of his leader upon the stump in this country during the last campaign? But he still had faith, this hon. member for Rosthern, and several others like him in the Liberal fold in this house, because speaking later, at page 552 of Hansard for this session, he enunciated just what most of the electorate believed, that what the Liberal party was advocating was an absolute and complete nationally owned central bank, as stated by the Minister of National Defence in this house in 1934; because the hon. member for Rosthern stood up in his place this session and said, "I am one hundred per cent in favour of a one hundred per cent ownership and control of the Bank of Canada by the Canadian people through our government." No room for mistake in that; and then he finished up by saying: "That, in short, Mr. Speaker, is the view I think of at least fifty per cent of the Liberal voters in this country." I ask again, does this measure, half private, half public ownership, meet their views? Will the hon. gentleman and all the others like him who sit in the ranks of the Liberal party in this house get up on their feet in this discussion and tell us whether they believed that their leader was standing for a one hundred per cent publicly owned central bank when he came down here and enunciated his views and his theories? And will they tell us they consider that this measure is discharging "that most conspicuous and sacred responsibility" to which the right hon. gentleman so frequently referred when he was seeking the franchise of the people of this country?

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Chairman, I must congratulate the hon. member for York South (Mr. Lawson) on his very able speech. He has said many things that I had it in my own mind to say, and I do not need to repeat them. There are, however, certain aspects upon which he did not touch.

I would congratulate the Minister of Finance (Mr. Dunning) upon his very clear statement, and also the government upon having taken a position that is in advance of that which now exists, namely, the banking policy of the Conservative party, and which also represents somewhat of an advance upon any definite position hitherto taken by the Liberal party. I say the latter although I recognize clearly that a number of members of the Liberal party have gone much further than this legislation goes.

It seems to me there are several questions with regard to public finance that have been before the people of this country. One is, should there be a central bank? For a long time both the old parties were very skeptical with regard to the necessity of a central bank, and even went so far as to denounce anything of that nature. The second is, how should this central bank be owned and controlled? It was on that point that we had a good deal of difference of opinion when the present act was introduced.

There is a third consideration upon which the old parties seem agreed, and on which we in this corner differ from both, and that is we favour the nationalization of our financial institutions, including both the central bank and the chartered banks. Again and again we have introduced resolutions along that line only to be defeated by a joint vote of both the two old parties.

May I call attention to the position that we in this corner have taken throughout the years? As early as 1923 I emphasized the monopolistic character of the banking system of this country, and I pointed out that by virtue of the private ownership of this monopoly, financial control and credit are used in disregard of social considerations, prices can be and are manipulated by the control of quantity purchasing power, and finally I said that we must find a remedy in the public control of currency and credit. You will find my speech in Hansard of 1923, page 4018.

In 1925 I ventured to bring forward this motion:

> That, in the opinion of this house, it is not in the interests of the country at large that the privilege of issuing currency and of controlling financial credit should be granted to private corporations.

When I listened to the finance minister to-day I began to feel that some of us in this corner had not altogether wasted our energies. In those days we had comparatively little support from those who now occupy the government benches or from those who now occupy the position of official opposition. We feel that the Minister of Finance is right when he recognizes the influence of public opinion. Undoubtedly public opinion has been driving the Liberal party.

In that same year, speaking of the quantity of money, after quoting Professor Taussig, I said:

> How is that regulated to-day? It is regulated by the banks. . . . They do so either directly through the giving or withholding of credit or in their control over government policy. . . . I urge that the large measures of control of currency and credit by private corporations now existing must not continue. It is not safe to leave such power in private, and shall I say, without offence, irresponsible hands, that is, in the hands of those without responsibility to the people at large.

I continued:

> Is it wise to leave this power in the hands of private individuals who can exercise their control in their own economic and political interests, disregarding the effect on the welfare of the general population? Why shouldn't the government democratically control this money situation rather than allow a group of a dozen men who are not responsible to our people to do so? We now have government supervision and inspection. We have had the advocacy of government guarantee of deposits. . . . From all over the country demands are coming in that the government should go much farther than it has in the past. Why not take the next step and effectively control our currency and credit?

The minister now says that that is necessary and he proposes this resolution as the forerunner of a bill which he thinks will make that possible. I might add that we in our group again and again moved resolutions for the establishment of a national system of banking. I myself introduced one in 1925 and down through the years we have tried to emphasize the need of a national banking system.

When the present act was up for discussion the Liberals were by no means certain of their position. They did unite to criticize the measure, but the present Prime Minister (Mr. Mackenzie King) said it was rather debatable whether or not the bank should be publicly owned and controlled. Some of his followers had no such hesitation. It will be remembered that some of them came out very strongly for an absolutely publicly owned and publicly controlled bank. Hon. members will recall that famous amendment to the effect that the bank should be either publicly owned and privately controlled, privately owned and publicly controlled, or, publicly owned and publicly controlled. As it was considered that the mover of that resolution represented the Liberal party, I say that the government has been very vacillating and

very temporizing. I was much interested in noting the position once taken by the present Minister of Trade and Commerce (Mr. Euler). We find the following on page 453 of Hansard of 1935:

As the house knows very well, and as I think the country knows, though the people may just as well be reminded of the fact for fear of misrepresentation afterwards, we on this side of the house were last year almost entirely in favour of a publicly owned central bank, though we may not be inclined, at least now—I am speaking for myself—to go as far as the nationalization of the chartered banks of Canada.

The Minister of Trade and Commerce felt that Liberals were almost entirely in favour of a publicly owned central bank. I do not think there is the slightest doubt that the hon. member for York South is correct when he says that was the impression given by the majority of Liberal speakers during the last campaign. The Minister of Trade and Commerce is also reported on page 454 as follows:

I did not intend to take up so much of the time of the house and did so for only two reasons: first, the aspersion—and I think I may call it that, which was cast by the Prime Minister and again by the Minister of Finance upon the integrity and strength of character that ought to animate any government that has the interests of the people at heart, in suggesting that they could not properly and honestly administer the functions that naturally belong to a central bank. In the second place I want to put myself on record that I have not retreated and I do not think those on this side have retreated from the position we took last year that we are entirely in favour of a publicly owned and controlled central bank of Canada.

Surely that is a pretty clear statement. I said a few moments ago that I did not think the Liberal speakers gave the impression to the people that they were going to get any such legislation as this. On the contrary, the people generally understood that they were to have a thoroughgoing publicly owned and publicly controlled bank. In this connection I should like to quote from the Regina-Leader Post of May 18, which reports a meeting of the Young Liberal executive of Saskatoon, as follows:

Dealing specifically with the central bank question, the Young Liberal executive stressed that one of the chief planks in the platform on which the Liberal party was elected to power at Ottawa was the establishment of "a properly constituted national central bank of Canada to perform the function of rediscount and to control the issue of currency." Further, Mr. King in a statement following his election, had voiced the belief that the people of Canada had given an unmistakable verdict against a privately owned and privately controlled central bank.

The resolution reads:

Therefore, this executive of the Saskatoon Young Men's Liberal Club, expresses its disappointment with indication both in the speech from the throne and in the remarks of leading Liberals in parliament, that legislation to be brought down will modify only the present private ownership of the central bank instead of substituting a nationally owned central bank such as the public was given to understand would be done, and this executive, feeling that the honour of the Liberal party is involved, urges again that the government reconsider its action.

I submit that resolution of the Young Liberal party to the government. They feel that the honour of the Liberal party is at stake. There is no doubt whatever that the understanding of the Young Liberal party and of the majority of the people, not only of Saskatchewan but across the west, was that the present government was pledged to introduce thoroughgoing legislation providing for a publicly owned and publicly controlled national bank.

The question then really is whether this present legislation is fulfilling the pledges of the Liberal party. The minister stated to-day that the naming of the directors of the central bank by private individuals was intolerable, but I should like to ask him whether it is any better that the dividends of our central bank should go to private individuals. I cannot see that it is. If it is intolerable that the directors should be named by private individuals, why should it not be more intolerable that dividends to the extent of something like $225,000 should go to private individuals? I should like to ask the minister why he proposes this very awkward arrangement. Why could not the government have simply bought out the shareholders of the central bank? That has never been explained; it was not explained to-day by the minister. The best he can say is that he thinks there will be some advantage in having government directors to watch the private directors and in having private directors to watch the government directors. I submit that under that type of reasoning he might as well ask that half the people in the different departments be nominated by private individuals to watch the other departmental officials. Is that our idea of efficiency?

Mr. DUNNING: Something like this parliament.

Mr. WOODSWORTH: Oh, no.

Mr. DUNNING: You are watching us.

Mr. WOODSWORTH: It is a good thing there are a few people to do it; I quite admit that. I do not think the minister will seriously say that this parliament at all corresponds with a board that has direction of the policy of a bank.

Mr. DUNNING: That is quite right.

Mr. WOODSWORTH: I think Canada should have an out and out publicly owned and controlled bank, and for that reason I move the following amendment:

That the words after the word "act" ending with the word "bank" in line two of the resolution, be deleted.

That the word "certain" in line three, be deleted and the word "all" substituted therefor.

That the words "a majority of" in line 4, be deleted.

That the words "to increase the number of directors" in line 5, be deleted.

That the words "election and" in line 6, be deleted and the words "by directors appointed" in line 7, be deleted—

So that the amended resolution would read:

That it is expedient to bring in a measure to amend the Bank of Canada Act to provide that all shares thereof shall be purchased by the Minister of Finance out of the consolidated revenue fund in order to assure ownership of the shares by the government, and to provide for appointment of directors in such manner as to assure control of the board by the government.

A situation such as confronts Canada recently confronted the government of New Zealand. In that country they did not take the vacillating and temporizing position which is being taken by the present government. They introduced a bill intituled An Act to amend the Reserve Bank of New Zealand Act. I should like to give the committee a few of the clauses of this bill.

Section 2 reads:

2. (1) On the commencement of this act all shares in the capital of the reserve bank shall be deemed to be cancelled, and thereupon the several registered shareholders of the bank, as on the thirty-first day of March, nineteen hundred and thirty-six, shall, in respect of the shares held by them on that date, be entitled, at their option, to receive for every such share either the sum of six pounds five shillings in cash or a like amount in New Zealand government stock.

Subsection 3 reads:

(3) Any cash payable by the bank under the provisions of subsection one hereof shall be paid by the bank out of its funds.

Subsection 4 reads:

(4) All stock issued under subsection one hereof shall be created and issued subject to the following special conditions, namely:—

(a) It shall be redeemable at par either on the first day of April, nineteen hundred and forty-six, or, at the option of the registered holder, on any earlier date that may be fixed by him on giving to the registrar of stock not less than fourteen days' notice in writing of his intention to require redemption of such stock on the date so fixed;

(b) During the currency of such stock it shall bear interest at the rate of four per centum per annum, to be payable half-yearly, on the first day of April and the first day of October, in each and every year;

(c) No transfer of any such stock shall be registered and no stock certificates shall at any time be issued in respect thereof.

Another section which, I think, is of interest to us in Canada is section 4:

4. Notwithstanding the cancellation of its shares in accordance with the foregoing provisions of this act, the bank, on and after the commencement of this act, shall be and shall continue to be the same body corporate as that which was constituted by section seven of the principal act (being a body corporate with perpetual succession and a common seal, and being capable of holding real and personal property, of suing and being sued, and of doing and suffering all such other acts and things as bodies corporate may lawfully do and suffer).

Here are some miscellaneous amendments of existing acts:

10. (1) It shall be the general function of the reserve bank, within the limits of its powers, to give effect as far as may be to the monetary policy of the government, as communicated to it from time to time by the minister of finance. For this purpose, and to the end that the economic and social welfare of New Zealand may be promoted and maintained, the bank shall regulate and control credit and currency in New Zealand, the transfer of moneys to or from New Zealand, and the disposal of moneys that are derived from the sale of any New Zealand products and for the time being are held overseas.

(3) All regulations made under the authority of this section shall be laid before parliament within twenty-eight days after the making thereof if parliament is then in session, and if not, then within twenty-eight days after the commencement of the next ensuing session thereof.

In this New Zealand legislation we have an act which the government of this country might very well study with care, and which with certain modifications might be of great value to us.

In submitting the amendment which I have moved, we are simply trying to place before the committee what, it seems to us, would be the carrying out of the promises made at the last election by the Liberal party to the Canadian people, and what, it seems to us, is desirable if we are to have a thoroughgoing control of our currency and credit. I do not think anything short of that will answer the purpose or indeed constitute the setting up of a truly national bank.

Mr. C. E. JOHNSTON (Bow River): There has been a great deal of contention, and justly so, in respect of this bill. In my opinion it is one of the most important measures which has come before this house, and for the life of me I cannot understand why it has been left until the end of the session. The closing days are about here now.

Some hon. MEMBERS: Oh, oh.

Mr. JOHNSTON (Bow River): It seems that everything that has been done in this house up to date has rested entirely upon this monetary question. Such momentous questions as pensions for the blind, relief of the unemployment situation, and public works inevitably revert to the problem of money; yet we allow this debate to be the last or one of the last matters brought up in the house. I think it is time that this subject should be taken up fully. I commend the other speakers, especially the leader of the Cooperative Commonwealth Federation (Mr. Woodsworth) for their constructive ideas, because the true purpose of parliamentary debate is to provide constructive criticism.

I desire to make plain in the following language the position taken by the group with which I am associated, on the question of the nationalization of the central bank. We have no objection to the public ownership of this bank. However we realize that this is not a question of paramount importance. What is vital and necessary is a change of policy so that, first, an increase in our ability to create real wealth should be reflected by an increase in purchasing power; second, goods and services should be distributed to individuals in proportion to the capacity of the nation to produce such goods and services; and third, the control of policy is the most important factor, and our financial policy should be designed to serve industrial and national requirements. I think the right hon. leader of the government (Mr. Mackenzie King) should have no objection to a statement of that kind, because he has said on several occasions that the paramount question is control of policy; that he was not so sure as to the nationalization problem. I think that was referred to as a debatable question. We do not take quite that stand. It may or may not be debatable, but in our estimation that is not the question which is so vitally important. The important question is the control of policy; yet that is one of the points evaded in the resolution. Oh, yes, I know it indicates that some additional directors are to be placed on the board so as to obtain control, but twice in this house I have been told by the leaders of the two great parties that parliament was supreme in every sense of the word. So I ask you, Mr. Chairman, why it is necessary to buy or sell more shares or do anything like that in order to secure control of policy. Why can we not pass legislation here which will give us absolute control? We are not so much concerned with the management of the bank, though we would have no objection whatever if the government thought it necessary to make some change there. That is beside the point. If it is necessary, go ahead and do it; we would support any measure of that kind. But why in the world can we not, without buying or selling any more shares, pass legislation here in order to obtain complete control of the policy of the bank?

This banking question has been held up as a very mysterious affair, and down through the ages we have been taught to believe that it was something sacred, of which we should not speak at any great length. Another of the theories that have been propounded for many years is that there is and can be only so much sound money. I think everyone is now of the opinion that the so-called sound money theory has been pretty well washed out. Another of the old ideas was that if any more money were created by the government it would be unsound, but that private individuals, private banks, might go ahead and create as much as they saw fit and that would be quite sound. Then, for many years it was considered that the amount of money Canada should have should be regulated by the amount of gold in the country. That was the old gold standard. That theory has now been abandoned, and we believe that the test of the amount of money in circulation should be not only gold but the natural wealth or assets of the country as a whole. If you are going to base money upon something that is necessarily scarce, such as gold, naturally you will have scarce money at all times, and when you leave the issuance of this credit and currency in the care of a few individuals who are solely concerned with the idea of profit, you are bound to have a condition of depression such as we have to-day. So-called depressions are entirely artificial; so are periods of prosperity, because both depressions and periods of prosperity are controlled by the financiers. That is not a question of management; it is a question of the control of policy, and if in this house we devoted our energies more towards securing control of policy I think we would be doing a greater service to the country.

Another old theory, which I think has been well exploded, is that banks do not create money. They do create it, in every sense of the word. If we had control of policy, and if in this house we considered that the policy of allowing private individuals to create money should be changed, we could make that change without altering the daily routine of the technical part of banking operations. I believe we are all agreed that the banking industry is very efficiently managed. It is a carefully organized business, and we would not need to interfere at all

with the technique of carrying on that business. All we are concerned with is the question of policy.

I do not wish to take up too much time, but at this point I think it would be well to quote a well known authority for what I have just said. This quotation has been given at other times, but I think it well worth putting on Hansard again to show that some of these old fallacies are outworn. I quote from the remarks of Right Hon. Reginald McKenna, chairman of the Midland Bank and a former chancellor of the British exchequer, and I do so because he is a recognized banker and financial authority. These are his words:

> I am afraid the ordinary citizen will not like to be told that the banks can and do create and destroy money. The amount of money in existence varies only with the action of the banks in increasing or decreasing deposits ... they who control the credit of a nation direct the policy of governments and hold in the hollow of their hands the destiny of the people.

I contend that such a statement made by a man of the standing of Mr. McKenna should carry a great deal of authority. He says that those who control the credit of a nation direct the policy of government, and that is the point with which we should be concerned. We in this corner believe that the government should take over the control of currency and credit, and until such time as that is done I do not think conditions will greatly improve. The old system is entirely outworn. From the very first it was a debt creating system, and until we change that system we shall have the same conditions existing in this country. As long as we allow these individuals to issue money which starts out as a debt owed by the nation I do not see how we are going to get anywhere. In my opinion money must be issued interest free or at least the necessary amount of money must be issued afterwards to take the place of interest. For instance, if you allow the banks to issue credit to the amount of $100 and at the end of the year 7 per cent interest is charged, that makes a total of $107 which the public is required to pay back. When it is remembered that only $100 was issued to start with can anyone tell me where the $7 interest is to come from?

Mr. McLEAN (Melfort): From the production of the land or the business.

Mr. JOHNSTON (Bow River): But it has to be paid back in currency. The banks do not want your wheat. If they want wheat the farmers will give them any amount of it.

Mr. McLEAN (Melfort): Oh, no, they will not.

Mr. JOHNSTON (Bow River): The banks would not take it. You give the farmers a fair price and they will give you the wheat, but that is beside the point. When you put a proposition like that up to the public and tell them that they must pay back $7 in currency which does not exist, it becomes an absurdity. It is a mathematical impossibility; it cannot be done. The policy is wrong and the policy must be changed. There is no other way out. If you like to call this resolution one step in that direction all well and good, but you must go further than that.

I was pleased that the hon. member for York South (Mr. Lawson) referred to some of the election promises. I intended to deal with those also, but I believe the leader of the Cooperative Commonwealth Federation has covered that matter very well. As the hon. gentleman was quoting from the speech delivered by the Prime Minister in Alberta, in which speech he advised the people to vote Liberal if they wanted financial security, I just wondered whether the treatment received by Alberta was her punishment for not having voted Liberal. Perhaps that was the case, though I would not suggest it.

Mr. DUNNING: To what treatment is my hon. friend referring?

Mr. JOHNSTON (Bow River): I am referring to the treatment of Alberta in regard to the loan.

Mr. DUNNING: From whom?

Mr. JOHNSTON (Bow River): From the dominion government.

Mr. DUNNING: Is my hon. friend speaking now for the province of Alberta?

Mr. JOHNSTON (Bow River): No; I am just putting forward that question. Perhaps it will be answered better at the next election. The Liberals got one member in the last election; perhaps they will not get even one next time.

I would like to mention what I consider a properly constituted national bank. I do this in all sincerity; I do not wish to criticize; I desire to offer some suggestions that might be helpful. I do not think there can be any doubt what a nationally owned bank means; it means owned not fifty-one per cent, but one hundred per cent by the people. I believe everyone in Alberta, at least everywhere that I heard any Liberal speeches, understood that the bank was to be publicly owned, and there was no condition attached. One of the main

election cries in Alberta was: Why do you want social credit? And by the way social credit is progressing in Alberta. Of course social credit promised monetary reform. The people were told by the Liberal party that they were to get a nationally owned bank. The Liberals said: Why do you want social credit? We are going to give you monetary reform.

Mr. McLEAN (Melfort): What about the $25 a month?

Mr. JOHNSTON (Bow River): And the Liberals got some support on that promise of monetary reform. But now when the people see the kind of monetary reform that is offered them they are going to be just as much disappointed in Alberta as in other parts of Canada.

Mr. McLEAN (Melfort): What about the $25 a month?

Mr. JOHNSTON (Bow River): Don't you worry about the $25.

Mr. McLEAN (Melfort): A lot of people in Alberta are worrying about it.

Mr. JOHNSTON (Bow River): Now I might refer again to the speech of the Minister of Trade and Commerce (Mr. Euler) as reported in Hansard, at page 453. I will read only a section, as the hon. leader of the Cooperative Commonwealth Federation referred to this, but I think it is worth while drawing it to the attention of the committee again:

> As the house knows very well, and as I think the country knows, though the people may just as well be reminded of the fact for fear of misrepresentation afterwards—

That is why I am reading it again:

> —we on this side of the house were last year almost entirely in favour of a publicly owned central bank....

Now there cannot be any doubt of that. I think the minister was quite right when he expressed that opinion. Surely that is what the people expected, and that is what some hon. members expected. The statement I have quoted shows that one of the ministers expected it. We had on this side another Liberal expecting it, when he said the other day, as reported in Hansard, that that was one of the main things he considered they were coming to Ottawa for. I believe, in all sincerity, the people are looking to the government to-day not to do that thing partly, not to take a small step in that direction, but to go ahead and do it as it should be done. If this is to be a publicly owned bank operated in the interests of the people one of the essentials is to cut out interest entirely.

If you wish to add something for overhead, with some technical means of recovering it, there would be no objection to that. That would be a nationally owned bank, in keeping with the election promises.

Another principle of a nationally owned bank would be that money should be issued on the real wealth of the people, instead of allowing a privately organized company, such as the chartered banks or the central bank, to issue money on their own behalf. One of the great evils in our financial system is allowing these individuals or corporations to monetize the real wealth of the people and create an utterly impossible situation for them to meet.

Another essential for a nationally owned bank is that as real wealth increases money should increase. It seems to me to be obvious that as wealth increases money should increase, but during the régime of privately owned banks the system has worked in just the opposite way; as wealth increased they feared for their loans, so they began to call in these loans and thus created the so-called depression. Money should increase as wealth increases; there should be a balanced equation there; purchasing power should at all times equal production, and until that situation is brought about I cannot see that we are going to get very far. Another point for a nationally owned bank is the absolute control of policy by legislation, not merely by buying shares. That seems to me to be paramount.

Now, may we consider for a moment what the advantages would be to the people of Canada by having a publicly controlled or national central bank. One of the first things that would occur is that it would restore the sovereignty over money to its rightful possessors, namely the people of Canada, through parliament. That is where the control of money should be. This would ensure the lastingness of political freedom. It would make possible the attainment of a just annual living wage for the worker and production at a profit for the farmer. That could be easily done with a properly nationalized bank. Confiscation of the honestly acquired property and savings of the people could be prevented, which is not the case under the present system. I think of some of the farmers, not only in Alberta, but in Ontario and all over the dominion, who toiled sixteen hours a day to get together a little bit of property and then were forced to lose it. As I say, properly constituted policy would prevent confiscation of the honestly acquired property and savings of the people. Again, it would ensure lasting peace among the nations, whose governments would be able to legislate independently of

the intervention of money changers. The next thing it would do would be to make possible the real freedom of the press and the teaching of the truth in all schools, freed once and for all from the domination of the creators of money; and to ensure independence for industry, which to-day is dominated by finance. That would be one of the great boons. It would also rectify conditions for those who are finding themselves in difficulty in the primary industries. It would ensure equitable credit for all manufacturers who are willing to pay a just living wage for the production of good products, enabling every manufacturer to pay a just living wage annually, free from the competition necessitated by the private control of money. It would eliminate the existence of non-productive bonds, such as victory bonds, which originated in the borrowing of money for digging shell holes and killing soldiers. Money would be backed by real wealth, and, as I suggested a moment ago, as wealth increases so should money, and as wealth decreases so should money, but things which are not productive should not have an earning power.

I think one of the most important features is that it would lessen the burden of taxation. We hear cries everywhere about the increasing burden of taxation, mostly needed for the purpose of taking care of the interest on debt in one form or another, or to carry on public works or to provide pensions for the blind and so on. This would be eliminated to a great degree. It would devise suitable means to distribute purchasing power into the hands of the consumer. You may call that a national dividend, or anything else you wish; it might be put out in that form or another, but sooner or later we are bound to come to that.

If these suggestions are helpful and are carried out the result would mean absolute control of policy; you would not need ownership in any sense of the word but you would have control of policy.

Now hon. members might say that this cannot be done. Again I say that, because it already has been done to some extent, it could be done here in this country. I have before me an article under date of April 3, from a New Zealand newspaper. It reads as follows:

> The labour government of New Zealand introduced Thursday in the house of representatives a new reserve bank bill, providing for elimination of state capital and the transfer of the bank into an entirely state concern.
>
> The bill also provided for alterations in the machinery of the bank designed to make it more useful. Placing the bank under full state control was a platform of the labour government elected last November.
>
> Shareholders will receive the full market value of their shares, plus an accrued dividend of five shillings (about $1.20) a share.
>
> The bank will regulate and control credit and currency in New Zealand, transfer moneys to or from the island and control the disposal of moneys derived from the sale of any New Zealand products and which for the time being are held overseas.

If New Zealand can do that, why can we not do it? There seems to be no logical reason why we should not do that very thing. The Liberal government, if it did that, would be fulfilling only that which it promised to do for the people of Canada. I say that because I am positive people in this country are expecting the Liberal party to carry out their promises. No longer ago than this morning I received through the mail some editorial comments in The Saskatchewan Liberal of May 28, and from it I shall quote a few lines to show what the people are still expecting.

> In view of the disappointment manifest—

As I would like hon. members to take note of the observation, I shall repeat it:

> In view of the disappointment manifest in Liberal ranks in Saskatchewan over the decision of the King government not to eliminate private shareholders from the Bank of Canada, but instead, to take control of the bank by the issue of new majority stock to be owned by the government, it is of special interest to note that the new labour government of New Zealand is following the other plan of buying out the shareholders,—the plan which was thought by the rank and file would be followed in Canada.

Mr. McLEAN (Melfort): Whose writing is that?

Mr. JOHNSTON (Bow River): It is a Liberal paper.

Mr. McLEAN (Melfort): The hon. member is quoting it; who is writing in the Liberal paper?

Mr. JOHNSTON (Bow River): I do not know.

Mr. McLEAN (Melfort): No, the hon. member does not know.

Mr. JOHNSTON (Bow River): It is an editorial headed:

> State Control of Banking and Currency in New Zealand.

Mr. McLEAN (Melfort): Yet the hon. member does not know who the writer was.

Mr. JOHNSTON (Bow River): It is from the Saskatchewan Liberal.

Mr. McLEAN (Melfort): Is it an extract from another paper?

Mr. JOHNSTON (Bow River): No; get the paper and look it up. I know it is hard for the hon. member to believe that Liberals

in Canada expect what I have read. The hon. member probably does not know anything about it, but the next time he comes before the electors he will know something about it.

Mr. McLEAN (Melfort): And a lot of others will know, too.

Mr. JOHNSTON (Bow River): The editorial continues:

The shareholders' directors will remain in office for the balance of their terms, but the whole directorate, with the exception of the governor, Mr. Leslie Lefeaux late of the Bank of England, and the deputy governor, will be removable at the government's pleasure, and new appointments do not require the approval of the board. The latter, in fact, is to have only two general functions,—to carry out the government's policy and to offer advice, which may or may not be taken.

In that paragraph the policy is stated. We must follow a similar policy in Canada, if we wish to carry out the promises which were made. The writer continues:

It does not matter whether we pay interest or not.

That is the point I mentioned a minute ago, following which I heard laughter from hon. members opposite. I say, however, that that condition is bound to come. We cannot put a mathematical impossibility before the people and expect them to work it out when we cannot do it. To continue the quotation:

Interest we pay to our own institution is ours anyway. If money is issued into any compact area it tends to bring added purchasing power. If we leave there the ordinary money that could be raised by way of loan and then issue the other, we have added money, as the issue of the money results in new assets coming into being. In the ultimate it is not the money that matters.

Note these words:

In the ultimate, it is not the money that matters; we live on goods, not money.

They are the things which should give us greatest concern. So long as we produce them, we should consume them. I continue reading:

We might have mistakes as we go along, but if we can see the symptoms and bring them under control we will have a better dominion. We have got to build a new economy in this country.

And, to read one further quotation:

In the matter of the reform of the central bank, if the government is to control by a majority ownership of the stock, what sound argument can be advanced against complete ownership?

That is the question which great numbers of people across Canada are asking. If the government believes in control or ownership, why should it not go ahead and have complete ownership? That is what the majority of Liberals in this chamber expected; that is what we all expected. Why not go ahead and carry it out? I notice in the resolution the following words:

That it is expedient to bring in a measure to amend the Bank of Canada Act so as to increase the capital stock of the bank.

Why is it necessary to increase the capital stock? New Zealand bought the stock of its bank outright, and if we follow a similar procedure it would cost us less money; in actual money we would pay less. Why do we take another course and go still further into debt when we could do the same as they have done and spend less money in doing it? I cannot follow the reasoning used by the government. Probably I have not the technical information, and yet I wonder why we could not do what the government of New Zealand is doing.

As one of the present ministers pointed out last year, he could see no objection to nationalization, provided we went one hundred per cent of the way. Further on in his speech he said that he did not see why it should take ten, twenty or fifty years to get from the chartered banks control of the issue of currency. He said, and rightly so, "Why not do it at one sitting of the house?"

Mr. DUNNING: Who said that?

Mr. JOHNSTON (Bow River): The present Minister of Trade and Commerce (Mr. Euler) said it in 1935. Why not do it at once; why spread it over a number of years?

A moment ago I said that hon. members in this section of the house would have no objection to one hundred per cent nationalization of the central bank, and in that stand we are in accord with the majority of hon. members in the chamber, including Liberals. I believe that is the opinion they hold. To show what people in Canada and the majority of hon. members expect, may I quote from the report of the banking and commerce committee of March 6, 1934. These are the observations of Mr. Irvine who was a member of the Cooperative Commonwealth Federation group in the last parliament.

I am quite in agreement with you there, that the bank should be government controlled in all instances.

That is the statement of a man from the Cooperative Commonwealth Federation. I want to say that every party would support a policy of this kind.

But the mere ownership by the government of a banking institution or any institution whatsoever will not in itself effect the cure we desire, that is my point.

I want the difference in policy, not a matter of administration, because all that we are doing

if we go from a private corporation to the public, we have only altered the method of administration, we have not altered the policy, and what I want to get at is the essential difference in policy between what you propose and what is now being done.

I think that is what we are all concerned with. The hon. member for Vancouver-Burrard (Mr. McGeer), appearing before the banking and commerce committee in 1934, said, as reported at page 703 of the evidence:

I would not socialize your banks or take away your right to carry on a merchant banking business, if you wanted to.

There we have a Liberal member emphasizing the control of policy. I believe it was the Minister of Finance (Mr. Dunning) who said the other day, and very justly, when the subject of nationalization was up, that the government could not go into business, and I think he was right. Why change that attitude now? What we desire is an absolute control of policy.

I should like to give one more quotation so as to make the position of the social credit party quite clear and to show that there would be no objection to doing anything of this nature. Major Douglas, speaking before the same banking and commerce committee, said:

So far as I have views, I am all in favour of letting the existing banks run the business. What is fundamentally at stake is the assumption that this monetization which the banks do undoubtedly carry on—the creation of purchasing power—is a creation of purchasing power in their own favour solely, and, as I see it, they do not want to turn it over to the government or hand it over to the public except on their own terms. The result of that assumption and that state of affairs is, that quite beyond all discussion, the assumption is made that all production belongs to the banks since they alone create the effective demand which will cause that production to be delivered, and they claim the ownership of the effective demand which they create.

As I look over the resolution once more, I see that it provides that certain shares shall be purchased by the Minister of Finance out of consolidated revenue fund in order to secure ownership of a majority of the shares by the government, and there is also to be an increase in the number of directors. I could not help wondering just what was in the minds of the government, if it was not to create a few more soft jobs for some people because if the banking business is not being run efficiently I do not know what business is. So far as management is concerned, banking is, beyond comparison, the most efficient business. Why, then, do we want to interfere with it? Why do we want more directors and to spend more public money?

The CHAIRMAN: If the hon. member will permit me it has been moved in amendment by Mr. Woodsworth:

That the words after the word "act" ending with the word "bank" in line two of the resolution, be deleted.

That the word "certain" in line three, be deleted and the word "all" substituted therefor.

That the words "a majority of" in line 4, be deleted.

That the words "to increase the number of directors" in line 5, be deleted.

That the words "election and" in line 6, be deleted and the words "by directors appointed" in line 7, be deleted.

So that the amended resolution would read:

That it is expedient to bring in a measure to amend the Bank of Canada Act to provide that all shares thereof shall be purchased by the Minister of Finance out of the consolidated revenue fund in order to assure ownership of the shares by the government, and to provide for appointment of directors in such manner as to assure control of the board by the government.

May I say that I would like to look up the authorities and give a ruling to the committee at eight o'clock.

Mr. STEVENS: Before giving your ruling, Mr. Chairman, would you permit a discussion of the point of order, a discussion of the question whether the amendment is in order?

Mr. MACKENZIE KING: As I understand it, the chairman said that he would have to consider the matter, and therefore I assume he is quite prepared to listen to argument before ruling. I was going to raise the point that the amendment is contrary to section 54 of the British North America Act, which reads as follows:

It shall not be lawful for the House of Commons to adopt or pass any vote, resolution, address or bill for the appropriation of any part of the public revenue, or of any tax or impost, to any purpose that has not been first recommended to that house by a message of the governor general in the session in which such vote, resolution, address, or bill is proposed.

I draw attention to the words: not lawful for the House of Commons to pass any resolution for the appropriation of any revenue—I quote:

to any purpose that has not been first recommended to that house by a message of the governor general.

The house has before it a resolution of the Minister of Finance, a minister of the crown who preceded his resolution by a recommendation from His Excellency the Governor General, that a measure be introduced to ensure ownership of a majority of the shares of the Bank of Canada by the government. The purpose of the measure is

not, as the hon. member for York South (Mr. Lawson) pointed out a few moments ago, to acquire all the shares, which would amount to complete government ownership. That was the exception taken by the hon. member to the resolution.

My hon. friend's amendment is that the resolution should be amended to provide that all shares of the Bank of Canada shall be purchased by the Minister of Finance. Quite a different purpose. To be in order the amendment would have to be introduced in the house in the first instance in the form of a resolution by a minister of the crown and be recommended to the house by His Excellency the Governor General. May I draw attention to what May says, at page 461:

> The committee is not bound by the terms of the provisions which the ministers of the crown have inserted in the bill; and any member may propose to increase the grants specified in these clauses or to extend the application of the provisions of the bill, whatever may be the cost resulting therefrom, so long as the power conferred by the royal recommendation is not exceeded.

The question whether an additional expenditure is involved or not is not the point at issue in this case. It is a question whether the power conferred by the royal recommendation is being exceeded, and all that the royal recommendation has granted, as the hon. member for York South has pointed out, is power to purchase a majority of the shares, but not power to purchase all the shares. The hon. member's amendment is to purchase all the shares.

May I also cite May, 13th edition, at page 546:

> An amendment proposing to substitute for the resolution an argumentative justification for the refusal of that demand is out of order, as are also amendments proposed with a view to submitting an alternative scheme to that proposed with the royal recommendation.

The criticism of the government by those who are opposing this resolution as worded is that we have not adopted the alternative scheme which is being proposed by the hon. member for Winnipeg North Centre (Mr. Woodsworth). Inasmuch as the amendment proposes an alternative scheme, I submit, Mr. Chairman, that it is out of order.

Mr. HEAPS: May I suggest, Mr. Chairman, that you also look at paragraph 558 of Beauchesne's Parliamentary Rules and Forms?

At six o'clock the committee took recess.

[Mr. Mackenzie King.]

After Recess

The committee resumed at eight o'clock.

Mr. A. A. HEAPS (Winnipeg North): Mr. Chairman, at six o'clock the Prime Minister (Mr. Mackenzie King) was discussing whether or not the amendment moved by the hon. member for Winnipeg North Centre (Mr. Woodsworth) was in order, and apparently you had made up your mind that you were going to give a ruling at eight o'clock. I hope that your mind is not as yet made up. The Prime Minister tried to point out that the amendment was out of order because it conflicted with the recommendations made by the governor in council. I would point out that if that interpretation is to be placed upon the rules of the house, an amendment moved by any hon. member to any bill could be in order. Every amendment to a measure proposed by the government would always be ruled out of order on that ground alone. If your mind is not made up, Mr. Chairman, I should like you to look at paragraph 558 and 559 of Beauchesne's Parliamentary Rules and Forms, and apply those to the resolution of the Minister of Finance (Mr. Dunning). Paragraph 558 reads:

> Motions advocating public expenditure, or the imposition of a charge, if the motion be framed in sufficiently abstract or general terms, can be entertained and agreed to by the house. Resolutions of this nature are permissible because, having no operative effect, no grant is made or burthen imposed by their adoption.

Paragraph 559 reads:

> The constitutional principle which vests in the crown the sole responsibility of incurring national expenditure, forbids an increase by the commons of a sum demanded on behalf of the crown for the service of the state. This principle, however, is apparently disregarded when the recommendation of the crown is given to a resolution empowering the expenditure of public money which, framed in general terms, places no limitation on the amount of expenditure to be authorized by the resolution.

I claim that the resolution moved by the Minister of Finance does not state any specific amount. The resolution. reads:

> That it is expedient to bring in a measure to amend the Bank of Canada Act so as to increase the capital stock of the bank, to provide that certain shares thereof shall be purchased by the Minister of Finance out of the consolidated revenue fund in order to assure ownership of a majority of the shares by the government, to increase the number of directors, and to provide for election and appointment of directors in such manner as to assure voting control of the board by directors appointed by the government.

I claim that the amendment is exactly in accordance with paragraphs 558 and 559. May I go a little further than that? In the first

place there is no actual increased expenditure implied by the amendment of the hon. member for Winnipeg North Centre. In fact, I would argue that actually it means a decrease. The government proposes an expenditure that would be equivalent to the value of about fifty-one per cent of the stock owned by the private shareholders of the present Bank of Canada. My hon. friend suggests that instead of the government taking funds and applying them to the purchase of new shares to number more than the total owned by private investors in the bank, these funds should be utilized for the purpose of buying up what would ultimately be the minority of the shareholders of the bank. In that way I claim the amendment actually means a decrease and not an increase in the expenditure proposed. Second, the amendment moved by my hon. friend is in exact conformity with paragraphs 558 and 559, and I respectfully submit that the amendment is absolutely in order.

Hon. H. H. STEVENS (Kootenay East): Mr. Chairman, I should like to direct a few remarks to the Prime Minister (Mr. Mackenzie King). I merely wish to say that if this amendment is ruled out of order because of the reasons given by the Prime Minister in his observations prior to six o'clock, a precedent will be laid down that no member shall be permitted to suggest any amendment to or interfere in any way with a resolution introduced by the government and preceding a bill. If such a decision is made, I submit that it will be extremely serious. I appreciate the point raised by the Prime Minister, but I still believe it is covered by the rules. In addition to the paragraphs cited by the hon. member for Winnipeg North (Mr. Heaps) I think attention should be directed to paragraph 555 of Beauchesne's Rules and Forms, which reads:

> No increase can be considered either of an existing, or of a new or temporary tax for the service of the year, except on the initiative of a minister acting on behalf of the crown.

Of course, that is a well known and well accepted rule. I now direct attention to paragraph 556, which reads:

> The house can make amendments which diminish the amount of reduction of taxation, or postpone the day when the reduction takes place, although the amendment may increase to that extent the charges proposed to be levied upon the people.

It may be argued that those rules refer to taxation, but after all the principle involved is this: It is not competent for a private member to introduce a measure which imposes a charge upon the public revenue. That is the broad principle. It does not matter whether that principle is applicable to estimates or to a bill of a specific kind involving the expenditure of public money. It may be argued—and I think this is the point raised by the Prime Minister—that inasmuch as this is a resolution preceding a bill introduced by the government, therefore it is not competent for a private member to move an amendment. But estimates are also resolutions submitted to His Excellency the Governor General in exactly the same way as was this resolution. Having received his approval, they are offered to the house for its approval. Although such a measure contains the express view of the government and has been submitted to His Excellency the Governor General, under the rules the house may make amendments as long as they do not offer or purport to increase the amount.

In this instance the resolution has been submitted in very general terms, as has been indicated by the hon. member for Winnipeg North. The terms are broad; no specific amount is mentioned, nor is the exact manner in which the shares are to be acquired stated; the resolution simply says that it is expedient to bring in a measure so as to increase capital stock of the bank, to provide that certain shares thereof—it does not say what shares—shall be purchased by the Minister of Finance. I submit that the minister could very well argue, when this resolution and the bill to be founded upon it are passed, that he is empowered to buy all the shares of the Bank of Canada, the new issue and the old issue, if he so desires. Those being the general powers of the resolution, I do not see that an amendment suggesting a slight modification and limitation of the original motion should be regarded as out of order and not competent for a private member to move.

The Prime Minister has always been, very properly, a great champion of the rights of individual members of the house. I appeal to him that, before it is asked that this amendment should be ruled out of order, careful consideration should be given to the possible effect in the future of a precedent of this kind. I know he does not wish to lay down a rule of principle or practice that would curb the rights of private members. There have been occasions before in this session and previous ones when I have noticed the government taking an attitude towards members' amendments which I felt was probably unwarranted, and restrictive of what I believe to be the rights of private members. That is the feature I wish to emphasize, and while it would be most distasteful to me to differ from or challenge a ruling of the chair, I strongly

urge a reconsideration of this matter and that, in view of the desire of, I think, every one in this house to preserve the rights of private members, this amendment be permitted.

Mr. MACKENZIE KING: My hon. friend said that he wished to direct his remarks particularly to me. May I say that I appreciate the manner in which he has done so, particularly his having said that I would not wish in any way to seek to curb the powers of private members with respect to any measure, because I favour as full powers as may be possible being given to every hon. member of the house. On the other hand, I think hon. members will agree that it is important to observe the rules of the house where they relate to the essentials of any particular course of proceeding. The question we are discussing at the moment does not relate so much to any additional expenditure involved by the amendment proposed but rather to the change it would effect in the purport of the original resolution. My contention is that the government cannot be chastised for something and at the same time be expected to support the very thing for which chastisement is being administered. My hon. friend the member for York South (Mr. Lawson), who this afternoon is apparently acting as financial critic on behalf of the opposition, directed his criticism against the Minister of Finance on the score that this resolution was not a resolution for complete government ownership of the bank. He said that, therefore, we were not implementing the pledges we made in the general election. Had I spoken immediately following my hon. friend, I would have thanked him for having made clear to the house—and I should like to do so now, and thank as well my hon. friend the member for Winnipeg North Centre (Mr. Woodsworth) and other hon. members—for having brought out so clearly the entire consistency of the course which was followed by myself in the statements I made in the recent campaign and previously in the House of Commons with regard to the government's policy and position on this matter of a properly constituted Central National Bank.

Some hon. MEMBERS: Oh, oh.

Mr. MACKENZIE KING: Let me repeat what was said. Quotations were read by the Minister of Finance from speeches I delivered in this house, in which, speaking as leader of the party, I said that so far as I was concerned, it had always seemed to me that the question of government ownership was a debatable question, but that the question of government control was not debatable, that the control of the bank should be with the government and not with private interests.

[Mr. Stevens.]

Mr. STEVENS: I did not direct a single criticism against the government regarding that phase of the matter. I spoke merely to the point of order, not to the resolution.

Mr. MACKENZIE KING: I know. I am not finding fault with my hon. friend there. I am just giving the reason why I believe the amendment is out of order. It is because it provides something fundamentally different from what is intended by the resolution before the committee.

Mr. WOODSWORTH: No, it does not.

Mr. MACKENZIE KING: Let me repeat, and I think hon. members will agree with this, that the Minister of Finance made it clear that in this house, speaking on this question, I stated over and over again that the question of government ownership was not the real question involved in the proper constitution of a national bank, that the essential thing was the control rather than the ownership. If we had not provided for the control, and effective control, on the part of the government, I would say that we were liable to be criticized for not having carried out what we stood for, both in this house and in the campaign.

Coming to the campaign, my hon. friend from York South read to us extracts from different papers in the country.

Mr. WOODSWORTH: I do not like to interrupt the Prime Minister, but are we on the point of order or not?

Mr. MACKENZIE KING: Yes, we are, and I am now dealing with my hon. friend's amendment, the very essence of it. The hon. member for York South (Mr. Lawson) read extracts from papers at Vancouver, at Calgary, and in other provinces to have it appear if possible that I was shading my remarks towards one view in one place and another view in another. But every extract he read made it perfectly clear that I had never varied in any particular from the position taken throughout on the importance of having government control, and in not stressing government ownership.

What is the essence of the resolution moved by the Minister of Finance? It is that there shall be given to him or the government power to purchase out of the consolidated revenue fund sufficient shares, for what purpose? To assume ownership by the government of a majority of the shares. The hon. member for Winnipeg North Centre asks that that be amended so as to provide that all the shares of the Bank shall be purchased by the Minister of Finance.

Mr. HEAPS: Is it not a question of degree?

Mr. MACKENZIE KING: It is not a question of degree, but of the difference between absolute ownership—

Mr. HEAPS —and majority ownership.

Mr. MACKENZIE KING: —and majority ownership of the shares,—two different things. We are being criticized for accepting the latter. We are quite prepared to stand by what we have done. We believe it is sufficient. We believe it is in the public interest. When my hon. friend suggests that we should accept his amendment, he asks that we accept an alternative proposal this, as May has pointed out in the paragraph I cited, cannot be done by way of an amendment. This is an alternative proposal, it is not an amendment that is in order. It is a very clear alternative. I made no point whatever about my hon. friend's amendment involving a little more in the way of expenditure. I took care to give a citation which made it clear that there might be additional expenditure without an amendment being out of order. The citation I made will be found in May, page 461.

Mr. STEVENS: What edition is that?

Mr. MACKENZIE KING: This is the twelfth edition.

> The committee is not bound by the terms of the provisions which the ministers of the crown have inserted in the bill, and any member may propose to increase the grants specified in these clauses or to extend the application of the provisions of the bill, whatever may be the cost resulting therefrom,—

But here is the essential condition:

> —so long as the power conferred by the royal recommendation is not exceeded.

Now the power conferred by the royal recommendation in this resolution limits the purchase of shares to a majority of shares. The amendment of my hon. friend exceeds the power which was granted by the royal recommendation, and that is why his amendment is out of order. There is this further citation from page 546; thirteenth edition.

> An amendment proposing to substitute for the resolution an argumentative justification for the refusal of that demand is out of order, as are also amendments proposed with a view to substituting an alternative scheme to that proposed with the royal recommendation.

In other words the royal recommendation with respect to all bills involving the payment of public moneys is necessary in order that at the very outset the purpose of a measure may be made clear, not merely the amount of the expenditure involved but also the purpose of the power that is being granted. All that was asked for in the royal recommendation was power to purchase a majority of the shares, not all the shares, and the amendment exceeds that power and offers an alternative scheme. For both these reasons I submit that the amendment is out of order.

Mr. WOODSWORTH: On the point of order, Mr. Chairman, may I say that where we have no specific rule it seems to me that we must go on analogy, and, as my hon. friend from Kootenay East (Mr. Stevens) pointed out, the same principle underlies taxation, where we must have the recommendation of the governor general. In paragraph 569 of Beauchesne's Parliamentary Rules and Forms we have what is possible with regard to taxation:

> No motion therefore can be made to impose a tax, save by a minister of the crown, unless such tax be in substitution, by way of equivalent. . . .

The inference there is very clearly that something may be substituted, even in the case of taxation. I submit that if this is true with regard to taxation it is equally true in regard to a matter of this kind. The Prime Minister concedes that there will be no additional expenditure involved, so we can leave that to one side. But he also says that the amendment I have proposed would take over all shares whereas the original resolution speaks of taking over only a majority of shares. Well, surely the Prime Minister recognizes that all the present shares will be less than the majority of the shares if this resolution is adopted. I do not think he can possibly press that point, because if we take over all the present shares we shall not have to take over as many shares as we would if we acquired a majority under the resolution of the Minister of Finance. It is ridiculous that my motion should be ruled out of order because it proposes to take over fewer shares than would have to be taken over under the resolution.

An hon. MEMBER: That is not the point.

Mr. WOODSWORTH: That is very decidedly the point the Prime Minister makes; that is one of his main points, and in any ruling that may be given by the chair I think that point should be answered.

The Prime Minister's main objection is that this alternative motion has not the recommendation of the governor general. May I point out what it would really amount to if this were declared out of order. Based upon this resolution a bill will be brought into the house. That bill must be founded upon this resolution; as I understand it the

principle of the bill cannot be different from the principle of the resolution. It must be exactly the same, otherwise we would be disregarding the governor general; once we got the resolution through we would be introducing another idea altogether, another proposal. So if to-day it is ruled that we cannot introduce an amendment to the resolution it means that we cannot introduce an amendment to the bill, which would reduce this house to a nullity, a mere debating society.

That is a stronger position than was taken by the previous government in connection with the original bill setting up the Bank of Canada. Some of the older members will recall that we on this side—and I am still on the side I was on in those days—attempted to introduce an amendment on second reading. The Speaker of that time would not permit us to do so. I quote from page 4374 of Hansard of 1934:

Mr. Rhodes: That is the only principle. The point whether this bank should be publicly or privately owned as well as questions respecting the numerous other details incidental to the bill are matters of detail which can be dealt with by way of amendment in the regular course as we proceed in committee on banking and commerce, or in committee of the whole house, or upon motion on the third reading of the bill.

Notwithstanding this, when the third reading of the bill did come, we were prohibited from introducing any amendment. The Liberals, who were then in opposition, also tried to introduce an amendment, but we were both ruled out of order. That meant that we could not introduce any change on the second reading or on the third reading, and I submit that if the government presses this matter and upholds the principle that we cannot introduce an amendment of this kind it completely rules out the possibility of this house really having control of legislation. The Prime Minister emphasized the need of the government being consulted in this matter, and so on. Well, I can remember back in 1925 when the Prime Minister took the ground very strongly that the governor general could not interfere in any way with the decision of his ministers; that the decision of the ministers ought to be final. The Prime Minister took a strong stand on that occasion in connection with the position of the governor general. Now it would seem that he is switching round completely and saying that until the governor general consents to every detail of money legislation, this house is helpless. That is an impossible situation. Surely this parliament has rights, just as much as in those days the government had rights. I supported the government in those days; little did I think the time would come when that very government, appealing for support because of its Liberal principles, would attempt to deprive parliament of its right to control legislation. I protest against any decision which would take away those rights and powers.

Mr. MACKENZIE KING: When my hon. friend speaks of depriving parliament of the rights it has in connection with legislation I hope he will not dispute that these rights are set out within the four corners of the British North America Act. At the moment I should like to direct the attention of the committee to one of the provisions of the British North America Act which is most specific with regard to matters of legislation. It is section 54 of the British North America Act, which reads as follows:

It shall not be lawful for the House of Commons to adopt or pass any vote, resolution, address, or bill for the appropriation of any part of the public revenue, or of any tax or impost, to any purpose that has not been first recommended to that house by message of the governor general in the session in which such vote, resolution, address, or bill is proposed.

That is the situation. There has been no recommendation presented to this house by any minister of the crown carrying the recommendation of His Excellency the Governor General, in accordance with the terms of the constitution, which ask powers for the government to acquire all shares in order to obtain complete ownership of the Bank of Canada. There having been no such request made on the intiative of any minister of the crown on the recommendation of the governor general, I submit that it is impossible lawfully so to pass the resolution. The power requested by the resolution is less than that which is asked for by the amendment, and the bill is one pertaining to public expenditure.

Mr. WOODSWORTH: May I point out to the Prime Minister that the rights of parliament antedate the British North America Act. Our rights are very clearly set out in the clause that was read by my hon. friend from Winnipeg North (Mr. Heaps) where it says:

. . . if the motion be framed in sufficiently abstract or general terms, can be entertained, and agreed to by the house. Resolutions of this nature are permissible because, having no operative effect, no grant is made or burthen imposed by their adoption.

Mr. MACKENZIE KING: That is all right, if the resolution were sufficiently abstract, but my hon. friend's amendment is anything but abstract. It is to provide that

"all shares thereof shall be purchased by the Minister of Finance." That is as concrete as anything can be. It is a concrete amendment, demanding that this house shall make provision to purchase all shares, to a resolution which asks only for permission to purchase a majority of the shares; an entirely different thing.

Mr. WOODSWORTH: A smaller number of shares.

Mr. MACKENZIE KING: My hon. friend says the house is losing its control of legislation. He seems to forget that he is not bound to accept this legislation of the government, he may vote against it if he wishes. He may also vote in support of it, or support an amendment which is in order. As long as he has the power to vote for or against a resolution or an amendment which is in order, he is not surrendering his right to exercise control in the matter of legislation. It is, however, absolutely essential, unless we are going to depart from rules that are fundamental, that we observe the rules laid down.

Mr. WOODSWORTH: "Take it or leave it."

Mr. STEVENS: The Prime Minister has invoked an argument which I was about to apply to himself. He says those who do not like this motion can vote against it. That is precisely what can be done with the amendment. What the Prime Minister is doing is confusing his rights and powers as a government with a majority to vote on something that is proposed with the right of a private member to introduce any amendment to such a resolution. Let me draw the attention of the committee to section 54 of the British North America Act:

> It shall not be lawful for the House of Commons to adopt or pass any vote, resolution, address, or bill for the appropriation of any part of the public revenue, or of any tax or impost, to any purpose that has not been first recommended to that house by message of the governor general. . . .

What does that mean? It means that this house cannot on its own initiative pass an appropriation of the public revenue. That has nothing at all to do with the question before us; it is not the point at issue. The point at issue is: Can this house, having received at the hands of the government a certain motion which has been submitted to His Excellency the Governor General, consider that motion and, if it deems it advisable, amend it? I submit that the adoption of the view of the Prime Minister would establish a precedent which would seriously curb the rights of hon. members and limit the usefulness of the House of Commons in the consideration of legislation. Section 54 of the British North America is not applicable to this instance at all.

I simply content myself with pointing this out, because certainly the question will have to come to an issue some day. This may not be a sufficiently important matter on which to bring it to an issue, but sooner or later the issue is bound to rise: Shall the members of this house, as members, have rights or shall they not? I warn the Prime Minister that the course he is pursuing amounts to this, that if a government, it does not matter what government, chooses to come to the house with a certain proposal, they can say, that is our proposal, we will not entertain any suggestions in regard to it. That would be a very dangerous precedent to establish.

Mr. MACKENZIE KING: Since my hon. friend has spoken on the point, may I quote what he said, speaking in this house on April 21, 1936, as reported at page 2051 of Hansard when a similar question was up. My hon. friend in reference to the harbours' bill then under discussion concluded by saying:

> The bill was preceded by the resolution, part of which I have read. It was submitted to His Excellency the Governor General, received his approval and was submitted to the house. Following that a bill was introduced to set up one harbour board. As I said before, there may be a question in my mind as to the advisability of that action, but in so far as the point of order is concerned may I suggest that it is raised upon the point that the amendment departs from the principle enunciated in the resolution which preceded the bill, and is indeed a definite alteration in the principle of the bill.

Exactly the same point.

Mr. STEVENS: But this amendment is not a departure from the principle.

Mr. MACKENZIE KING: Oh yes, it is.

Mr. TAYLOR (Nanaimo): I would ask the Prime Minister if he has not been confusing terms in his argument. Has he taken into consideration the fact that the amendment involves the purchase of five hundred thousand shares whereas the resolution involves the purchase of five hundred and one thoustand—or rather I should say that the amendment calls for the purchase of five million shares, whereas the resolution involves the purchase of five million one hundred thousand.

Mr. MACKENZIE KING: I was very careful to avoid discussing figures, for fear I might get tangled up just as has my hon. friend. I was careful to point out that the whole significance of the point of order lay in the fact that we could not have one principle governing at one time and another prin-

ciple governing at another time, and that an amendment which altered the principle of the resolution was out of order, particularly if it related to a matter of public expenditure, which had not been brought to the attention of the house by a minister of the crown with the consent of His Excellency the Governor General in advance.

Mr. MITCHELL: The government is quite supreme in this matter—

Mr. MACKENZIE KING: No; the house is.

Mr. MITCHELL: The government at the moment is protesting against or about to ask the chairman to rule out of order an amendment. This may be done, or it may not be done; we shall hear that shortly from the chairman. There have been good arguments presented on both sides of the matter, and I suggest that with the powerful majority the government have in the house, if they do not want to see the Bank of Canada Act amended as the amendment proposes, they allow the amendment to go to a vote. Or is there some reason why they do not want that to happen?

Mr. MACKENZIE KING: May I make perfectly clear to my hon. friend, so that no insinuation may be allowed to pass, that part of the duty of the government is to see that the rules of the house are observed, and to draw the attention of hon. members to those rules. In this matter the government is not exercising any powers other than may be exercised by every hon. member of the House of Commons. My hon. friend has just as much power as I have in the matter of what shall be done in regard to this question, because it is one which affects the procedure and the rules of the House of Commons, and the House of Commons alone controls its rules and procedure, not the government.

Mr. STEVENS: The right hon. gentleman quoted me a moment ago. I wish he had finished the quotation. Referring to whether this point of order was well taken, I said further:

> I do not believe it is advisable for the house always to accept a point of order raised in connection with a money bill, because I believe we are getting too much into the habit of ruling amendments out of order simply because a bill may refer to the expenditure of money. I suggest that a great deal of care should be exercised in curtailing the privileges of a member in that regard. On the other ground however I think the amendment unfortunately is out of order.

The point I was getting at then and what I am getting at now is that great caution should be exercised in the use of the power of a government with a majority—I am not saying that in any offensive way—in influencing the ruling out of order of amendments.

The CHAIRMAN: I may say to hon. members of the committee that since the committee rose at six o'clock I have given the amendment of the hon. member for Winnipeg North Centre (Mr. Woodsworth) very careful attention, and I have also listened attentively to the arguments advanced by all hon. members who have spoken since eight o'clock.

This is not a motion for appropriation of public moneys. It is a proposed resolution under standing order 60 for a charge upon the people to be voted upon another occasion and it is required in order that a bill to amend the Bank of Canada Act, a bill involving an expenditure, be introduced. The fundamental terms of the resolution submitted to the house with the governor general's recommendation, upon which this committee was appointed, cannot be amended. Amendments will be in order only if they fall within the terms of the resolution. May, 13th edition, page 546, says that the procedure in committees on money resolutions follows in principle the procedure of the committee of supply, and that amendments are out of order if they are proposed with a view to substituting an alternative scheme to that proposed with the royal recommendation. The point was decided by Mr. Whitley, then chairman of committees in the British House of Commons, on October 22, 1917. I therefore rule that the amendment is out of order.

Mr. WOODSWORTH: Mr. Chairman, I regret that I must challenge your ruling.

Mr. Speaker resumed the chair, and the chairman of the committee made the following report:

> In the course of the debate on the resolution respecting a measure to amend the Bank of Canada Act an amendment was moved by the hon. member for Winnipeg North Centre (Mr. Woodsworth). The chairman having ruled the amendment out of order, an appeal is made from the chairman's ruling.

The house divided on the question: Shall the ruling of the Chairman be confirmed? And the ruling was confirmed on the following division:

YEAS

Messrs:

Anderson	Boulanger
Beaubien	Brasset
Blair	Brunelle
Bothwell	Cahan

Church
Clark (York-Sunbury)
Crerar
Damude
Deslauriers
Dubuc
Duffus
Dunning
Edwards
Elliott (Middlesex West)
Emmerson
Euler
Evans
Fafard
Ferron
Finn
Fiset, Sir Eugène
Fleming
Fontaine
Fournier (Maisonneuve-Rosemount)
Gardiner
Gladstone
Glen
Golding
Grant
Gray
Green
Hanson
Hartigan
Hill
Howden
Howe
Hyndman
Isnor
Johnston (Lake Centre)
King, Mackenzie
Kinley
Kirk
Lacombe
Lalonde
Lapointe (Matapedia-Matane)
Lawson
Little
Macdonald (Brantford City)
MacKenzie (Neepawa)
Mackenzie (Vancouver Centre)
MacKinnon (Edmonton West)
MacLennan
MacNicol
MacRae
McCann
McCuaig
McCulloch
McDonald (Souris)
McDonald (Pontiac)
McGregor
McIntosh
McIvor
McKay
McLarty
McLean (Simcoe East)
McLean (Melfort)
McNevin (Victoria, Ont.)
McNiven (Regina City)
McPhee
Mallette
Martin
Massey
Maybank
Mercier
Motherwell
Mutch
Neill
Parent (Terrebonne)
Patterson
Perley, Sir George
Perras
Pottier
Purdy
Reid
Rennie
Rickard
Roberge
Robichaud
Ross (Moose Jaw)
Ryan
Sinclair
Stewart
Stirling
Telford
Thompson
Thorson
Tomlinson
Tucker
Turgeon
Turner
Tustin
Ward
Weir
White
Winkler
Wood
Young—111.

NAYS

Messrs:

Blackmore
Brooks
Douglas
Elliott (Kindersley)
Fair
Hansell
Heaps
Jaques
Johnston (Bow River)
Landeryou
Lennard
Lockhart
MacNeil
Macphail, Miss
Marshall
Mitchell
Needham
Pelletier
Quelch
Stevens
Taylor (Nanaimo)
Walsh
Woodsworth—23.

The house resumed consideration in committee of the proposed resolution with respect to the Bank of Canada—Mr. Dunning—Mr. Sanderson in the chair.

The CHAIRMAN: The question is on the main motion.

Mr. JOHNSTON (Bow River): Speaking to the main motion, I have already stated, Mr. Chairman, that we were not opposing the complete nationalization of the Bank of Canada, but rather that we were more in favour of complete government control, and judging by the Prime Minister's remarks a little while ago he also is in favour of that idea. The main point, so far as the Bank of Canada is concerned, is that we should have control. The means to be taken to secure that control is another question. The government proposes to issue enough new stock to get control. We contend that that is not necessary; that the government could get control outright by legislation. Control is the predominating question, and on this question that control is an essential factor I should like to quote from an authority, Reverend Charles E. Coughlin, to show how the central bank could control all other phases of banking. He has published a little book entitled Money, which deals with the subject in the form of question and answer, and while it has reference to the federal government in the United States it should be applicable to the federal government in this country. The first question is this:

1. Who should own all the local banks?

The answer to that is:

Local banks should be owned by privately owned corporations chartered by the respective states wherein they are located. The federal government should coin and regulate all money, but private banks should lend money owned by private citizens.

That brings out clearly that control should lie with the central bank, and that control can be secured by legislation. The next question is this:

2. Should these banks just described be controlled in any manner by the government?

That again brings up the question of government control. The answer to that question is:

Since these privately owned banks are state chartered, they should be controlled by the state.

For "state" read "dominion government." It goes on:

It should be the duty of the state government to set up equitable rules and regulations under which these banks must operate.

That is the point I wish to emphasize, that we in this parliament should secure control by means of legislation without the necessity of owning a single share. The next question is this:

3. With what kind of money would the banks do business?

The answer to that is:

These banks would do business only with United States—

Read "Canadian" for "United States":

—legal tender which private individuals or corporations actually brought to the banks.

I should now like to quote from a little pamphlet which I was amused to pick up in one of the banks the other day, and which is entitled, The Public and The Banks, by James Muir. It deals with some of the misleading ideas that are being broadcast to-day. It says:

You may be interested to learn that the banks operate nearly five million deposit accounts in Canada. Surely, when so much confidence has been shown in us, it is absolutely essential and obligatory that the banks should be keenly aware of their duties to these millions of people. All of which means that banks must be kept at all times in condition to meet, at a moment's notice, a depositor's request for his money.

Mr. DUNNING: Mr. Chairman, I hesitate to raise another point of order, but there is before the committee a specific matter which relates to the Bank of Canada and the control of credit by the Bank of Canada under conditions which will ensure the government having a predominant interest and control. I submit that the chartered banking system is not at issue on this resolution, and therefore such a discussion cannot be in order. I do not want to limit the discussion, but I would like to see it confined to the subject matter of the resolution rather than take in the broader field of the operation of the chartered banks which in no sense enters into either the resolution or the bill.

Mr. JOHNSTON (Bow River): I was just trying to draw a comparison.

The CHAIRMAN: The point raised by the Minister of Finance (Mr. Dunning) is well taken and I ask the hon. member to confine his remarks to the resolution before the committee.

Mr. JOHNSTON (Bow River): I do not wish to violate the rules of the house, but I was just trying to point out how these banks could be controlled by legislation through the central bank; that this all could be done by legislation. If that is ruled out of order, I will just dispense with it.

[Mr C. E. Johnston.]

Mr. STEVENS: On the same principle, I submit that a substantial portion of the speech made this afternoon by the Minister of Finance would be out of order.

The CHAIRMAN: I am inclined to think the hon. member for Kootenay East (Mr. Stevens) was also out of order.

Mr. STEVENS: I got my interjection in.

Mr. DUNNING: My remarks this afternoon bore at every stage directly and pointedly upon this resolution.

Hon. H. H. STEVENS (Kootenay East): Mr. Chairman, you have ruled on the point of order and perhaps it will be difficult for me to make any observation. The ruling was made before any chance was offered to speak on the point of order. However I submit to the Minister of Finance that the debate on one of the most vital matters before the house this session should not be so limited that an hon. member cannot refer to the general system of banking when the Bank of Canada Act states that it is to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the dominion. This resolution is directed to an adjustment of the Bank of Canada Act to make that more possible. The hon. gentleman was referring in a general way to the control of credit, but on the suggestion of the Minister of Finance, he is ruled out of order. If that is to be the precedent, then there will be no possibility of an adequate discussion of this very important matter. In saying what I say now, I only say what I was going to say when I rose to speak on this resolution. I have no desire to criticize this resolution; I am going to wait until the bill comes down, but, good gracious, if we are to be curbed and circumscribed in this manner, there will be no possibility of discussing in this house legislation of this type. While I sympathize with the minister in his desire to get this resolution through—in a moment or two I shall have a few sentences to utter which will be uttered for the very purpose of assisting him to get it through—I am startled at the ruling just given. The hon. member is new to this house and he cannot have a complete knowledge of the rules, but he is abruptly ruled out of order, when I submit that he was distinctly in order. I do not wish to reflect on the ruling of the chair, but I must say that I do not think the debate should be circumscribed in this way.

Mr. DUNNING: The hon. member was quoting from a pamphlet which deals with the relations of the chartered banks to the deposits of their depositors.

Mr. STEVENS: Why not?

Mr. DUNNING: I submit that that is completely foreign to what we now have before us. I am quite familiar with the pamphlet from which the hon. gentleman was reading and I know that the further along he goes the more out of order he will be. I have every sympathy with new members, but I submit that a new member can best learn the rules by being told by the chairman when he is out of order. That is the way I had to learn them.

Mr. STEVENS: That is quite all right; it is a different thing to be kept in order by the chairman. I agree entirely with that, but I do not agree with the point upon which the ruling was made.

Mr. JOHNSTON (Bow River): I think we are learning very fast the routine business of parliament and how parliament does business. I may say that my conception to-day is quite different from what it was when I first came to Ottawa, and it is changing all the time. I do not suppose I had better refer to that pamphlet again because apparently it is mostly all wrong. What I was trying to show by quoting from that pamphlet was how banking could be controlled entirely through legislation. All these misrepresentations that are being circulated could be rectified right here in this house.

I want to refer again to this resolution and the control of policy. During the election we heard a great cry about the wonderful monetary reforms which were to be brought about, how it was going to benefit the people if they voted Liberal and got these monetary reforms. As I pointed out a little while ago, one of the essential features of a nationally owned bank should be the reduction, or perhaps the complete elimination of interest rates. Not long ago I listened to some remarks by the hon. member for Jasper-Edson (Mr. Kuhl), and I should like to refer again to them. The hon. member was speaking about the principle which should be laid down by the government in this banking measure. He is reported at page 1835 of Hansard of April 6, as follows:

> Mr. Kuhl: May I ask the Prime Minister a question? Is it necessary for the dominion government to go into debt for any public works projects, no matter to what extent?
>
> Mr. Mackenzie King: If I were to judge by the past, I should say that apparently it has not been thought so, because the public debt is pretty large as a consequence of many projects.
>
> Mr. Kuhl: Is it necessary?
>
> Mr. Mackenzie King: I am inclined to think it is with respect to many projects, yes. Does my hon. friend think otherwise? If so, can he tell us how to escape debt if we go into unlimited expenditure?

I think that is one of the main principles which should be brought down in legislation. The government is going to get control by the purchase of additional shares; yet I doubt if there is to be any material change in policy. According to the Prime Minister, there would seem to be some truth in the rumour that we are still to borrow money from, I assume, the banks and go still further into debt. I tried to point out a while ago that the purpose of a nationally owned bank should be to reduce debt expenditures and thereby reduce taxation. It seems to me more evident as I go along that the point we should stress in parliament, as the Prime Minister said a moment ago, is a change of policy, and that policy should be brought down right now. As I look over the resolution I cannot see that by the proposed change the central bank is going to be anything more than a privately owned bank. We are to have the government in business, holding a majority of the shares. That is true enough; yet all the other obligations of this 49 per cent of shareholders will have to be met. It will be just a privately owned bank, with the government as one of the shareholders. The other 49 per cent must be paid their dividend according to the act, and the interest must be paid. The measure still permits, to a degree at least, the monetization of the real wealth of the people rather than having it controlled entirely by the government. One thing I notice is lacking. I may be called out of order for making this observation; nevertheless it seems to me to be in order; and it is, that in this Bank of Canada Act there is no mention whatever of the control of the chartered banks. I think one of the evils which required attention lay in the conduct of the chartered banks; there should be some control of them, and it should be provided for at once.

As I have said, one of the promises made by the Liberals during the election was a monetary change, and if I may be permitted to refer to Hansard, at page 1982, I will show the committee exactly what the people expected. It is contained in the speech of a Liberal who, I see, is not in his place to-day, but from whom I expected to hear a great deal on the bank question, because I listened to him on the platform in Alberta, and I expected that as a Liberal he would take a

similar stand in this house. For some mysterious reason, however, he is not in the chamber to-day. This is what he said:

> Now, let me say one further word. The right hon. Prime Minister asked some member on the other side of the house what industries this government should take over. Well, speaking as a Liberal,—

I should like hon. members to note that.

> —I thought we came here to take over from the Bank of Canada the industry of manufacturing Canadian capital. I want to go further and say that until such time as we are prepared to vest in the government of this dominion the power to create, issue and regulate currency and credit in terms of public need, there will be no solution of either the tax, the debt or the unemployment problems in the Dominion of Canada.

Unless Liberals take heed to some of the suggestions that have been given them to-day and carry out some of the election promises they made all over the dominion not long ago, they are surely building a cross upon which they themselves will be crucified at the next election, if not before.

Mr. MACKENZIE KING: Now that my hon. friend has concluded his remarks, may I say that the last of them were completely out of order. He was quoting from a previous debate in the present session, and that is against the rules of the house.

Mr. STEVENS: Which the right hon. gentleman did a few moments ago.

Mr. MACKENZIE KING: And he was out of order if he did, unless, as was the case, it was on a point of order.

Miss MACPHAIL: We shall soon not be able to debate at all.

Mr. STEVENS: As I intimated a few moments ago, it is not my intention to debate this resolution at any length. I wish, however, to address a request to the minister and to make one or two observations in connection with the resolution. Personally I am not very much concerned whether the Bank of Canada Act is amended or not. I do not think it requires amendment to enable the government and parliament to make very wide and extensive use of the powers of the present Bank of Canada as set forth in the existing statute. What is of importance, I believe, to this country is: what is the purpose behind it all? What is the intention of the government? What is this policy that is to be put into operation after the Bank of Canada Act has been amended? A few moments ago, when we were discussing the point of order, I read a section of the preamble of the act. Perhaps I might repeat that, merely to emphasize what I desire to request of the minister. The preamble of the existing act declares that the purpose of the act is, among other things:

> —to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generaly to promote the economic and financial welfare of the dominion.

That is an indication of the purpose of the creation of the Bank of Canada. It will still remain, I assume, as the general declaration of the purpose of the bank. I should like to ask the minister whether on the second reading of the bill to be founded upon this resolution he would be good enough to make a statement of the policy of the government, having in mind these broad declarations of intention as to the use of this bank, and having also in mind the needs of the country at the present time. It is my intention, when this bill comes forward for second reading, to discuss at greater length certain matters appertaining to it. One other request I make of the minister is this: Would he delay the second reading for, say three days to give us an opportunity to read the printed bill and give it a reasonable amount of study? I suggest this because the bill amending the Bank of Canada Act is, in my opinion, the most important piece of legislation suggested to the house this session, and it is not unreasonable, I think, to ask that we be given two or three days to study a bill which we have not yet seen.

While I am on my feet, and just to complete my observations, may I say that the minister, in presenting his resolution, made an excellent résumé of the functions of central banks, and the history of them in various countries. It is a most useful statement and one, I believe, that met with the approval of the house generally. But I suggest that on the second reading of the bill we are entitled to know the policy of the government. To the right hon. the Prime Minister I would say that I have no desire to drag in election speeches or election promises, because I recall a very eminent Liberal statesman quite a number of years ago saying in this house on one occasion that election promises were like the platform of a pullman car, made to get in on—

Mr. LAWSON: Something to get out on, too.

Mr. STEVENS: —and I have never forgotten that trite observation by a very eminent Liberal authority; consequently I am

not inclined to hold the Prime Minister to task for utterances he may have made during the period of the election. If we can have a statement of the government's intention as to how they purpose using this reconstructed bank after the bill becomes law, it will be of value in the debate.

Mr. W. A. TUCKER (Rosthern): At the outset I must object to the suggestion that the political morality of this country has sunk to the level indicated by the hon. member for Kootenay East (Mr. Stevens). So far as the Liberal party is concerned, as I understand its political platform, it is made for far more than to get in on.

Mr. STEVENS: I was merely quoting the statement of a very eminent Liberal statesman. The hon. member will find it in Hansard if he chooses to look it up.

Mr. TUCKER: The reason I referred to it was that I took it that the hon. member for Kootenay East quoted it with approval, and as far as I am concerned I want to repudiate it on behalf of the Liberal party, in so far as I may speak in a humble way for that party. Like the hon. member who has just spoken, I consider that the measure before the house is one of the most important that has come before parliament at this session. Like him I agree that it should be the wish and the will of this parliament to give all the time necessary to the discussion of this very important question.

It seems to me that as far as the Liberal party is concerned we take the attitude that we have, as it were, two main lines of attack on our present problems. The first is to lower the obstacles to trade in order that Canada may exchange her surplus products, of which she has no need, for the surplus products of other lands in order to increase the total amount of wealth available for distribution among the Canadian people. That is the primary policy of the Liberal party, the policy of freer trade among the nations of the world. The second line of attack has become increasingly important. It was enunciated by the leader of the Liberal party, the present Prime Minister, in this House of Commons on February 27, 1933, as follows:

> The Liberal party recognizes that the problem of distribution has become more important than that of production. It believes that personality is more sacred than property. In all its policies it has been guided by that principle, above everything else. It will continue to devote itself to finding ways and means of effecting a fair and just distribution of wealth with increasing regard to human need, to the furtherance of social justice and to the promotion of the common good.

As far as I am concerned, I consider that we have come to the point, in the words of that statement of policy, where the problem of the production of wealth within the country and its exchange with other countries is not as important as the problem of the distribution of that wealth among the people of Canada. So I take this attitude: We have spent many days on the very important problem of lowering the tariffs in order to increase the wealth available for distribution among our people, and we should be willing to go in great detail into what I regard as the first great approach to the problem of a more equitable distribution of our wealth among our people. I may be wrong, but as I see it this is the first important legislation to be brought down designed to make a definite attack upon that problem of the distribution of wealth. I think this government has gone very far, in its first session, in carrying out its promise to lower the tariff. In my opinion in this bill the government is going a considerable distance toward monetary reform.

Some hon. members who have spoken previously have suggested that this legislation does not go the full length of one hundred per cent ownership and control of the Bank of Canada. As far as I am concerned, if it were a question of government ownership or government control I should say that the important thing was government control. That is the all important thing, because, after all, when you consider the question of ownership you have at the same time to consider certain incidental rights. If you cut down those rights to the point where mere legal ownership carries no rights whatever, then your ownership practically vanishes, and it seems to me that as far as the shareholders of the Bank of Canada are concerned in all respects but one we are approaching that point. We are saying to them: "We will leave you the possession and ownership of your shares but we will take away from you the right to control the policy of the institution. We vest that right in a brand new set of people of whom you had no knowledge when you invested in those shares, and they can, if they wish, guide and direct the destinies of that institution without regard to your wishes. The only right we leave with you is the right to draw 4½ per cent per year in dividends if, under the guidance and control of that new body, the bank manages to earn such dividends." Therefore I submit, Mr. Chairman, that in effect we have taken over one hundred per cent control of this institution. We are taking actual ownership to the extent of fifty-one

per cent, and by virtue of taking over complete control we have deprived the people who still retain the technical ownership of their shares, of most of the rights incidental to such ownership. So I take it that we have proceeded, to the extent of somewhere between seventy-five per cent and one hundred per cent, to assume complete ownership of the Bank of Canada.

As far as I am concerned I should like to make it clear that if in the first session of this parliament, having this bill before us with the ability to pass it through this house, hoping and expecting that it will go through both houses of parliament, we can proceed from seventy-five per cent to one hundred per cent along the road to complete ownership and control of the central bank, it seems to me that is something worth while, which should receive enthusiastic support in this house and throughout the country. I do not suggest that I would not have liked to see this bill provide for the government taking over every share owned by private interests. Personally I would have been gratified to have seen that, but I am not one of those who, because they cannot get their own way entirely, will not go seventy-five per cent of the way, which at the moment is as far as my fellows in the same party are prepared to go. After all, the only person in any country in the world, under any system of government, who can get his own way at all times is a man like Mussolini, and we want no Mussolinis in Canada. I do not fancy that any single member of parliament thinks he should have the rights that Mussolini has.

I should like to suggest to the Minister of Finance, however, that one of the rights we do leave these shareholders is the right to draw 4½ per cent on the money they have invested, and incidentally we have practically guaranteed that dividend. The hon. member for York South (Mr. Lawson) the leading financial critic of the opposition, suggested that when the gold was turned over to the Bank of Canada good value was given for it. I suggest that such was not the case, and that by virtue of that little deal the previous government absolutely guaranteed those shareholders earnings several times in excess of the dividend they are supposed to get. What did the government do? They turned over to that bank $69,000,000 of gold, in round figures, and $986,000 of silver, and they provided that for every dollar of gold held by the Bank of Canada it could issue $4 in printed paper money. So. by turning over to that bank $69,000,000 in gold, we put it within the power of that institution to print, in round figures, $277,821,000 of paper money, which we declared to be legal tender. But, the last government said, because the Bank of Canada has to redeem $185,000,000 worth of Dominion of Canada notes, in addition to the gold which we have given it, we are going to give it $115,000,000 in government bonds, bearing interest at 3 per cent, carrying an annual income of $3,450,000, payable in cash in 1940. In order, forsooth, that the Bank of Canada can redeem $185,000,000 worth of dominion government notes we have given them gold whereby they can issue legal tender to almost $100,000,000 more (than the amount they have to redeem); yet we have to give them our bonds on top of that. What kind of sound finance is that? It is costing the people of this country, by virtue of setting up the Bank of Canada, $3,450,000 annually until 1940, an out and out gift to the Bank of Canada, and we are going to hand them the money, $115,000,000, in 1940. There is the situation. By what manner of means can that be justified? If you went to the Bank of Canada to-day with a dominion government note and said: Under the Bank of Canada Act you must redeem that note; you have already been paid for it; what would they give you? They would give you another note, printed by themselves, issued against the gold they have already received from the government. And because they do that they are actually going to be paid $115,000,000 in 1940 and in the meantime be paid $3,450,000 annually. That means that we have guaranteed the Bank of Canada —they cannot possibly lose that much surely— an income of four and a half per cent to these people who have invested in that stock.

There are two points I suggest in regard to that. The first is that in my humble judgment the time has come that this dominion should not pay a bit more than one per cent for its money. And we should not perpetuate the condition of anybody drawing four and a half per cent as a result of government operations in finance. Some people who invested in Bank of Canada stock may take the attitude that the government should not cut down their rate of interest. In view of the fact that the banks to-day are paying depositors only one and a half per cent, when they formerly paid three per cent, if the banks have the right to cut down the rate of interest to the extent of fifty per cent, I suggest that we should cut down the rate of dividend payable on these shares to at least the same rate which the banks pay to their depositors. Then I would say to these shareholders: If any of you are not satisfied with one and a half per cent, we will take your shares over at the actual market value. I make that suggestion to the Minister of Finance as a fair and equitable arrangement. It is not a fair or equitable arrange-

ment to put a charge on the people of this country of four and a half per cent on $5,000,000 indefinitely.

Mr. MACDONALD (Brantford): Is there a guarantee of four and a half per cent?

Mr. TUCKER: Well, I sought to show how it is guaranteed. If we actually pay the Bank of Canada $3,450,000 annually until 1940 and at that time actually hand over to them $115,000,000, having made that donation to these people who only put $5,000,000 into the proposition, if they cannot pay four and a half per cent during our lifetime they are not the clever people they were represented to be. It is a most amazing thing. We pay the Bank of Canada that amount of interest, and I know some people boast about the wonderful success that attended the operation of the Bank of Canada last year. According to their annual report, having drawn from us that amount in interest, they turned over to the receiver general of Canada, $346,000. It is true they transferred $173,000 to rest account. But apparently it took quite a bit to operate the central bank. I suggest that having given them those rights we should have absolute control of that institution.

One reason why I suggest that we should have absolute control of the Bank of Canada is in view of its power over the prices that prevail in the country. It is suggested in the preamble to the Bank of Canada Act that a properly constituted central bank will have an influence on price levels. Some people seem to have the idea that prices are pretty well governed by supply and demand and that monetary action has nothing to do with the level of prices. I suggest that we should take control of the central bank because I think it is very important to operate upon our general price level so that the burden of debt, of interest and of fixed charges in this country will be decreased. In western Canada—and the same is true in eastern Canada, but I speak of western Canada because I know something of conditions there—we have had the Farmers' Creditors Arrangement Act operating, and I do not think any board has worked harder or more sincerely or more anxiously to try to meet the difficulties of the farming community than the board of review and the different officers operating the Farmers' Creditors Arrangement Act in Saskatchewan. But what has happened is this—I think I am in order, and perhaps I should justify myself before I am called to order—people went to western Canada, many from the old province of Ontario; they went out there thirty or forty years ago; they worked and their families worked and they saved. I know some hon. members suggest that the farmers have been extravagant; that they bought a Ford car perhaps, or after twenty years of work took a trip to California. But when a family in western Canada and their children worked and deprived themselves of what they needed for twenty or thirty years, were they not entitled to a cheap car and to possibly one trip away during that time? I submit that is not extravagance. I submit this—and every hon. member knows it is true—that there is no equal number of people on the face of the globe who in the same period of time have produced so much real wealth as the people living in western Canada. But what do we find to-day? We find that the majority of people in western Canada actually owe more than they own.

The CHAIRMAN: Order.

Mr. TUCKER: I submit I am in order in this. It is proposed by the government to take over control of the Bank of Canada with a view to regulating the level of prices. I submit that we should take it over, and that we should use it to raise the level of prices in order to decrease the burden of debt, and I submit that I am absolutely in order when I ask the right to continue the debate as I am doing.

Miss MACPHAIL: Being a Liberal you will probably be able to do it.

The CHAIRMAN: Order.

Mr. TUCKER: I submit I am in order. If you rule me out of order I will gladly submit to your ruling.

The CHAIRMAN: The hon. member for Southeast Grey is out of order with her remark. I should like to ask that it be withdrawn.

Miss MACPHAIL: May I point out that I am the member for Grey-Bruce.

The CHAIRMAN: Then I should like the hon. member for Grey-Bruce to withdraw her words.

Miss MACPHAIL: To withdraw what?

The CHAIRMAN: You know.

Miss MACPHAIL: I?

The CHAIRMAN: Yes.

Miss MACPHAIL: No, I don't know. I simply stated that because the hon. member who spoke was a Liberal he would be able to continue.

The CHAIRMAN: It is a reflection upon the chair, and I should like to ask the hon. member to withdraw.

Miss MACPHAIL: I have no desire to cast any reflection on the chair. I cannot see how my remark does cast any reflection upon the chair, because a few minutes ago—

Mr. REID: I was stopped in my remarks.

Miss MACPHAIL: A few minutes ago the Minister of Finance stated that the hon. member for Bow River (Mr. Johnston) was not in order, when he was quite evidently as near to being in order as the hon. member who was speaking when I made my remark. The hon. member for Rosthern (Mr. Tucker) was saying that he hoped he would be allowed to continue, and I said that I thought he would, because he was a Liberal. But if the remark is offensive to the chair, I withdraw it.

Mr. REID: It is wrong, because I was stopped in my remarks.

The CHAIRMAN: I do not wish to be insistent upon it, but I should like to ask the hon. member for Grey-Bruce to withdraw without any qualification.

Mr. HEAPS: Mr. Chairman, I think you ought to be fair to the hon. member who has just spoken. She withdrew her remarks, and gave satisfaction to the hon. member in question. I suggest that you should not insist upon a new kind of withdrawal.

The CHAIRMAN: Order.

Mr. HEAPS: I do not think everybody should be ruled out of order as soon as he rises to speak. Is that a new procedure with which we will be faced?

The CHAIRMAN: I must insist that the hon. member for Grey-Bruce withdraw her remarks, without qualification.

Miss MACPHAIL: I now rise to say, then, that the hon. member will not be given special privilege because he is a Liberal. And in order that the chair may be pleased, I withdraw any statement I made which might be considered disrespectful to the chair.

Mr. DUNNING: Qualified again.

The CHAIRMAN: Proceed.

Mr. TUCKER: I do not wish to be out of order, but I have listened to debates concerning the tariff which were of great importance, and I must say that this debate which affects the burden of debt, of fixed charges, is of equal importance. I intend to argue that during the last year the Bank of Canada has not operated so as to effect a levelling upwards of prices. The level of prices has been left stationary. I intend to argue that it is time that we took control of the Bank of Canada in order that it may begin to operate as it was intended to. I do not intend to take more than a moment to speak concerning the debt of Canada.

The attitude of boards of review has been that if a person applying for adjustment did not receive what he considered reasonable he always had the right to go into bankruptcy. It was always considered that he should be ordered to pay a little more than he would have paid if he had gone into bankruptcy. In other words the situation has been that our farmers in western Canada have been ordered to pay all their assets would permit, and a little more because they are told: Well, if you went into bankruptcy you would not have to pay these unsecured debts, but as you are not doing that you should pay something extra. The result is that in spite of the operations of the Farmers' Creditors Arrangement Act western Canada is now in a position—

The CHAIRMAN: I must insist that the hon. member confine his remarks to the resolution before the committee.

Mr. TUCKER: I would like to say that I did not participate in the budget debate, on the understanding that at some time I would be permitted to give an expression of my views on these matters. There was a definite understanding to that effect. If it comes down to that, I expect to have that right honoured.

The CHAIRMAN: I would say to the hon. member that he probably will have that chance, but not to-night under this discussion.

Mr. TUCKER: This is the time I would like to discuss these matters, and I do not see any particular reason why, when an arrangement is made, it should not be carried out. I am saying that it exists now, and in fairness to the people I represent I wish to claim the right to speak. If I cannot rely upon an undertaking that is given, henceforth when I think I should speak in justice to the people who sent me here, I will speak.

The CHAIRMAN: Is the committee ready for the question?

Mr. TUCKER: Mr. Chairman, the resolution is not carried yet. I just sat down to see if you had changed your ruling, but as apparently you do not intend to change it I shall continue.

I was arguing as to the necessity of the central bank being used to effect a levelling

upwards of prices. That is one of the purposes for which I hope we are taking control of the bank. In connection with the fact that the central bank should operate on the level of prices I shall argue first of all that it is very important that it be government owned and controlled.

I have in my hand the report of the committee on finance and industry, known as the British Macmillan report. Paragraph 31 reads as follows:

> It follows that the functions of a central bank and the obligations resting upon it are of a very special character, calling for skill, experience and judgment of a kind different from those which must be possessed by commercial bankers. No banker can neglect the rules of prudence and of safety, but the object of a commercial banker is to make a profit. The situation of the Central Bank is such that it must often undertake operations which are not only not profitable, but result in losses. Its aim must be the safety of the financial system and the economic welfare of the country.

In view of the words in the British Macmillan report I argue that as the central bank must often undertake operations resulting in losses, the less profit interest there is involved which is inevitably concerned with losses on capital investment, the more likely are the best interests of the country to be served, and the less likely it is that too much consideration will be given to the earning of profits.

In connection with the purpose of a central bank I should like first of all to read from the resolutions passed at the imperial conference at Ottawa, and in connection therewith I shall read in the first place from the statement by the present leader of the opposition (Mr. Bennett), the then Prime Minister, to the conference:

> Canada, like all other countries, has suffered severely from the calamitous fall in commodity prices. Since August, 1929, our index of wholesale prices has fallen 32 per cent and is now only 4 per cent above the pre-war level. This means that the dollar has increased in purchasing power by 48 per cent. As a result of this rapid and persistent decline in the general price level and the inevitable disparities created between different kinds of prices, normal business relationships have been disrupted, profit margins have disappeared in many cases, enterprise has been discouraged, unemployment has steadily increased, the fiscal problems of all our public bodies have been greatly aggravated, and the burden of fixed charges is exerting an almost intolerable pressure upon some of the strategic elements in our national economy.
>
> Interest charges represent the most important of the fixed or semi-rigid elements in our cost structure. If prices remain on their present level, such charges will constitute an intolerable or almost intolerable burden in many cases. Even if it can be borne, the fortuitous gain to the creditor of 40 to 48 per cent in general purchasing power above what he contracted for appears to be a grave injustice.

That was the situation as explained by the then leader of the Canadian delegation at the imperial conference as to the necessity of restoring the level of prices so that the burden of interest, debt and fixed charges would not be intolerable.

I should like to quote from the statement of the Right Hon. S. M. Bruce, leader of the Australian delegation at that conference, and I do so because I think it is very important that this country should be fully seized of the fact that we can by operating through the central bank restore, if we so desire, the level of prices, and in order that the Canadian people may know where to place the blame if the price level is left where it is and the burden of debt in its present intolerable load is left around the necks of our people. I wish to go into this with some considerable degree of care. As I said at the outset, the question of the tariff is important, but this question is equally important and the members of this parliament should in my opinion be prepared to give it their serious attention.

In passing, I regret that the right hon. leader of the opposition is not in his seat to-night. Young member as I am of this house I have given some study to the work he did following the Imperial Economic Conference, and particularly what he did along those lines in this country. After this statement was given to the Imperial Economic Conference by the present leader of the opposition, then Prime Minister, we find him coming back from the conference and expanding the actual currency of Canada by $53,000,000. He also put through a transaction whereby treasury bills were discounted with the banks, resulting in $35,000,000 more of currency being put into circulation. In other words, following the economic conference, the Prime Minister of Canada and his government put into circulation over $80,000,000 of new currency, and I submit that had he courageously continued to follow that policy the situation would be different to-day. Prices began to rise; farmers began to get more for their wheat and other products; people in the factories got more for what they had to sell, and business conditions generally were being restored through the placing in circulation of an adequate supply of money. I can show that by giving the rise in the level of prices if I have time. Having taken that action, instead of continuing in it, the then Prime Minister set up a privately owned central bank and gave them control of the situation, and since then, so far as I can see there has been not a thing done in the way of putting out more purchasing power. There has been, on the contrary, deflation, and it is time that we took control of the central bank to reverse that

process. That is the question to which I wish to direct my remarks to-night, and which I submit should engage the attention of this house.

The Right Hon. Stanley Bruce, leader of the Australian delegation, said:

There is no question of greater interest to Australia at the present conference than that of action to bring about a higher price level and stability of exchange. Unless an increase in commodity prices can be achieved it is difficult to see how the present financial and economic system of the world can be maintained. In relation to this conference of British countries it is obvious that any reciprocal tariff arrangements that are arrived at can be of little benefit unless the paralysis of trade is stayed and the price level is raised.

The peoples of the world have shown remarkable patience in submitting to the severe adjustments already made. But they have not been enough. As to the further action needed, one school of thought maintains that the only way out is that we should go on reducing down to the point that will allow profitable production on the basis of the present price level. Another school maintains that it is impossible to bring about the necessary further reductions and that a solution can be found only by an increase in commodity prices and the stabilizing of exchange.

He goes on:

Australia subscribes to the second view.

I could read more as to the action that should be taken in the opinion of Mr. Bruce, but time will not permit.

I wish to quote now from the statement of Hon. N. C. Havenga, leader of the South African delegation:

We are all oppressed by the phenomenally low level of commodity prices. We all desire higher prices, but what we mean is not that cheapness, or in other words, plenty, is an economic evil, but that having made all our dispositions on the level of values of say 1928, we find that all our machinery is out of gear when we have to sell at the prices of 1932.

But must we act on the assumption that this state of affairs will continue indefinitely? What are the great economic factors in the world to-day?

We have plenty of commodities, and the power of producing much more if need be.

We have millions of people desiring those commodities but lacking in an effective demand for them. We have millions of money, seeking safe investment, and unwilling to assume the risk of carrying out its normal function, which is to link up the commodities with the people requiring them.

But we lack the gear-lever which will link up the machinery of production through universal joints to the differential of consumption which will set in motion the wheels of progress.

There Mr. Havenga puts his finger on what I submit our party had in mind when it said that the problem of distribution had become of more importance than that of production. That is a question to which I think every member of parliament should give the best possible attention.

I have quoted Mr. Havenga because nobody would suggest that he was identified with any party in this house. I should also like to quote a sentence or two from the statement of Sir Henry Strakosch, one of the delegates from India:

The fall in prices and the consequent process of economic disintegration has already reached so advanced a stage that there is no time to lose. If we are to avoid troubles far more acute and far more dangerous than those we have already experienced, quick and determined action is necessary.

I should like now to read the resolutions which were adopted at the imperial conference held in Ottawa in 1932, and I do so because they represent the considered judgment of the leading statesmen of the empire. I submit and urge that we should give some consideration to carrying out what these leading statesmen of the empire stated was necessary in order to restore a reasonable measure of economic adjustment for the peoples of the empire. This is from the first resolution:

A rise throughout the world in the general levels of wholesale prices is in the highest degree desirable. The evil of falling prices must be attacked by government and individual action in all its causes whether political, economic, financial or monetary.

There is a definite recommendation. A further resolution states:

In the monetary sphere the primary line of action towards a rise in prices should be the creation and maintenance, within the limits of sound finance, of such conditions as will assist in the revival of enterprise and trade.

The CHAIRMAN: I do not like to interrupt, but the hon. member has spoken forty minutes.

Mr. TUCKER: I think I should be allowed, Mr. Chairman, the time taken up in interruptions.

Mr. T. C. DOUGLAS (Weyburn): Mr. Chairman, it seems to me that we have had a splendid example to-day on the part of the government of what the Japanese call "saving face," for no matter how much the Prime Minister may attempt to differentiate between public control and public ownership; no matter how much the government may care to indulge in verbal casuistry, the fact of the matter remains that the rank and file of the Liberal party both in the west and the east, but particularly in the west, were of the opinion that the Liberal party stood for a publicly owned and publicly controlled central bank.

An hon. MEMBER: Speak for yourself.

Mr. DOUGLAS: The hon. member says, to speak for myself, but I prefer to let the

authorities speak. I should like to direct the attention of the committee to some things which speak more eloquently than I can. I have in my hand the report of the committee on banking and commerce which sat in 1934, and I quote from pages 88 and 89, in connection with the consideration of a motion presented by the hon. member for Vancouver Centre (Mr. Mackenzie) on March 15, as follows:

That before proceeding with the discussion, clause by clause, of Bill No. 19, an act to incorporate the Bank of Canada, the select standing committee on banking and commerce is of opinion that the proposed Bank of Canada should be owned and controlled by the Dominion of Canada and that the provisions of the said bill should be altered accordingly.

Those in favour were:

Messrs. Bothwell, Casgrain, Coote, Donnelly, Duff, Euler, Howard, Lapointe, Mackenzie (Vancouver Centre), Power, Raymond, Sanderson and Spencer.

With the exception of Mr. Spencer and Mr. Coote, the rest were members of the Liberal party, some now being members of the cabinet. The motion which they supported was not only for control; it was that the central bank should be owned and controlled by the Dominion of Canada. I submit that if that was a good motion to make and support in 1934 with a Conservative government in power, it is a good motion to make and support in 1936, with a Liberal government in power. The gentlemen who supported that motion are saying nothing about it to-day. We must either assume that they supported it to embarrass the government of that day, or that they have since changed their minds with reference to the ownership and control of the Bank of Canada.

In Saskatchewan we have heard the opinions of members of the Liberal party as to a central bank. I hold in my hand the report of the Agricultural Credit Commission of that province, appointed in 1913. This report gives a very fine summary of conditions in the province at that time, when they were not good for the agriculturist. Those who signed that report were: J. H. Haslam, Charles A. Dunning and Edmund H. Oliver. After reviewing the conditions which existed, they made some very fine recommendations.

Mr. DUNNING: I am very proud of that report.

Mr. DOUGLAS: I think the Minister of Finance has good reason to be proud of it as it is a comprehensive document. Resolution No. 2 of the report is as follows:

That legislation be enacted to provide for the establishment of a cooperative mortgage association for the raising of funds on mortgage bonds and the granting of loans to farmers on mortgage security for approved agricultural productive or improvement purposes only; such legislation to embody the features hereinafter mentioned.

Without wearying the committee, I should like to quote recommendation No. 17, which reads:

That the Saskatchewan Cooperative Farm Mortgage Association establish as soon after its foundation as is feasible a bank with headquarters within the province to conduct a regular banking business both through branches of its own and, wherever possible, with and through the locals, and officers of the association.

As I read that I submit that the Minister of Finance has moved a long way from the position he then held.

Mr. DUNNING: Oh, no.

Mr. DOUGLAS: I am reminded of the lines of Dorothy Parker, who said:

When I was young and bold and strong,
Then right was right and wrong was wrong;
With plume on high and flag unfurled
I went forth to fight the world.
"Come out and fight, you dogs," said I,
And wept there was but once to die.

Now I am old, and good and bad
Are woven in a crazy plaid.
I sit and say "The world is so
And he is wise who lets it go.
A victory lost a victory won
The difference is so small, my son."
Thus inertia rides and riddles me,
The which is called philosophy.

An hon. gentleman opposite said that I should speak for myself, but I should like to give the stand of the Liberal party on this question. I have before me some of the campaign literature which was circulated in my constituency. For instance, I have the platform resolutions of the Saskatchewan Liberal party adopted at Moose Jaw, June 15-16, 1931. On page 5 I find the following:

Monetary and Banking Reform

The Liberal party, while recognizing that the monetary and banking system is a matter coming wholly within the jurisdiction of the federal parliament, pledges itself:

1. To encourage and support the establishment of a central bank of rediscount under absolute government control, which central bank should issue all currency.
2. To advocate the granting to provincial and municipal governments of the right, upon deposit of sound securities, to apply direct to such central bank for currency, the same to be issued to such governments at cost or a minimum rate of interest.
3. To urge amendment of The Bank Act to provide for the imposition of a penalty on any bank charging more than the legal rate of interest stated in The Bank Act.
4. To urge that the Canadian dollar be brought to a parity with the British pound sterling.

Of course those were resolutions, but they were circulated among the people of Saskatchewan, who were given the impression

that that was the policy of the Liberal party. I have before me another pamphlet which states at the back that the paragraphs therein have been extracted from the official report of the Prime Minister's (Mr. Mackenzie King) speech in the House of Commons on February 27, 1933. Under the heading, "Control of credit," I find the following:

> The Liberal party believes that credit is a public matter, not of interest to bankers only, but of direct concern to the average citizen. It stands for the immediate establishment of a properly constituted national central bank, to perform the functions of rediscount, and the control of currency issue, considered in terms of public need. A central bank is necessary to determine the supply of currency in relation to the domestic, social and industrial requirements of the Canadian people; and also to deal with problems of international commerce and exchange.

Mr. MACKENZIE KING: What is wrong with that?

Mr. DOUGLAS: There is nothing wrong with it. What we are asking for now is legislation to implement that.

Mr. DUNNING: It is before the committee.

Mr. DOUGLAS: I have before me another one to which I do not think hon. members opposite will say, "hear, hear." This is headed, "Supplementary platform resolutions of the Saskatchewan Liberal party." They were adopted by the council of the party on January 9-11, 1934. This one states:

> Resolved, that this council of the Liberal party of Saskatchewan strongly objects to the capital for the proposed central bank being privately subscribed, and believes that the interests of the people of Canada can best be served by a central bank the capital of which is fully owned and controlled by the government.

I direct the attention of the committee to the words "fully owned." This resolution was circulated throughout the province and the people were given the impression that it constituted the policy and the program of the Liberal party. Not only were these resolutions passed by the rank and file of the Liberal party, but the same idea was encouraged by members of the Liberal party who were acting in a more official capacity. I remember in 1934 when the hon. member for Vancouver-Burrard (Mr. McGeer) came into my riding and told the people that they were going to nationalize the Bank of Canada. Last year the Minister of National Defence (Mr. Mackenzie) came into our fair city, where we were very glad to greet him, and substantiated the remarks of the hon. member for Vancouver-Burrard.

That was true not only outside but inside the house. I am not going to read all the extracts that were cited this afternoon, but one phrase of the hon. member for Waterloo North (Mr. Euler), now Minister of Trade and Commerce, is particularly notable. As reported at page 454 of Hansard of 1935 he made this statement:

> We are handing over all our own gold and all the gold of the chartered banks to this privately owned bank and the privilege of issuing currency, though not as much as they should have; moreover they have the control of credit in their hands. I for one do not think that power should remain in the hands of a privately owned bank.

Hon. Charles Stewart, then member for Edmonton West, as reported at page 463 of Hansard of the same year made a similar statement:

> We will stand, as the hon. member for North Waterloo has indicated, for public ownership and control of this central bank.

Of course, it may be said that these were expressions of private opinion. But the fact of the matter is that no attempt was made to tell the public that this was not what the party meant. These expressions were sent through the country broadcast, with the result that, although the Prime Minister may be perfectly correct in his differentiation between terms, there will be a great deal of disappointment in the rank and file of the Liberal party if the resolution as now drawn up is passed as the monetary policy of the government.

With reference to the Prime Minister himself I need hardly waste the time of the house —and I mean that in no derogatory sense— in quoting what most hon. members have already read. In the Vancouver Sun of September 30, 1935, appeared the following:

> Mr. Mackenzie King told Vancouver in the Arena, Saturday night, what the Liberal party stands for in this election.

Then there are enumerated ten items. I do not think it is necessary for me to read them; I will do so if the committee wishes; but number 3 deserves particular notice:

> Removal of barriers that prevent credit from serving needs of the people, primarily by nationalizing the central bank.

Number 10 is also very interesting, though, like the hon. member for Rosthern (Mr. Tucker) I may suspect myself to be out of order:

> Reduction or abolition of the sales tax on the necessaries of life.

An hon. MEMBER: Order.

Mr. DOUGLAS: May I point out that throughout this session of the house the same impression has persisted? The hon. member for York South (Mr. Lawson) quoted this afternoon the hon. member for Rosthern. I am not going to do that; I think he has been quoted enough; all I will say is that I admire his courage and I trust it will not fail him. But I remember that the hon. member for Saskatoon (Mr. Young) said, as reported at page 555 of Hansard of this year:

I think I can say, with equal accuracy, that the position of the Liberal party is well known as being in favour of a nationally owned and controlled bank.

Again the words "owned and controlled." He says:

I see before me my genial friend the Minister of National Defence (Mr. Mackenzie), and I am quite sure he will not disagree with that statement.

The hon. member for Fort William (Mr. McIvor), speaking to the resolution of the hon. member for Rosetown-Biggar (Mr. Coldwell) asking for the nationalization of the central bank and the chartered banks, said:

If the mover would cut the tail of this resolution I would support it because, as the hon. member for Saskatoon (Mr. Young) has said, we campaigned on the issue of a national bank, nationally owned and controlled, and as far as I am concerned I am prepared to put into effect the platform on which we went to the country.

Has the hon. Minister of Finance any objection?

Mr. DUNNING: I just remarked that it was out of order to quote from a previous debate in the same session.

Mr. DOUGLAS: I had a sneaking idea that I might be out of order; I watched the hon. member for York South (Mr. Lawson), a former cabinet minister, and I saw him quoting from Hansard, so I thought I must be right; then I saw the right hon. Prime Minister quoting from this year's Hansard, and I was sure I was right.

Mr. DUNNING: It was on a point of order.

Mr. DOUGLAS: But since a point of order is raised I will not read these extracts, except to say that there are extracts from speeches made by the hon. member for Portage la Prairie (Mr. Leader) and the hon. member for Kamloops (Mr. O'Neill), and it will not hurt for me to state the pages at which they are reported, namely 611 and 613 of this year's unrevised Hansard, and to mention that in their statements they stated that they were elected because they campaigned for a publicly owned and publicly controlled bank.

Let us see what others said about the legislation being brought down by the government. This is taken from the Financial Post of March 21, 1936:

With the announcement of the government's legislation to "nationalize" the Bank of Canada, all danger of important change in the existing set-up of this institution evaporates.

To all practical purposes, the government's legislation is eyewash and it is a safe forecast that opposition groups, who believe in outright nationalization, will easily identify it as such.

I have no wish to labour this point. I am sure it is perfectly apparent to the committee that the Liberal party have, in Hansard, in committee, and in the country at large, given the impression—at least certain members have—

An hon. MEMBER: Ah.

Mr. DOUGLAS: —that their party stands for and is prepared to initiate a policy of a publicly owned and publicly controlled Bank of Canada. What I want to know is why those members who admit that they were elected on that program have had nothing to say to-day. I have been wondering about that for some time. I hope the solution is not to be found in an article which appeared in the Vancouver Province, April 27, 1936, written by Mr. Charles Bishop. I cannot vouch for the authenticity of this, but Mr. Bishop is noted across Canada as a journalist.

Mr. MACKENZIE KING: I assume my hon. friend knows that to read any articles from newspapers commenting on proceedings in the house is out of order. I draw his attention to that fact before I hear even what he has to say. If it is an article from the press that reflects upon the proceedings of this house or the words of any member of this house, it is out of order. I will give my hon. friend the citation:

It is not in order to read articles in newspapers, letters or communications emanating from persons outside the house and referring to, or commenting on, or denying anything said by a member or expressing any opinion reflecting on proceedings within the house.

Mr. DOUGLAS: Mr. Chairman, I am sure you must be grateful for the valuable assistance you have had to-day. This article is not concerning the house, but concerning a caucus of one of the parties of the house. If you rule it out of order I will not read it. I have no wish to violate the rules of the house.

An hon. MEMBER: Well, then, do not do it.

Mr. DOUGLAS: I will read it, and if you wish to stop me I am quite willing to stop.

The Canadian National and Bank of Canada bills will be contentious. Matters might be considerably facilitated if the government could select a day to bring down the bank bill when Messrs. McGeer and Tucker, the Liberal monetary reformers, happen to be absent from the house.

Some hon. MEMBERS: Order.

The CHAIRMAN: The hon. member is out of order.

Mr. DOUGLAS: I think, however, Mr. Chairman, it is hardly necessary for me to read the quotation. The statement made by the hon. member for Rosthern to-night clarifies the issue considerably. The whole matter boils down to this, then, whether or not all that could be expected from a publicly owned and a publicly controlled bank can be secured through the legislation now being suggested by the Minister of Finance. In other words, if a central bank in which the majority of the shares are held by the government can give the same satisfaction as a publicly owned and publicly controlled central bank, then the people who supported the government on that basis ought to be satisfied. I submit that this will not be the case. The Minister of Finance presented this afternoon an excellent case for a public bank as opposed to a private bank. He pointed out very forcibly that the power of issuing currency and credit was too great to be left in the hands of a few private individuals, or he used words to that effect, and he will correct me if I am not quoting him exactly. Then I maintain that if this power is too great to be left in the hands of a group of private individuals it is also too great to be left in the hands of some individuals appointed by private interests and others appointed by the government.

Mr. DUNNING: It is not so intended.

Mr. DOUGLAS: Well, let us see. I turn to Hansard for 1934, at page 826. The Minister of Finance of that day, Mr. Rhodes, said:

> It cannot be too strongly emphasized that the exercise of these functions lies outside the power of any single commercial institution or group of commercial institutions. No purely profit-making institution operating in a competitive system can afford to place social interests before its own in regard to credit policy. This, I think, is obvious. Nor can the management of such a body be expected to regard the maintenance of the monetary standard, for example, as a duty prior to its obligations to the stockholders.

My contention is this: The suggestion of the Minister of Finance is that we should have a board of directors, seven of them private individuals now appointed by the shareholders and four with two votes each to be appointed by the government, or in other words a voting strength of eight to seven.

Mr. DUNNING: No, ten to seven and ultimately six to three. I gave that once before.

Mr. DOUGLAS: It means that if a time should come when there is a difference between the policy of the government and the policy of those interested in private banks, let us say, a difficult situation may be created. That is quite possible, because I notice in Hansard of February 22, 1934, that Mr. Irvine asked what would happen if there should be a clash between bank policy and government policy. Mr. Rhodes answered:

> Unquestionably the authority of the governor and the board of directors of the bank would prevail.

In other words it would seem to me that if enough of the directors appointed by the government could be persuaded to be of the same mind as those appointed by the shareholders there would be a situation in which the policy of the bank would not necessarily be in the interests of the people and the government of the Dominion of Canada. That is quite possible. I notice in the May, 1936, letter of the Royal Bank of Canada, this statement:

> Thus, experience gives a measure of proof to the contention which we have repeatedly put forward in these letters, that the violence of the recent depression was due primarily to a deflationary monetary policy and that recovery has been greatly aided by a reversal of that policy.

In the same letter I find this statement:

> The real initiative is with the central bank.

In other words with this board of directors lies very largely the welfare of the people of Canada, by reason of the fact that they control the flow of currency and credit which, to use a trite expression, is "the life-blood of the body politic." It seems to me that, if what the Minister of Finance said this afternoon is true—and I believe it is—that those powers are too great to be left in the hands of private individuals privately elected, it is not quite as great a menace, but almost as great, to leave part of that power in the hands of such individuals.

Mr. DUNNING: We do not leave any of the power. We leave the voice but no power.

Mr. DOUGLAS: We leave them a vote, and having shares naturally they possess part of the assets. What the Minister of Finance and the government are trying to do is to bring two contentious groups together, whose interests admittedly do not coincide, and they are trying to make them work in the

same harness. The government are endeavouring to make the lion and the lamb lie down together, and it simply cannot be done. If it is done the probabilities are that the lamb will be inside the lion.

Mr. DUNNING: Which is the lion?

Mr. DOUGLAS: The Minister of Finance, in all probability.

Mr. DUNNING: And which is the lamb?

Mr. DOUGLAS: I would suggest that the lamb has been shorn so frequently that it can be picked out quite easily.

I do not wish to prolong the debate, so I simply suggest to the government that across the Dominion of Canada groups within the Liberal party, groups without the Liberal party and people sympathetic to the government are expressing these views. There was a quotation read this morning from the Saskatchewan Liberal. A resolution was read that was passed by a young Liberal club in Saskatoon, all to the same effect. So I ask the government to consider this matter very seriously. To pass the legislation as it is now presented to this house in my opinion will constitute one of the greatest breaches of public faith since confederation. The people of Canada are looking to the government to implement the promises they believe were made, namely to set up a central bank publicly owned and publicly controlled.

Mr. TUCKER: Mr. Chairman, I was asked by the hon. member sitting directly to my left how a central bank could affect the level of prices, and I told him I would explain later on. As far as may be humanly possible I like to be a man of my word, and I feel called upon to speak again in order to explain that point. In doing so I should like to quote from a very eminent banker, the Right Hon. Reginald McKenna, who has been heard of before in this house. I need not give his record; I will simply quote him:

> Nothing in monetary practice is more certain than that contraction in the volume of money or even failure to secure an adequate increase tends both directly and indirectly to put a brake upon business of every kind and to produce the very troubles—unemployment, unremunerative commodity prices, unbalanced budgets and general depression—which have been apparent in almost every country in the world in the past four years. With expanding population and production we need some expansion in the supply of money or it will inevitably follow that consumption will not keep pace with production. There may in any circumstances be temporary maladjustment between production and consumption of individual commodities, but if the supply of money is adequate the price level of all commodities taken together will be kept approximately stable, and general consumption will be maintained. It follows, then, that the policy of the Bank of England is of the utmost concern to everyone, for no one escapes the effects of general depression and not one of us fails to benefit from sustained prosperity.

That is the way, in the opinion of one of the most eminent bankers in the world, in which the Bank of England operates to raise the level of prices and, as I said a few moments ago, since the Bank of Canada has been set up it has not been operating to raise the level of prices. I think this is sufficiently important to bring to the attention of this house; the Bank of Canada has not been so operating, and it is high time that the government took control of it and made it operate in that way.

Now I should like to quote the opinion of one of the leading statesmen of the British empire as to one of the causes of the present depression. I wish to read from the considered statement of the Right Hon. Neville Chamberlain to the World Economic Conference which met in London in June, 1933. I read this in order to show that the depression with which we are struggling to-day was deliberately brought about by the financiers of England in order to get back on the gold standard. Probably this quotation is familiar to every member of this house, but I should like to read it again because there may be people who read Hansard to whom it may not be familiar; I think this is something that everyone from one end of Canada to the other should know:

> After the termination of the war, we in this country, taking, as it proved, too hopeful a view of world tendencies, set ourselves to restore the pre-war situation. We reestablished budgetary equilibrium and by a long and stern process of deflation we struggled to put sterling back to its pre-war gold parity: at the same time we made every effort to reestablish peaceful relations in Europe and to restore the international gold standard in the countries whose currencies had broken down. In the early part of 1925 Great Britain together with the British empire and certain other countries returned to the gold standard—

I wish hon. members to note that this was apparently decided on without consulting parliament. I mention that because it is time our people realized that these steps in the monetary field sometimes affect them a good deal more than things we spend weeks debating in parliament.

Mr. DUNNING: Does my hon. friend say that Great Britain returned to gold without consulting parliament?

Mr. TUCKER: I said that we returned to gold apparently without consulting parliament.

Mr. DUNNING: Who is "we"?

Mr. TUCKER: The people of Canada. I may be wrong in that.

Mr. DUNNING: The hon. member is quite wrong.

Mr. TUCKER: When I read that Great Britain returned, with the rest of the empire, to gold, my mind went back to try to discover when parliament had ever authorized that, and I could not think of any time when it was even debated.

Mr. STEVENS: It never was.

Mr. TUCKER: That shows the importance of considering it now. Mr Chamberlain continues:

—and although in fact this step entailed further heavy sacrifices for our people in the shape of prolonged unemployment and depression for our industries—

In the face of that strong statement of the Right Hon. Neville Chamberlain that the attempt to deflate, to return to gold, caused further unemployment and further depression to the people of England, can anyone say that this is not important? I ask hon. members to consider what significance that has for us in charting our course for the next four or five years. The question we have to decide is: Are we going to try to do what England did in 1925, try to deflate even more, or are we going to try to introduce an era of easy money and get back to a measure of prosperity?

I wish to read one or two further extracts from this statement to the World Economic Conference which, I think, merit our attention:

The inevitable result of the economic conditions that actually prevailed was to bring about a progressive appreciation of the value of gold, or in other words, a fall in the price of commodities. In certain industrial countries, such as Great Britain and Germany, unemployment became a serious problem.

I ask hon. members who are interested in the primary industries of Western Canada to consider this:

Even more drastic was the effect on countries engaged in primary production, since the fall in price of foodstuffs and raw materials far outstripped the fall in the price of manufactured articles. The situation in the primary producing countries was soon reflected in London as a result of our world-wide trading interests.

The return of England to the gold standard affected the grain farmer in western Canada; it affected the sheep grower in Austrlia, the man raising cattle in western Canada; it affected everyone. They did not know what had happened, but the bankers of England had decided to go back to gold, and every producer of primary products the world over suffered.

[Mr. Dunning.]

There is the statement to the British section of the World Economic Conference. It proceeds later:

It is essential to bring about recovery in the world level of wholesale commodity prices sufficient to yield an economic return to the producers of primary commodities and to restore equilibrium between costs and prices of production generally. It is clear that the present lack of equilibrium between prices and costs can only be remedied either by a further drastic reduction of wages and other costs and by widespread bankruptcies, or by a sufficient recovery in the level of wholesale prices.

That is something for members of parliament to decide: Are they in favour of restoration of the level of prices of say 1928, or are they in favour of further pressing down the primary producers of this country, further bankruptcies, further reductions in wages? It has been suggested to this house already that some wages are too high. Members of parliament have to face that issue. I will not take time to read from the May letter of the Royal Bank of Canada, but in that letter it is stated in so many words that Canada has to face that issue. Is it going in for further deflation or for a period of reflation and easy money and cheap, plentiful credit which will restore industry to the position that it held in 1920-29?

This statement by the British Chancellor continues:

In the opinion of the United Kingdom delegation an attempt to attain equilibrium by further large reductions of cost would be attended by intolerable suffering, and holds out no hope of success.

Mr. MACKENZIE KING: Hear, hear.

Mr. TUCKER (reading):

No doubt it would be possible to restore equilibrium between prices and costs by reducing costs if only prices would remain steady. Under present conditions that does not happen but on the contrary an all round reduction in costs produces further deflationary effects on prices, so that costs and prices chase each other downwards without ever getting to equilibrium. Moreover, there is one all-important entity in each country which finds it peculiarly difficult to reduce its own costs—

I direct the attention of the Minister of Finance particularly to this:

—I mean the central government. Every finance minister in the world knows only too well how tremendously resistant public expenditure is to reduction, if only for the reason that so many of its obligations are fixed in terms of money. A policy of reducing costs and prices has the inevitable effect of very greatly reducing the national income with the consequence that in order to balance its accounts the government must take by taxation a larger and larger proportion of the income of the country. Sooner or later, usually sooner, this process is found to be intolerable, and countries bent on securing heavy reductions in costs and prices find that they

have merely secured an unbalanced budget for which no practical cure can be found. In the view of the British delegation, therefore, a solution of our present difficulties must be found by means of a recovery in the wholesale price level.

I could go on and quote the opinions of people whose views must carry weight, but I do not intend to take the time to do that. I just wish to indicate that since the Bank of Canada was established we have not followed a policy of easy money; we have followed not a policy of reflation, as they call it in the United States, but rather the opposite.

I wish to give some figures for the consideration of the committee in reference to this. In 1929, in round figures, there was $301,000,000 of legal tender in Canada; in 1936 there was $165,000,000 of legal tender, a reduction of almost fifty per cent. There was also a decrease in bank notes. In 1929, in round figures, there was $142,000,000 worth of bank notes; in 1936, $123,000,000; a reduction of $19,000,000. More important than that, there was a reduction in the amount of credit given to industry, corporations and private individuals with which to carry on business. I am sure hon. members will be amazed, as I was, if they have not looked into this question, to learn that from 1929 to the present time the banks have contracted their loans to corporations and private individuals by the amount of $756,000,000, a contraction of loans to the business world in Canada of 45¼ per cent from 1929 to 1936. Is it any wonder that we have a depression with such a contraction of the actual money with which people do business? Mr. Jackson Dodds, speaking on November 14, 1935, said:

> From a low of $940,000,000 in January, 1926, these current loans steadily rose to $1,588,000,000, in October, 1929. That is an increase of $648,000,000 in forty-five months, or $14,400,000 per month.
>
> The decline from that high point has been much more gradual than the rise, for loans did not recede to $940,000,000 until July of this year, 1935, some sixty-nine months later. Although bank loans are necessarily made for short terms only, it is clear that the banks permitted borrowers to repay these excess loans slowly during a period of five and three-quarter years over 50 per cent longer than their expansion.

What I am trying to indicate is that by virtue of the attempt to bring England back on to gold in 1925, the price level started to topple; as a result banks all over the world began to draw in credit, and as they drew it in, prices toppled still further. It is high time that we took charge of the banking system which under private control has had such disastrous effects upon the whole civilized world, including Canada.

I wish to speak for a moment or so concerning the effect of the curtailment of purchasing power upon prices, and to bear out my observations I shall refer to an extract which contains the figures one would expect, having in mind the contraction in purchasing power. At page 462 of the Labour Gazette of Canada for May, 1936, I find this:

> In wholesale prices the index number calculated by the dominion bureau of statistics and based upon prices in 1926 as 100, again showed little change week by week during April as compared with March. This index number was 72·1 for the week ended May 1 as compared with 72·3 the preceding week, and 72·2 for the week ended March 27.

This is the point to which I direct particular attention of hon. members:

> On a monthly basis the figures for March, the latest available, are 72·4 as compared with 72·5 for April 1935; 71·3 for April 1934; 63·5 for February 1933, the lowest point in recent years.

It is to be noted that there is a rise from 1933 when the figure stood at 63·5 to 71·3 in April, 1934 and 72·5 in April, 1935, while it stood at 72·4 in March, 1936. In other words, in the last year there has been no gain in the price level. In 1930 it stood at 91·2; it was 98·14 in April of 1922; it was 164·3 in May, 1920, and 64 in April, 1914. These are the figures indicating the price levels as given by the bureau of statistics. When the circulation was increased by the $53,000,000 and the $35,000,000, there was a rise of ten points. During the last year that rise has been absent. On the contrary we have had a slight recession.

I should like now to refer to some prices with which some hon. members will be most familiar. Taking the 1926 price of vegetable products as 100 we find that in December, 1932, the figure stood at 50·1; December, 1933, 60·4; December, 1934, 66·7; December, 1935, 67, or an increase of three-tenths of one point. At that rate we are getting back pretty slowly to the 100 mark. Then, referring to animals and animal products, again taking the 1926 figure as 100, we find the figure for December, 1932, as 57·4; December, 1933, 63·7; December, 1934, 66·2, and December, 1935, 72·9. In the last year it would seem that in connection with animal products there has been a rise of slightly over six points, but we have still eighteen points to go to get back to the level of 1926.

To sum up, I submit that by control of the Bank of Canada, by the use of monetary action and by putting out the requisite amount of money we can affect the level of prices in Canada. The time has long since arrived when the government should take control of the Bank of Canada and without in any way dislocating our economic set-up, by

careful monetary action restore the level of wholesale prices in accordance with the recommendations of the Imperial Economic Conference at Ottawa, and the British section of the World Economic Conference at London, and in accordance with the judgments of leading bankers who have made a study of the question.

It is time we broke away from the policy that the only way to create money is to save it. If every hon. member began saving and if we were to cut down consumption to the level adopted by Mr. Ghandi of India, who lives on a little rice and goat's milk and dresses in a loin cloth, our economic set-up would not last very long. It would tumble within six months.

Mr. DUNNING: We would all be raising goats.

Mr. TUCKER: We would not last long in our winter weather, anyway. I submit that our automobile and furniture factories would be closed. All business to the extent it prevails in Canada would be closed up, and yet the basis adopted by the orthodox economist is that we must save and thereby retain the old virtues of thrift and so on. Those old virtues were all right in days when the country was being opened up and when there was a real scarcity of goods, but the situation to-day is different with a plentiful supply of goods. Saving is not as a result so socially beneficial. I submit that we must use the central bank so that the level of prices may be raised, and so that people engaged in industry may have enough money to buy what they have produced.

I have not touched upon another point I suggested earlier in the session. In closing, may I indicate that since coming to this house and further studying monetary questions, with all the intelligence I can bring to bear, I am still of the opinion that in Canada we should support a government bank doing the governmental banking, and that we should set up a branch of the central bank to finance our governments. We should thereupon through it refinance our governmental debt. We could charge interest, if we wished, but such interest would come back to the people in profits of the government bank, thereby cutting down the tremendous burden our people shoulder at this time when they pay interest on their own credit. In this way we would divorce public finance from private finance. Private bankers would continue to do business with business men, but the rate of interest to private business would be cut down, because governments would not be competing with private business for credit from private banks. I submit that if the private banks can create credit, then our own bank, through a separate department, could create and loan the necessary credit needed to finance our government. In this way we could equate consumption and production and set the wheels of industry turning. As a people we have the greatest chance of any country to produce wealth. We have a people as industrious and skilled as any in the world. We have unparalleled natural resources; we have the factories necessary to produce the wealth, and having those opportunities I submit that it is up to us to use our ability as a people to produce the good things of life and make full use of them by distributing these good things among the people who need them. In other words, to come back to the last word in the Liberal fourteen points, distribution has become more important than production, and it is only just and proper that the Liberal party should bring this measure into parliament. Once we get control of the central bank I hope that it will be only a beginning, and that we shall go forward in the days to come striking off the shackles of economic insecurity from the people of Canada and restoring to them that security and happiness and economic well-being to which they as a people are entitled.

Mr. TAYLOR (Nanaimo): Mr. Chairman, I desire to speak to this resolution but it is now almost eleven o'clock.

Some hon. MEMBERS: Go on.

Mr. TAYLOR (Nanaimo): This resolution seeks to increase the bank's capital stock, and in such case to purchase the bank's shares in order to ensure a majority holding by the government; also to increase the number of directors and to ensure voting control by the government through its own elected directors. In other words, the resolution seeks to provide the government with the cheap and nasty methods of obtaining control of a successful business which are universally accepted as the peak of ingenious attainment of this object by big business interests. Because big business often uses the public and its employees as suckers is no reason why the government should do the same thing. These are strong words, and I will admit that I have cast my objection suddenly into the deep end of this matter when I might have approached it with a little more care and gradualness. But I believe the government will realize that I

do this not with malice aforethought but to point the moral and adorn the tale more effectively.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Tuesday, June 2, 1936

The house met at three o'clock.

NEW DOMINION LOAN

On the orders of the day:

Right Hon. Sir GEORGE PERLEY (Argenteuil): I notice in the press an item stating that the government proposes to put out a new loan. Perhaps the Minister of Finance (Mr. Dunning) would like to give the house some particulars—if not to-day, to-morrow—regarding it.

Hon. CHARLES A. DUNNING (Minister of Finance): I have not the details before me. They appear by advertisement in the press of Canada to-day. There are three maturities between now and the first of November for which it is designed to give an opportunity for exchange immediately if the holders are willing to take advantage of it; also $20,000,000 of new money is being asked for. Some of the issues maturing are short date, low interest issues, and one, if my memory serves me aright, is $79,000,000 of five per cent securities. The opportunity of exchange is being given on the basis of either four year bonds to yield to the purchaser 1·63 per cent or thirty year bonds to yield approximately 3·30 per cent. The short term issues for which the exchange is being offered are mostly in the hands of the banks. who, of course, require short term issues for their purposes, and it is hoped that they will be largely surrendered for the new short term issue of four year bonds.

Mr. LAWSON: Would the minister give the interest rate which is borne by the bonds that are being retired?

Mr. DUNNING: I am relying upon my memory: some are two per cent short term; the largest rate is five per cent, being a loan made in 1931. There is one other. the rate of which I cannot at the moment state definitely.

DOMINION HOUSING ACT

On the orders of the day:

Mr. C. G. MacNEIL (Vancouver North): Is the Minister of Finance (Mr. Dunning) aware that applicants for loans in British Columbia under the Dominion Housing Act, 1935, are now being advised that loans outside the limits of the city of Vancouver are not permitted by the Department of Finance? If so, is it possible for the minister to encourage the approval of loans in suitable suburban areas, such as West Vancouver?

Hon. CHARLES A. DUNNING (Minister of Finance): My hon. friend was good enough to speak to me about this matter. After looking into it, I can assure him that there is no departmental regulation which would prevent the granting of loans under the Dominion Housing Act outside the city of Vancouver, or for that matter, anywhere in Canada. The loan companies, of course, are the contributors or lenders of the major portion of the loans, as my hon. friend, who is familiar with the act, will know, and the decision as to whether a loan of their own money shall be made rests with them. At the same time the department is endeavouring, through cooperation with municipal authorities and others interested, together with the loan companies, to ensure the spreading of the benefits of the housing act as widely as possible. Everything the department can do to encourage loans in districts such as that mentioned by my hon. friend is being done and will continue to be done.

LOANS TO FISHERMEN

On the orders of the day:

Mr. NORMAN J. M. LOCKHART (Lincoln): May I ask the Minister of Finance (Mr. Dunning) or the Minister of Agriculture (Mr. Gardiner) if there is any indication that the moneys granted to subsidize or promote the fishing industry throughout the Dominion of Canada will be made available soon. I understand that regulations have not been adopted as yet, and that disposition of the money has been held in abeyance until such time as these regulations are passed by the governor in council. May I ask if that is likely to take place in the very near future so that the fishermen may obtain loans under the provisions of this measure?

Hon. J. E. MICHAUD (Minister of Fisheries): In reply I may tell my hon. friend

that the matter is still under consideration. Regulations are being worked out and will be made public shortly.

OTTAWA RESTAURANT EMPLOYEES

On the orders of the day:

Mr. R. A. PELLETIER (Peace River): I should like to direct a question to the Minister of Labour (Mr. Rogers). I have been advised that certain restaurants located in the city of Ottawa, whose employees up to the present have enjoyed one day off per week, have advised their employees that, with no increase in wages, they will be required to work seven days a week, with one day off every two weeks. I should like to know whether there are any steps the minister can take to investigate this situation, and, if he finds that such a condition does exist, whether there is anything he can do to remedy matters.

Hon. NORMAN McL. ROGERS (Minister of Labour): I shall be glad to take note of the statement of my hon. friend and have proper inquiries made.

PUBLIC WORKS CONSTRUCTION ACTS

On the orders of the day:

Hon. H. A. STEWART (Leeds): I should like to ask the Secretary of State (Mr. Rinfret) when I may expect the return ordered on February 20, about which I spoke to him in the house a few weeks ago.

Hon. FERNAND RINFRET (Secretary of State): I can only say to my hon. friend that I will again direct his question to the attention of the Minister of Public Works (Mr. Cardin), whose department is supplying part of that return.

EMPLOYMENT OF YOUTH

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I should like to direct a question to the government. Two motions by private members, one by myself and the other by the hon. member for Greenwood (Mr. Massey), having to do with youth employment and reconstruction, were withdrawn on the promise that the government would consider what might be done. What has been the result of these studies; what action is going to be taken? It is nearly the dying days of the session, we hope, and I should like to ask the government what has become of this study, what has been studied and what is the result.

[Mr. Michaud.]

Mr. SPEAKER: Order.

Mr. CHURCH: I can bring this up on a motion to go into supply and take up far more time than I am taking up now. I think when a member asks a question, he should have an answer.

Mr. SPEAKER: The minister was about to reply to the hon. gentleman.

Hon. NORMAN McL. ROGERS (Minister of Labour): In reply to my hon. friend I may say that provision was made under the national employment commission bill for the creation of an advisory committee which is to include two special committees, one of which is to address itself to the problem of youth employment. The national employment commission has been established, and we are considering with it the personnel of the advisory committee. I can assure the hon. gentleman that the government is by no means indifferent to the importance of the question he has raised, and the whole subject is receiving and will continue to receive careful attention.

Mr. CHURCH: May I say in reply to the minister—

Some hon. MEMBERS: Order.

Mr. SPEAKER: Order.

Mr. CHURCH: The minister talks and chatters at banquets. That is the sort of chatter that has been going all around the country.

Mr. SPEAKER: Order.

DEPARTMENT OF MINES AND RESOURCES

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved that the house go into committee to consider the following proposed resolution:

That it is expedient to provide for a Department of Mines, Resources and Colonization, to comprise the present departments of Interior, of Mines, of Immigration and Colonization, of Indian Affairs and the administration of the Northwest and Yukon Territories, and to provide also for the transfer from time to time to the minister of such existing or subsequently established boards, public bodies or services as may be assigned to him; and to provide further for the employment and transfer of such officers, clerks and employees at present employed in the departments of the government above mentioned as are necessary for the proper conduct of the department.

He said: Mr. Speaker, the object of the bill to be based on this resolution is, as indicated by the resolution, to organize in one department of the government, under the direction of a single minister, four existing departments and the several public services related thereto.

The policy of effecting, wherever possible, economies in the public service is one which is an aim of the present administration. The government believes that circumstances not only permit but necessitate, for purposes of efficiency as well as economy, the consolidation into a single department of the various departments mentioned in the resolution. The proposed consolidation is a part of the policy of reducing the cost of government as it existed at the time the present administration assumed office. When my right hon. friend the present leader of the opposition (Mr. Bennett) retired from office the cabinet was composed of twenty-one ministers in all, seventeen of whom were holding portfolios Under the present administration the number of ministers has been reduced to sixteen, fifteen of whom hold portfolios. This reduction has been effected by reducing the number of ministers without portfolio; by placing under the direction of one minister the Department of Railways and Canals and the Department of Marine and by abolishing the office of Solicitor General and assigning the functions of that office to the Attorney General and Minister of Justice.

The present bill will place under the direction of one minister of the crown, to be known as the Minister of Mines, Resources and Colonization, the departments of the Interior, Indian Affairs, Immigration and Colonization and Mines. During the past few years there has been a haphazard assignment—

(At this point Hon. W. E. Rowe, recently elected leader of the Conservative party in Ontario, entered the chamber).

May I pause, Mr. Speaker, personally to extend and to extend on behalf of all hon. members on this side of the house, and I believe with equal assurance on behalf of hon. members in all parts of the house, very warm congratulations to the hon. member for Dufferin-Simcoe (Mr. Rowe) on his having been selected as leader of the Conservative party in the province of Ontario, and upon what his selection for that high and responsible position signifies of the confidence reposed in him by his fellow members of the Conservative party. I need scarcely add that I hope and believe there will be no necessity for his occupying the position of premier of the province, at least for a long time to come. I do, however, most sincerely congratulate him, and wish him long continued opportunity of useful public service.

I was saying that there had been in the past a more or less haphazard assignment of portfolios with respect to the different departments which I have mentioned. They will now be brought together into a single department. There was a time when, for a while, they were all under the one minister. Latterly, however, while the Department of the Interior and the Department of Indian Affairs were under the direction of one minister, the Department of Immigration and Colonization and the Department of Mines were under the direction of another minister, who happened also to be the Minister of Labour. There did not seem to be any special reason why the Department of Immigration and Colonization should have been combined with that of Labour, or for that matter why the Department of Mines should have been assigned at one time to one minister and at another, to another. There is, however, a strong reason, because of their related activities, why the Departments of Immigration and Colonization, Indian Affairs, the Interior and Mines should all be brought together into one department.

The present proposed consolidation accords with the policy followed when a Liberal administration was previously in office of consolidating departments the activities of which were correlated. In 1922, the different branches of the public service related to Defence were brought together into one department of National Defence. Previously there had been a Department of Militia and Defence. A separate branch of the public service known as the naval service was under the Minister of Marine and Fisheries. There was also the air service which came under the direction of an air board, a semi-autonomous organization attached to the department of the Secretary of State and later to the militia department. The chairman of the air board was the Minister of Defence. These three branches of the public service were, as I have said, brought in 1922 into a single department known as the Department of National Defence, and have since been administered by the one minister, the Minister of National Defence.

Similarly there was effected under the late Liberal administration a consolidation of all the revenue departments of the government. That consolidation had been previously begun in 1921 by the bringing together under one minister of the Department of Customs and what at that time was called the Department of Inland Revenue. The new department came to be known as the Department of Customs and Excise. The income tax however, was collected by the Department of Finance, as was also the case with the sales tax. In 1927 there was created the Department of National Revenue, under the direction of one minister, the Minister of National Revenue. The customs, excise, income tax, sales tax and other branches of the service that had to do with the collection of revenue were all brought into the one department of national revenue. There was in 1928 a consolidation of the Departments of Health and soldiers' civil reestablishment into the Department of Pensions and National Health. As hon. members will have observed, the resolution that appears next in order on the order paper provides for the consolidation into one department, to be known as the Department of Transport, of three departments that relate to transport, the Department of Railways and Canals, the Department of Marine, and the civil branch of the aviation service.

The historical sequence of the departments mentioned discloses how their relative importance has changed with the development of the country. A few years ago the Department of the Interior was a very large and important department of the government. It had to do with the administration of lands in the Northwest Territories as then constituted, which at the time of the creation of the department in 1873, comprised all that part of Canada lying west of the great lakes, excepting only the province of British Columbia and the original small province of Manitoba. It continued to have to do with all the crown lands and the development of the natural resources of this area, such as forests, water power and the like, which were under the control of the federal government as well as with land settlement and immigration. But with the creation of the western provinces and the transfer to those provinces of their natural resources, and to British Columbia of the railway belt and the Peace River block, the relative importance of the Department of the Interior became less and less, and it was found possible to carry on the present activities of the department with a staff reduced from 2,500 to approximately nine hundred.

[Mr. Mackenzie King.]

After confederation the administration of Indian Affairs, which previously had been under the management of the several provinces came under the control of the dominion. From that time until 1873 Indian Affairs was attached to the department of the Secretary of State. In 1873 it became associated with the Department of the Interior. That association will continue under the consolidation about to be effected.

From Confederation until 1892 matters relating to Immigration were under the control of the department of Agriculture. From that year till 1917 they formed a branch of the department of the Interior. In the earlier years of this country immigration had an importance much greater federally than it has to-day. What has now become of increasing significance relatively is the work of colonization as between different parts of our own country. It has been felt that that work relates itself very closely to the development of our resources, and might very well be brought under the purview of the minister who has charge of this particular field.

The Department of Mines was created in 1907. From its inception it has been under the minister of some other department of the government. Though a separate and distinct department of government it has never had a minister of its own. However, with time the development of the mining resources of Canada has been such that this industry has come to have a place second to none in importance in the economic activities of the country. The government has felt that the present day relative importance of the industry in relation to the other departments with which it will be associated will be well brought out if in the name of the new department special mention is made of mines as a part of the new organization.

I shall have to leave until the bill itself is introduced an account of the particular organization it seeks to effect. Hon. members will see that to best advantage in the bill itself. At the moment, however, I should like to indicate some of the economies which it is hoped may be effected by this consolidation. It is not possible to do this by way of a definite statement, but in a general way economies will be apparent. In the four departments there are at the present time three deputy ministers and one deputy superintendent general, three assistant deputy ministers and one assistant deputy superintendent general, four legal advisers, two editorial staffs, three publicity staffs, four translation staffs, two architects' offices, four sets of secretarial and stenographic and other staffs, purchasing agents, four officers engaged in accounting for revenue and expendi-

ture, three photographic establishments, three departments in which land business is carried on and four in which surveying is carried on; doctors are employed by two departments; welfare of natives is a concern of two departments, maps are prepared in two departments At the present time there are eighteen branches all told in these four departments. Under the proposed legislation the number of branches will be limited to eight. Another direction in which considerable economy should be effected is in the housing of these various departments. We hope before very long, it will become possible to bring the various units together, into a single building where staffs will be more immediately under the supervision of those who are at the head of the different branches and of the department as a whole. At the present time the four departments are housed in twenty-four buildings throughout Ottawa. More than half of the office space now rented is in privately owned buildings, and the yearly rent exceeds $215,000. The consolidation will reduce the office space required and eliminate the time and expense of communication between the different branches.

The law officers are of the opinion that the Public Service Rearrangement and Transfer of Duties Act is not sufficiently comprehensive to permit of the consolidation of these various departments, and they advise that to achieve that end new legislation is necessary. This, apart from other considerations, is the reason why the government has thought it well to introduce special legislation to effect the amalgamations contemplated.

In conclusion may I add, it is hoped the proposed designation of the new department may serve to emphasize the place it will hold in the national economy. In selecting a title the government has sought to look to the future more than to the past. We have sought not so much to enumerate departments to be administered as to express those activities which are likely to contribute to the future development of the Dominion. By placing mines as the first unit in the designation of the new department, emphasis is being given to the importance the administration attaches to that branch of the public service.

It is thought that the term "resources" is sufficiently comprehensive to cover all the resources of the crown under the control and management of the present Department of the Interior, including the Northwest Territories, the Yukon territory and all Crown lands, and to include all that is being done by the government in the administration of crown lands, forests, water powers, parks, geodetic and geological surveys, and work of the kind. With respect to colonization, emphasis will be given to a greater national development in which more attention than formerly will be paid to the movement of people within our own country, while permitting sufficient attention to be paid to what may be needed when the time again arrives to encourage immigration. It will, I believe, be agreed by all that the public interest will be well served by bringing into one department of government these various public services which require uniform and correlated administration.

Right Hon. Sir GEORGE PERLEY (Argenteuil): Mr. Speaker, at this stage of the proceedings it would seem unnecessary to say much about the resolution; full discussion will be more appropriate later. May I assure the Prime Minister (Mr. Mackenzie King) that he could not be more anxious than hon. members on this side of the house for economies in the public service, nor can he be more anxious than we were when in office.

In the list of ministers my right hon. friend has included four of us who did not receive salaries, and when he included us I do not think he helped his argument. It is true that he did reduce from seventeen to fifteen the number of ministers with portfolios, and speaking only for myself I would say that he has taken a step in the right direction. We will learn more about the economies effected as time goes on. There was a time when the Prime Minister said he was going to appoint under-secretaries. If he makes those appointments I doubt very much whether he will effect much economy. However the measure has not yet been introduced, and perhaps never will be. I think possibly it will not be introduced but if so we shall have something to say about it when the time comes.

May I suggest that the name of the new department is too long and cumbersome. It is to be known as the Department of Mines, Resources and Colonization, but I believe the Prime Minister will agree that results are more satisfactory if we have shorter names for departments. Persons who come to Ottawa to interview ministers are not at all likely to remember departments with names as long as the one proposed in this measure. They find difficulty in knowing where to go, and I suggest that the name be shortened.

Mr. MACKENZIE KING: What is my right hon. friend's suggestion?

Sir GEORGE PERLEY: I think "Department of Mines and Resources" would be sufficient. The Prime Minister has left out the Departments of the Interior and Indian Affairs, and to those deletions I do not object.

Mr. LAPOINTE (Quebec East): And Immigration.

Sir GEORGE PERLEY: Yes; but from my point of view a short title is better than a long one. I wonder if he could not give the matter further consideration, and whether he would consider it advisable to have the department known as the Department of Mines and Resources.

The proposal is to bring four departments under one minister. As the Prime Minister has said, the Department of the Interior used to do extensive work, but the scope of its operations was narrowed and the size of the department reduced accordingly. Under present conditions it is true that the mines activities will be of greatest importance, and in my judgment the government is acting properly in having mines mentioned first in the title.

The Prime Minister has stated that the four departments in question are housed in twenty-four buildings, half of which are privately owned. I agree with him entirely when he says that another office building should be erected by the government to house this department. I believe that in renting large numbers of buildings we are making a great mistake. From experience I have learned that even for me, one who has lived in Ottawa all his life, it is difficult to find the particular section of a department with which I may wish to get into communication. For these reasons I am entirely in agreement with the idea of bringing the different departmental branches together in such a way that they may be more easily controlled and supervised, and more closely in touch with the minister in charge.

My right hon. friend has said that the legal department has advised him the general act providing for the transfer of duties from one department to another is not sufficient to effect the desired end. I do not know anything about that phase of the matter, but whether or not it is sufficient I believe he is taking a proper course when he brings in new legislation. In my opinion it would not have been wise to rely on a general act to effect changes of such magnitude as are indicated in this measure.

I believe I have said all that I wish to say at this stage. When we have seen the bill and know more about it we shall be able to discuss it with greater intelligence and understanding. I hope the details of the bill will be such as to commend themselves to hon. members. With these few observations I am content to let the resolution pass so that the bill may be before us and be considered in the regular course, to-morrow or the next day.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

[Mr. E. Lapointe.]

Mr. CAHAN: Would the Prime Minister feel at liberty to indicate more in detail the nature of the organization which is proposed under the bill?

Mr. MACKENZIE KING: I was hoping that the committee would prefer to wait until the bill was introduced before discussing the proposed organization in detail. I might leave it to my colleague the minister who is at present administering the department to say a word or two on this subject, if the committee so desires, as he is more familiar with all the details of the measure.

Mr. CRERAR: Broadly speaking, Mr. Chairman, the objective is to have one deputy minister and the work of all these departments arranged probably under eight directors. The precise manner of the classification of the work in the existing departments has not yet been completely worked out, and it is possible that we might be able to effect it with seven directorships, and then work through the directorships down.

Sir GEORGE PERLEY: Does not the bill state how many directors there are to be?

Mr. CRERAR: Yes, not more than eight. I might add what I am sure is perfectly obvious to the committee from the remarks of the Prime Minister in introducing the resolution, that there is to-day in these departments a very considerable amount of duplication. My theory of efficient administration rests largely on the importance of having competent men in the responsible positions, and in the carrying out of the work of reorganization that will be our aim. I feel quite certain from the survey I have been able to make of these departments that a very considerable economy can be effected in the course of time, and probably the efficiency of many branches of the departments increased.

The Prime Minister has touched on one point which to my mind is a very important one. It is extremely difficult to get economy and complete efficiency in administration when the units of your departments are scattered throughout more than a score of office buildings in the city. It makes for loss of time and a lack of actual contact in the direction of affairs, and undoubtedly adds to the expenses of administration.

I shall be very glad, Mr. Chairman, to supply any further details that may be required when the bill is before the committee.

Mr. BARBER: The soldier settlement board is not mentioned here. Will it come under this new department?

Mr. CRERAR: Yes. The soldier settlement administration, which is a separate administration, will be under the combined department.

Mr. CHURCH: I fail to see, Mr. Chairman, what is going to be effected by this particular measure. True, it may affect some official salaries, but a country with the natural resources of Canada, with our magnificent products of the sea, of the forest, of the soil and of the mine, with our immense water powers, a potential forty-two million of horse-power and only seven million or one-sixth, developed, deserves something better. I doubt whether this country could have existed through the last five or six years had it been less bountifully endowed with natural resources. But how have we been conserving and using these natural resources? In the maritime provinces they gave away under successive governments for over thirty-two years the natural resources of the forest, of the soil and of the mine just like Santa Claus handing presents off a Christmas tree. To somebody was given a coal mine, and to somebody else fisheries and timber lands.

What did the Drury government do in the province of Ontario? I see my good friend from Dufferin-Simcoe (Mr. Rowe) is back in the house, and he will alter things, but he will probably not get the opportunity for a year or so. What did the so-called Farmer-Labour government in Ontario do? It gave to Backus, a multi-millionaire, a principality of timber limits half the size of Belgium.

Another thing that is affected in this amalgamation of departments is immigration, which is one of the three great problems of our empire to-day, trade, defence and migration. We are not able to provide work for our own people, let alone bringing in people from continental Europe and all over the world.

Another department that is to be included in this amalgamation is the Department of Mines. Was there ever a country, Mr. Chairman, with the natural resources of Canada that had its natural resources squandered to such an extent? Do you remember the Beauharnois? The Lord never intended the magnificent resources of the river St. Lawrence for the gentlemen on St. James street. He intended those natural resources for all his people. Why have we unemployment in this country to-day? Whenever we have a policy proposed in this house to cure unemployment, we have minister after minister getting up and saying, "I will study the question." Much study on the part of the cabinet I may say is a weariness to the flesh.

I fail to see, Mr. Chairman, what good is going to be effected by this measure, a glorified omnibus department. When everything is put in its pigeonhole—natural resources over here, mines over there—anybody can go to the cupboard and help himself as has been done so far. Immigration? Walk over to the deputy and get a permit. This parliament might as well close up, for all we have done this session for the benefit of the people. I am wondering what we have a parliament for. Our parliament is supposed to do something, and the goverment is supposed to carry out its pledges. What did this government say all over the province of Ontario they would do if they got into power? They were going to conserve our natural resources, but there has been no conservation at all. The question of the natural resources is one of the main issues across the border to-day. It was an issue in our election campaign last fall, and is going to be an issue in the future, and here is the government proposing to hand over our natural resources to a deputy minister and assistant deputy minister, and no doubt there will be a whole retinue of under-secretaries. Just wait till you see the list of under-secretaries. Every private member will be an under-secretary in this new omnibus department under the control of the Minister of the Interior. The hon. gentleman who did so much for the prairies and for the farmers on the prairies in free trade in wheat and grain is now to have delivered over to him a whole kingdom of natural resources. A horse, a horse, my kingdom for a horse! Mr. Backus got a whole kingdom of timber limits given to him, a principality half the size of Belgium, handed to him by the Drury government over the heads of the legislature. Is this parliament going to do something to help conserve our natural resources? I say this country will be bankrupt, Mr. Chairman, if we do not put on the brakes in the handing out of its resources in the way we have been doing. I say here and now that a country less abundantly endowed than Canada could not have existed in the past ten or fifteen years, the way we were handing out our natural resources. There will be economy in respect of a few clerks transferred here and a few deputy ministers transferred there, while one person will be grabbing another Beauharnois, somebody else will be grabbing timber limits, and so on. Under this new department our resources will be a happy hunting ground for American millionaires.

Sir GEORGE PERLEY: Will the directors provided for in this bill have access to the minister himself or only through the deputy?

Mr. CRERAR: So long as I have been in charge of any department it has always been the practice for the head of a branch or a subdepartment to have access to the minister. That I think has always been the practice and it will certainly be the practice here.

Sir GEORGE PERLEY: I would remind the minister that in the Department of National Revenue, to which the Prime Minister referred, there are three branches and they have no deputy. These three commissioners have each direct access to the minister and not through anyone else. If that is to be the case in this department I am wondering why there is a deputy minister at all. If the directors are to be in the same position as the commissioners are now in the Department of National Revenue, what will be the function of the deputy?

Mr. CRERAR: Of course, the two are not altogether analogous. I have already said to the committee that the legislation will provide for not more than eight directors; I think it quite likely that there will be at least seven. The purpose of having a deputy minister is to coordinate all the work; he is in a sense the general manager of the department.

Sir GEORGE PERLEY: Of all the branches.

Mr. CRERAR: Of all the branches, yes; and the work of coordination in a department of that size is very important. In the national revenue department, I understand that the present arrangement obtaining there has worked out very well. However, I have no hesitation, after studying the matter, in recommending that this department should have a deputy minister.

Sir GEORGE PERLEY: Of course, when the minister says that the position in the national revenue department is not analogous to the position here, I suggest there is much more reason why a deputy might be appointed to that department than to this proposed new department. After all, the Department of National Revenue has three branches all having to do with the collection of revenue, whereas in this new proposed department all the different branches have to do with entirely different subjects not in any way related one to the other. The mines branch and the branch with respect to Indian affairs are not related in any way. It seems to me much more difficult to coordinate seven or eight branches, all of which have to do with different subjects, than to coordinate the sections of the national revenue department. However, I will wait and see what reasons the minister has for having a different setup in this proposed new department than we have in the national revenue department. I submit that he ought to be able to give us better reasons than he has advanced this afternoon why this plan should be adopted.

Mr. MACKENZIE KING: I drew the attention of the house to the organization which was effected in the Department of National Defence. In that department there is one division which has to do with the military forces, another which has to do with the naval service, and a third which has to do with the air force. The three main divisions or branches of the department are coordinated under one deputy minister of National Defence. I believe successive Ministers of National Defence have found that it facilitates the coordinating of the work to have one permanent head who has complete supervision over all parts. It serves to bring the minister himself and the permanent head of the department more immediately into touch with defence as a whole than would be the case if the minister were obliged separately to consult all the heads of branches. When it comes to the special work of any branch of the department, or to special spheres of activity, the minister will certainly wish to see individually the heads of the various branches; but for purposes of general administration, of keeping a survey over large staffs, of preventing duplication of services on the part of clerks and the like, the presence of one deputy head is obviously a great advantage.

Sir GEORGE PERLEY: Does not the Prime Minister agree that the correlationship between the branches of the Department of National Defence is much closer than it could possibly be between the branches of this department, which covers so many varied fields of activity?

Mr MACKENZIE KING: I am inclined to think that, as in the case of the Department of National Defence, all branches or divisions have to do with defence, so in this department all branches and divisions have to do in the main with the development of the resources of the country which are under federal control—resources relating to mines, forests, lands, water powers, parks and certain classes of the population. Altogether, it is essentially a department concerned with such of the country's natural resources as are not already assigned to other departments of the government.

Resolution reported, read the second time and concurred in. Mr. Mackenzie King thereupon moved for leave to introduce Bill No. 79 respecting the Department of Mines, Resources and Colonization.

Motion agreed to and bill read the first time.

DEPARTMENT OF TRANSPORT

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved that the house go into committee to consider the following proposed resolution:

That it is expedient to provide for a Department of Transport to comprise the present Department of Railways and Canals and the Department of Marine and the civil aviation branch of the Department of National Defence, for the organization of the department, and the appointment and transfer of the required officers and staff.

He said: The bill to be founded on this resolution is similar to the bill founded on the resolution which we have just been considering, in that it brings together under the direction of one minister three or more departments or branches of the public service which have hitherto been separately administered. In the present instance the intention is to bring into one department, to be known as the Department of Transport, the existing Departments of Railways and Canals and of Marine and also the civil aviation branch of the Department of National Defence. All of these departments are obviously concerned with transportation. The government believes that the public interest will be better served by having one department concerned with transport in a manner which will enable the minister and his staff to view the transportation problem as a whole, to think in terms of transport facilities and interests as a whole rather than to have them viewed, as is too often the case to-day, as individual services with rival and possibly conflicting interests, jurisdiction and regulation.

As hon. members well know, transportation is of importance in our national life and in foreign trade. There has been constant change in the methods of transport, which has now four important divisions. For a long time transportation by rail was considered of chief importance from a government standpoint. It was considered necessary, Canada being the size it is, to have a separate department to deal all but exclusively with railways. Some of the railways, as government owned, were in fact operated by a department of the government. Water transportation was considered of such importance as also to necessitate the existence of a separate department concerned specially with marine matters. In addition to transportation by rail and by water, transportation on highways, especially in the individual provinces, has come to have an importance which it did not have before, and to constitute a competitive element with both the railways and waterways. Finally there is transportation by air which is fast coming to be of equal if not in some particulars of greater importance than any of the other forms of transportation. There are the four kinds of transportation, being respectively railways, waterways, highways and airways. It is obviously necessary that the problem of transportation which thus presents itself should if possible be viewed as a whole. It is believed that, by consolidating the departments mentioned in the resolution that great objective will be served, as well as the aims of economy and efficiency, and the better regulation and control of transportation activities generally. The new act will place under common direction, as far as constitutional limits permit, all federal activities concerned with railways, waterways, highways and airways.

As to the selection of the name, here again, as with the department of mines and resources, it has been difficult to decide on a designation that would be as acceptable to some as it is to others. It has seemed to the government that the term "transport" would express better than any other the field we are endeavouring to bring under the purview of a single minister. It was suggested, I think by the right hon. leader of the opposition (Mr. Bennett) that "department of communications" might be a better title than "department of transport." When my right hon. friend came into office I spoke to him about the desirability of some departments being consolidated immediately if they ever were to be consolidated. I think at the time I suggested the wisdom of bringing together into a department of communications the different departments having to do with communication. However, after considering the matter more carefully, it has seemed that "communications" would more properly be related to those services which have to do with the carrying of information, either by postal services or by telegraph or telephone, while "transport" has rather to do with the carrying or transporting of commodities or persons from place to place. It is not possible to draw a sharp line between the two. The radio, for example, might seem to relate more appropriately to communication than to transportation. Radio, for the time being at least, will be one of the services to be included in the Department of Transport. It is desirable to have the radio

linked up in an effective way with transportation services because of the many agencies it serves so well. The importance of the radio to civil aviation, the meteorological service and the like will be apparent. The government feels the more secure in suggesting the designation "Department of Transport" for the new consolidation in that this is the title which is used in Great Britain for the ministry which has to do with transportation affairs there. In 1919 the act to establish the Ministry of Transport and for purposes connected therewith was passed. A reference to the powers and duties assigned to the Ministry of Transport under the British Act will disclose that they are very similar to those which are being assigned to this new department in Canada.

The financial benefits to be derived from the merging of the Department of Railways and Canals and of Marine are impossible of precise estimate at this stage. Nevertheless, there are bound to be considerable savings. As will be indicated by the bill itself, there will be a single minister where formerly there were two, and one deputy minister where at the present time there are two. The administrative staff of the Department of Railways and Canals, at Ottawa, inside staff, numbers 88; of the Department of Marine, 256; and of civil aviation, 15, a total of 359. It is intended, of course, to effect such economies as may be possible without injury to the public service, and without unnecessary hardship, and at the same time to increase the efficiency of the service generally. In both respects this will be a gradual development which will require to be carefully worked out.

The set-up of the new Department of Transport, and the reorganization and classification of the staff, will afford opportunity for the coordination of a number of services. It will be possible, for instance, to bring the engineering and drafting forces together so that there may be no overlapping or duplication of engineering activities. This headquarters engineering service and advice will also be available for outside work within the scope of the National Harbours Board, where heretofore local engineering activities have had little or no relation to a general coordinated scheme of development.

In other directions as well there will be definite and distinct advantages. A single purchasing branch will be set up; one legal staff will be sufficient; stenographic services can be pooled and rendered more effective; records arrangements consolidated, systematized and brought up to date. In other words, a more efficient and compact departmental machine will in due course be evolved with a considerable saving in expenditure and an all-round increase in efficiency.

There are, of course, benefits and advantages not to be measured in dollars and cents. The chief will be as already mentioned those arising from the fact that all matters of transportation within the federal ambit will be under one department and the uniform direction of one minister, who will be able to think in terms of transportation interests as a whole rather than of individual services. Due provision will be made in the new department for the development and expansion of the latest form of transportation—the commercial air services. In addition to the inside service headquarters staff at Ottawa, both the departments of Railways and Canals and of Marine have large outside staffs which, as they are connected with navigation services, expand in summer and contract in winter. All of these services will come, like the inside service, under the direction of the Ministry of Transport.

I think I may assume that hon. members opposite and in all parts of the house will take towards the present measure the same attitude of general approval which was adopted by my right hon. friend the acting leader of the opposition towards the previous measure, and that the house will welcome a consolidation which obviously makes for better regulation, for control of transportation activities generally as well as for economy in the public service.

Right Hon. Sir GEORGE PERLEY (Argenteuil): All I wish to say at the moment is that this measure, when it comes before us, will receive our most careful consideration. I hope it will make for economy and for the better administration of the public service. As far as the name is concerned it is a matter of opinion. The Prime Minister (Mr. Mackenzie King) says he has given it careful consideration and in his opinion the title should be "Ministry of Transport." I know that my leader thinks "Ministry of Communications" would be a better name, and he will be here to speak for himself when the bill comes up on a later occasion. On that point I would submit only one thing to the Prime Minister, and that is that "transportation" sounds as if it had something to do with railways. The Canadian National railways are supposed and intended to be administered apart from the government and not by the Minister of Railways.

Mr. CAHAN: We are changing all that now.

Sir GEORGE PERLEY: Yes, but the use of the word "transport" would lead people to think it was intended that this department really should have something to do with running the railways, so I think it would be wiser to use the word "communications." That is all I have to say at the moment, but I think the Prime Minister might consider that aspect of the question, since it will surely be brought up for discussion at a later stage.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Mr. MACKENZIE KING: In reply to what my right hon. friend said a moment ago as to the designation "transport" suggesting that the department would have something to do with railways, may I point out to the right hon. gentleman that at the present time we have a Department of Railways and Canals, which even more emphatically expressed the relationship of the government to the railways. Under the present consolidation it is not intended to do other than take over such functions with respect to the railways as at present are under the direction of the Minister of Railways and Canals.

Resolution reported, read the second time and concurred in. Mr. Mackenzie King thereupon moved for leave to introduce Bill No. 80, respecting the Department of Transport.

Motion agreed to and bill read the first time.

CUSTOMS ACT AMENDMENT

CONCURRENCE IN SENATE AMENDMENT

Hon. J. L. ILSLEY (Minister of National Revenue) moved the second reading of and concurrence in amendments made by the Senate to Bill No. 11, to amend the Customs Act.

Right Hon. Sir GEORGE PERLEY (Argenteuil): I think the minister might make some explanation as to these amendments.

Mr. ILSLEY: I shall be very glad to do so. Two words are changed, I think. On page 3, line 8, section 6, the word "person" is substituted for the word "party." Then at the top of page 4 there is a change in the arrangement of the words in a sentence, without changing the meaning. As originally framed the sentence read:

> Whenever information has been given under oath to any officer alleging conspiracy to defraud the revenue or that goods or things have been unlawfully imported or entered ...

This has been changed so that the words "has been given under oath to any officer" appear after the word "entered" instead of as they appeared originally. The changes made by the senate do not affect the meaning of the bill in any way; they are simply minor changes to improve the draftsmanship.

Sir GEORGE PERLEY: Are those the only two amendments?

Mr. ILSLEY: Yes.

Sir GEORGE PERLEY: What is the amendment on page 5?

Mr. ILSLEY: That is the penalty section, which repeats the section on page 4.

Mr. CHURCH: These amendments by the Senate are not printed, and often they go through without the house knowing what they are. Then later we find that they lead to untold litigation. This is an important bill, and in this instance I think we should not proceed until these amendments have been inserted in the votes and proceedings, so that we may know what they are. These provisions in connection with territorial waters, set out in this bill which has been amended by the Senate, are leading to a great deal of friction, not only on the ocean but on the great lakes as well.

Mr. ILSLEY: I should like to point out that there is nothing at all in this bill about territorial waters.

Sir GEORGE PERLEY: Just on that point, these Senate amendments are usually printed in the votes and proceedings, and perhaps the minister could tell us when these particular amendments appeared.

Mr. ILSLEY: In the votes and proceedings of May 7.

Motion agreed to; amendments read the second time and concurred in.

DOMINION FRANCHISE ACT, 1934

Hon. FERNAND RINFRET (Secretary of State) moved that the house go into committee to consider the following proposed resolution:

> That it is expedient to introduce a measure to amend the Dominion Franchise Act, 1934, with respect to by-elections and to make provision for the appointment of enumerators and other necessary officers and for the preparation and printing of voters lists and other necessary documents.

He said: Mr. Speaker, I do not move this resolution for the purpose of precipitating a full discussion of the matter but rather for the convenience of the house, in order to enable me to introduce the bill based on the resolution, which is a somewhat voluminous measure.

As hon. gentlemen will recall, in 1934 a measure was enacted under which lists were to be prepared throughout the dominion, such lists to be subject to annual revision. In the early days of this session the house passed a bill dispensing with the annual revision of the lists for the year 1936, but it was agreed at that time that later on we would introduce a bill to provide for the preparation of special lists in connection with by-elections. I desire to correct at once a wrong impression that has gone abroad in certain newspapers that this resolution and Bill No. 78 which was introduced last Friday have anything to do with the by-election in Victoria. Of course it would not have been possible to provide for the by-election in Victoria, which takes place on Monday, and I desire to add that even if the act of 1934 had not been amended the by-election in Victoria would have been based on the list as it stands at present, revised during the fall of last year. The special committee of the house which has dealt with electoral matters generally has recommended two measures: Bill No. 78, to amend the Dominion Elections Act, 1934, which is already on the order paper, and another bill which must be preceded by a resolution in that it provides for the appointment of enumerators and other necessary officers and for the preparation and printing of voters' lists. This is the bill I wish to introduce, if the house will agree to let this resolution pass at once. The special committee, rather than recommending a special revision of the list for by-elections, has recommended the preparation of new lists for that purpose. I commend these recommendations to the house, and I point out that inasmuch as it is now evident that there will not be a new electoral act and a new franchise act this session, and as there is a possibility that even at the next session of parliament the committee would not be prepared to make their full recommendation, it now becomes urgent that we have in the meantime measures to provide for lists in the case of by-elections. That is the purpose of these two bills.

As for the resolution, it is necessary only because of the expenditure involved for the appointment of enumerators and for the printing of forms, et cetera. Perhaps the house will be willing to let the resolution pass—I am sure it meets the desire of every hon. member—and allow me to introduce the bill, which can be considered later.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

[Mr. Rinfret.]

Resolution reported, read the second time and concurred in. Mr. Rinfret thereupon moved for leave to introduce Bill No. 81, to amend the Dominion Franchise Act (dominion by-elections).

Motion agreed to and bill read the first time.

INDIAN ACT AMENDMENT

CONCURRENCE IN SENATE AMENDMENTS

Hon. T. A. CRERAR (Superintendent General of Indian Affairs) moved the second reading of and concurrence in amendments made by the Senate to Bill No. 4, to amend the Indian Act.

He said: The amendment proposed to this bill in another place simply clarified the drafting of one clause of the bill as first introduced. Section 2 of the bill as originally introduced conferred certain powers upon the Superintendent General of Indian Affairs to bring into effect by proclamation as far as they might affect Indian reserves the laws or regulations existent in any province governing the destruction of insect pests or the spraying of fruit trees and that sort of thing. The amendment we are now considering states a little more clearly the objective to be attained, and I am advised, frees the section from the possibility of misinterpretation. That is really the effect of the amendment. I have discussed the matter with the Minister of Justice and he concurs in the proposed amendment, which describes more accurately the intention of the original bill. I therefore move concurrence.

Mr. STIRLING: Would the minister give the wording as amended?

Sir GEORGE PERLEY: Perhaps the minister will give the date on which it appeared in votes and proceedings.

Mr. CRERAR: It appeared on May 6. In reply to the hon. member for Yale (Mr. Stirling) I should perhaps read section 69 of the Indian Act. It is as follows:

> The superintendent general may, from time to time, by public notice, declare that, on and after a day therein named, the laws respecting game in force in the province of Manitoba, Saskatchewan or Alberta, or the territories, or respecting such game as is specified in such notice, shall apply to Indians within the said province or territories, as the case may be, or to Indians in such parts thereof as to him seems expedient.

The amendment suggested in the bill as originally brought down added to the section I have just read the following subsections:

> (2) The superintendent general may from time to time by public notice declare that the

regulations in force in any province for preventing the spread of any insect, pest, or disease destructive to vegetation, and all that such regulations may prescribe, shall apply to Indians and Indian reserves within such province or such parts thereof as to him seems expedient.

(3) The superintendent general may from time to time by public notice declare that the laws in force in any province with respect to the rate of speed of motor vehicles and the character of motor traffic on the highways shall apply to Indian reserves within such province or such parts thereof as to him seems expedient.

Under the amendment now proposed section 69 is repealed and the following is substituted as a new section 69:

69. (1) The superintendent general, subject to the approval of the governor in council, may, as in this section provided, make regulations which, upon publication thereof in the Canada Gazette, shall apply with the same force as if the terms of such regulations had been herein enacted.

(2) The regulations may provide for appropriate penalties, not exceeding, as to imprisonment, three months and not exceeding, as to fine, one hundred dollars, for violation or nonobservance of any provision of any regulation.

(3) Without restricting the generality of the provisions of subsection one of this section, the regulations may provide, inter alia, for the incorporation by reference, as part of such regulations, of any specific and indicated law or regulation of and in force within any province of Canada, and in particular, and whether or not by way of the incorporation by reference of provincial laws or regulations, such regulations may provide—

(a) with relation to Indians within the provinces of Manitoba, Saskatchewan or Alberta or within the Territories, as the case may be, or to Indians in such parts of such provinces and Territories as to him seems expedient, that laws either in the same terms as, or in like terms to, or in other terms than, those in force in such provinces and territories, respectively, with relation to game in general or to specific game, shall apply, upon publication thereof in the Canada Gazette, with the same force as if enacted in this act, to such Indians as such regulations shall prescribe;

(b) for the destruction of noxious weeds and the prevention of the breeding, spreading or prevalence of any insect, pest or disease which may or might be destructive of or injurious to vegetation on Indian reserves;

(c) governing the speed and operation of vehicles on highways within Indian reserves.

The purpose of this amendment is to make clearer the objects sought in the amendment to section 69 as first introduced to the house, and to make it clear that we are proceeding in a proper and legal fashion.

Mr. STIRLING: It is quite clear that paragraphs (b) and (c) apply to any province in Canada.

Mr. CRERAR: Yes.

Hon. C. H. CAHAN (St. Lawrence-St. George): The amendment comes from the Senate, and perhaps it would not be expedient to ask for any further amendment at this time. However I should like to direct the attention of the Prime Minister to one consideration. In a country like Canada, where diverse activities have to be dealt with by different departments, it is necessary that regulations be made by some competent authority from time to time. In times past the right hon. gentleman opposite has called attention to the fact that such regulations or by-laws partake of the nature of legislation. Many of them impose penalties and have the force of law, as if enacted by statute. Under the regulations persons may be charged with crime, found guilty and imprisoned. I am entirely in accord with the considerations which the Prime Minister has placed before parliament and the public on previous occasions to the effect that such subsidiary legislation under statutes enacted by parliament should be made by the governor in council and not by an officer of the government. In the present instance the regulations are to be made by the superintendent general. I believe it would be better for us to follow the precedents of the past. The governor in council is the sole legislative body which I for one am prepared to recognize as subsidiary to the legislative functions and authorities of the parliament of Canada. While I do not wish to press the objection, I do not think the superintendent general, even with the approval of the governor in council, should be authorized to make regulations to which penalties are attached, and under which criminal or quasi-criminal proceedings may be taken. When departments are drafting bills it would be well to keep that consideration in mind. The same objection has been made in the past and I am repeating it now as I am in thorough accord with the policy enunciated from time to time by the Prime Minister.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, may I thank the hon. member for St. Lawrence-St. George for what he has just said. I believe all members of the government agree with the views he has expressed. The particular clause to which he has referred indicates that there must be approval by the governor in council of any regulation made by the superintendent general. I have no hesitation in saying that, in agreeing to that clause, the superintendent general had in mind the authority the governor in council would most certainly exercise, and that otherwise he would not have allowed the section to appear.

I believe the hon. member is entirely correct in the statement that from the point of view of drafting, emphasis ought to be placed upon the governor in council rather than upon any officer of the state, wherever such regulation may affect the freedom, liberty and rights of any individual.

Motion agreed to; amendments read the second time and concurred in.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

The house resumed from Monday, June 1, consideration in committee of the following proposed resolution—Mr. Dunning—Mr. Sanderson in the chair.

That it is expedient to bring in a measure to amend the Bank of Canada Act so as to increase the capital stock of the bank, to provide that certain shares thereof shall be purchased by the Minister of Finance out of the consolidated revenue fund in order to assure ownership of a majority of the shares by the government, to increase the number of directors, and to provide for election and appointment of directors in such manner as to assure voting control of the board by directors appointed by the government.

Mr. J. S. TAYLOR (Nanaimo): Mr. Chairman, at 10.57 last night I rose in my place to speak to this resolution, but I did not have time to do more than make some introductory observations. I pointed out the highlights of the resolution, indicating that all the government really require is to control by votes the council of the bank. In order to do this it found it expedient to spend $5,100,000 to purchase 51 per cent of the shares. As I said last night, that smacks of the cheap and nasty methods used by big business on too many occasions. I do not for one moment consider that the government is doing this purposely; it is simply following a common practice. But in so doing it is registering that practice on the minds of the people of Canada, and they will consider that the control by money of the shares and destinies of a company is not a matter to be impeached. It appears to me that when a government takes 11,021 shareholders into its confidence they should have some consideration. But that right of consideration existing in a limited manner for a few months is now to be denied, and denied, forsooth, by what I consider to be a dirty commercial trick. Big business makes use of these tricks for the purpose of overcoming the suckers among its employees and its shareholders, but there is to my mind absolutely no reason why the government should descend to this method of handling the Bank of Canada shares.

[Mr. Mackenzie King.]

I go into the matter of the resolution to discover what other grounds there might be for this activity, and I can discover none. The qualifications of a director appear to be ten shares of the nominal par value of fifty dollars per share. That is to say, a director of the Bank of Canada need hold only $500 worth of the nominal value of the shares of the concern. He can be taken from any walk in life so long as he is not financially interested in the control of other banks. There are hundreds of thousands of citizens in Canada able to qualify as directors of the Bank of Canada. Consequently there is no reason for concern on that score.

We then must turn to the conditions of the Bank of Canada itself to find out precisely why this resolution should have been put before the house. I find that the shares of $50 each are authorized to a total of $5,000,000 capital. That $5,000,000 was in the hands of 11,021 shareholders at the end of December, 1935, but in going over the bank's report, the statement of assets and liabilities, and the profit and loss account of the institution, I can discover no reason why the bank should be considered to be short of capital. As a matter of fact, I can see no reason why we should imagine that the bank has had to use its $5,000,000 capital at all. We find that after ten months of business, ending December 31, 1935, the bank was holding a total of over $307,000,000 worth of gross assets. It had during that time sent to reserve fund three and a half per cent of its authorized capital and had given the dominion government seven per cent. It expended the equivalent of two per cent of its capital in visible assets, in bank premises, equipment and furnishings. It paid for all its organization expenses. It paid for its note issue, an entirely new note issue, at very considerable expense, and at very considerable expense it had laid aside a large reserve of notes for future use. It had moreover, lost a total of over nine and a half per cent of its paid up capital on the foolish silver policy to which it had been committed. I pause here to say that if silver buying is to be a part of the bank's business it should not have been condemned to that policy at this extraordinary stage of its existence. I cannot for the life of me see how the government can consider that the bank should speculate in silver at the present time. The effort that was made and the loss that was incurred should have been the responsibility of the government, and not of the Bank of Canada.

Coming again to the question whether we are justified in raising the capital of the

Bank of Canada to $10,100,000, I want to bring before the notice of the committee the history of the Commonwealth Bank of Australia as set out in a book entitled Australia's Government Bank by Doctor L. C. Jauncey. I am reading from picked quotations commencing on page 63:

The act made provision for capital of one million pounds to be raised by sale and issue of debentures. The capital of the bank was to be available for all purposes of the bank. Under the proposal of the Brisbane conference, both the states and the commonwealth were to raise the capital of the bank, but with the states not participating in the formation of the bank the act allowed public subscription of debentures of £10 each.

Again:

The Prime Minister said of the provision re subscribed capital, "In my opinion a capital of £1,000,000 will not be required, but I think it is wise to make ample provision when we are setting out on a scheme of this kind."

Fortunately the opinion of Fisher (the Prime Minister) was correct. The bank has never used this provision, which could be the entering wedge for private control of the bank. In order to get the bank started the act authorized that:

"The treasurer may, out of the Consolidated Revenue Fund which is hereby appropriated accordingly, make advances to the bank for the purpose of enabling it to defray any of the expenses incidental to the establishment of the bank, the opening of offices thereof for business, and the raising of sufficient capital for carrying on business.... Any moneys advanced in pursuance of this section shall be repaid to the treasurer by the bank, together with interest at the rate of 3½ per centum per annum."

The governor of the bank used this provision to the extent of £10,000.

That is roughly fifty thousand dollars. Again:

On July 15, 1912, with no subscribed capital and with assets of only £10,000 in the form of a loan from the commonwealth government, the bank opened its doors for business.

Again:

The Commonwealth Bank Act of 1924 provided that the bank should be managed by a board of directors composed of the governor of the bank and seven others, including the secretary of the treasury. Six other members were to be, or to have been connected with agriculture, commerce, finance, or industry. All directors under this act are appointed by the governor general. A director is forbidden to borrow money from the bank, but, of course, may borrow from a bank that in turn borrows from the Commonwealth Bank.

And lastly:

Although the Commonwealth Bank commenced operations with merely a loan of £10,000 from the commonwealth treasury, by June 30, 1915, three years after the commencement of the Commonwealth Bank, the initial deficit of the bank was entirely extinguished. Since that time profits of the bank, excluding those of the note issue department, have grown until the net amount at June 30, 1933, was £7,354,746 (roughly $36,500,000). The net profits of the note issue department at this date were £14,992,226 (roughly $74,000,000). Profits of this department, with the exception of £2,000,000 set aside for the capital account of the rural credits department, have gone to the treasury. Of the profits made by the other departments £4,000,000 was placed in 1924 to the capital account of the bank.

It paid for its own capital account.

Mr. DUNNING: Did I understand my hon. friend to say some time ago that the capital of the Australian Commonwealth bank was £1,000,000?

Mr. TAYLOR (Nanaimo): The authorized capital.

Mr. DUNNING: I have the statute before me and it says £20,000,000. I do not want my hon. friend to base an argument on a false premise. I can read the section if he likes.

Mr. TAYLOR (Nanaimo): I should like to have it read in view of the fact that this refers to 1912, when the Commonwealth bank was established.

Mr. DUNNING: I am reading from section 9 of the act:

The capital of the bank shall be £20,000,000 consisting of the following: The sum of £4,000,000 transferred to the capital fund from the bank reserve fund to the redemption fund in accordance with the next succeeding section.

(b) Such sum, not exceeding £6,000,000, as is granted to the bank by the commonwealth from moneys borrowed by the commonwealth in pursuance of this act; and

(c) Such sum, if any, as is raised by sale and issue of debentures in pursuance of part VI of the act.

I would say to my hon. friend that the act has been amended on several occasions, and the accuracy of current information is rather uncertain. If he is quoting from a book which was written without taking into account recent amendments, some of which were of great importance and took place during the time that Australia was adjusting her financial difficulties, he may draw wrong conclusions.

Mr. TAYLOR (Nanaimo): I do not think I am drawing any incorrect conclusion. The last paragraph I read affects the condition of the bank up to June, 1933, and it is from that statement that I am quoting.

Mr. DUNNING: I cannot understand where the £1,000,000 comes from.

Mr. TAYLOR (Nanaimo): The £1,000,000 was the authorized capital in 1912, at the time of the establishment of the bank.

Mr. DUNNING: Oh.

Mr. TAYLOR (Nanaimo): That is what I pointed out, reading from the conditions of the bank ab initio. Subsequently changes have been made, as the minister states, in the capital structure of the bank, and at June, 1933, the condition was established that up to that time the profits, excluding the profits of the note issue department, had reached approximately $36,500,000; the profits of the note issue department had reached $74,000,000; £2,000,000 had been set aside for capital account of the rural credits department, and all other profits had gone to the treasury of the country. I quote further from the same book:

> Of the profits made by the other departments £4,000,000 was placed in 1924 to the capital account of the bank, and £1,075,298 was handed over in 1928 to the Commonwealth Savings bank. £1,593,822 has been allotted to the reserve fund of the bank, and £370,962 has been placed at the disposal of the rural credits department. Between 1923 and January, 1933, the Commonwealth bank and the Commonwealth Savings bank contributed £2,712,818 to the national debt sinking fund. Total profits of the Commonwealth Savings bank on January 1, 1933, were £1,291,167.

All these conditions, and the internal conditions as exhibited by the Bank of Canada statement, go to show that the bank itself has not had occasion necessarily to use its capital account. I am not saying that they did not use it, but it must be remembered that the government handed over to the bank $118,000,000 of bonds due in 1940, on which the bank would receive nearly $3,500,000 interest per annum. That is a pretty good fund to start with, and the contra to that was the obligation of the bank to take care of the note issue of the country. So that the position which I desire to establish is quite firm—that the bank has already demonstrated its ability to make profits in an extraordinary manner. I am quite confident that, according to the statement of assets and liabilities, the governors have salted away in the nooks and crannies of the structure of that institution profits which will never come to life in its historical records. And rightly so. It is a good thing to have in the country a bank that can do this sort of thing and be a representative central bank. But I do contend that it is entirely bad business to spend $5,100,000 to buy 51 per cent of the shares when you can for the same money purchase the whole business outright without doing any harm to the shareholders. At present you take away from the shareholders all but the unction of a 4½ per cent investment in the Bank of Canada. You turn what would be silent partners into dumb partners, and again I say you put the conduct of public affairs on a par with the way in which much of the general business throughout the country is conducted, as everyone who considers what must be the decent way of doing things must admit. I strongly desire to urge the government to consider the position in which it is placing itself by perpetuating an obligation which some day must be redeemed at greater cost.

I should like to know what the other members on the opposite side of the house think of this resolution. It seems to me that after their talk up and down the country they cannot stand for the same conditions which the government now stands for, and I do hope that the Minister of Finance will find it possible to bring down a measure which will completely control the institution.

Mr. R. S. WHITE (St. Antoine-Westmount): As one who is open to reproach from some quarters as being orthodox in money matters I desire to say a few words respecting the resolution now under consideration. I do not intend to touch at all the point made by the hon. member for South York yesterday, namely, the apparent inconsistency of the government in the legislation which it is proposed to have passed. That is a matter which the father of the Liberal party, the Prime Minister of Canada, can settle with his own family. My own view is that the proposal of the government is worthy of commendation, and I for one give it my hearty approval.

I have not been a devotee of a central bank in Canada. Many a time in Montreal I have spoken publicly against the setting up of such an institution. I am not yet convinced that it is required in this country at this time. But I cannot fail to recognize the fact that the parliament of Canada has placed on the statute books a law setting up a central bank, that it is there for good or for ill, and that no hostile words or attitude on my part can in the slightest degree affect the situation. If hon. gentlemen who prate about the importance of complete ownership by the government of a national bank or central bank will reflect for a moment or two, I am satisfied they possess sufficient logical powers to realize that this very resolution, with the bill about to be introduced, gives the government of the country, not absolute ownership, it is true, but absolute control of that bank to as great a degree as if every share in it were the property of the crown. I am satisfied that the view taken by the electors of this country during the last two or three or more years when this matter has been under discussion was that the central bank would be a bank of discount, a bank to which individuals, business firms, commercial corporations could go and borrow money; in other words, a bank that would discharge the ordinary func-

tions of a commercial bank. No advantage I can conceive of will accrue or could accrue to the people from the total possession of the share capital by the crown, that will not be extended by the measure now under consideration. I have always thought, and I always will believe, that most grave danger to the financial stability and the credit of this country would be caused if the central bank became a bank of ordinary commercial discount. It is said of Blücher after Waterloo, Mr. Chairman, as you will remember, that when visiting London and looking about, he exclaimed, "What a city to sack!" If we had in this country a central bank under the control of the government, engaged in the making of loans upon such paper as the manager might think sufficiently secure for the purpose of the loan, well might the politicians supporting the ministry of the day exclaim on the eve of an election, "What a magnificent bank to loot!"

A good deal has been said of a condemnatory character in criticism of our chartered banks. I am not here to defend them or to say other than that they have served this country well. Representations have been made that the chartered banks are or have been sweating the blood out of the people, that they have been making exorbitant profits by high rates of interest. Is it known to hon. gentlemen that the leading bank and the largest in this country, to wit the Bank of Montreal, in its last financial year, 1935, earned a bare four per cent upon the capital investment of the shareholders? I submit that no one can possibly claim that four per cent profit is an exorbitant rate for a bank to earn and pay its shareholders upon their invested capital.

The policy of the banks is said to have caused the debacle of 1929 and subsequent years. If any will take the trouble to look at the figures they will find that the decline in prices and the recession in trade preceded the reduction in loans, and that the revival in trade that has occurred in the last three years—not it is true to a very great extent, yet more or less substantial renewal—has occurred in the face of a further reduction in the commercial loans of the chartered banks. So I contend it is impossible to attribute to the withdrawal of credit by the banks the debacle in business, and certainly it cannot be contended that a revival of trade has been in any way retarded by lack of commercial credit extended by the banks. Certain members of the house, namely the group in the left corner, trot out from time to time, as a convincing argument for something, a statement said to have been made on one occasion by the Right Hon. Reginald McKenna, an eminent public man in Great Britain in his day, and a very prominent banker whose opinion I dare not think is worthy of other than great respect, the statement of Mr. McKenna being that every loan is followed by or coincident with a deposit. A more unfounded statement than that could not possibly be made. I venture to say there is not an hon. member who is unaware of the fact that the proceeds of many loans obtained from banks on the discount of paper are carried out by the borrowers in their pockets, and never appear as deposits at all. Again—and see the absurdity of Mr. McKenna's statement—when you borrow from a bank you pay five per cent, six per cent or, as the rate was at one time, seven per cent. Call it five per cent, if you like.

Mr. McGEER: Why not call it twenty per cent?

Mr. WHITE: All right; call it twenty per cent. Is anyone idiot enough to deposit the proceeds of a note, upon which twenty per cent interest has been paid, in a bank that will give him three per cent interest? On its very face the thing is utterly ridiculous. Starting yesterday, as hon. gentlemen know, the rate of interest on deposits in chartered banks was reduced to 1½ per cent, a rate so low as to be unprecedented in this country.

There is no lack of bank funds. Revival of trade is not being halted through lack of credit or money in this country. The difficulty the banks encounter, and have encountered for the last three, four or five years, is a plethora of money for which they can find no profitable use, and that is why the rate of interest on deposits has been reduced to 1½ per cent. If hon. members will look at bank statements of recent months, they will find that the banks have invested in government bonds about a billion and a quarter dollars, obtaining on their investment a low rate of interest. But that is the only use to which they can put their surplus money. As of April 30 of this year, or about a month ago, the chartered banks had $2,157,927,000 of public deposits, and at the same time their commercial loans amounted to only $725,484,000. In other words they had nearly $1,400,000,000 of deposits in excess of their commercial loans. The difficulty, as I have said, is that the banks cannot find borrowers. It is true that there are thousands upon thousands of people in this dominion who are ready to walk into banks, give their notes of hand and take as much money as they can possibly get, but they have no

security to back their notes. It is a trite saying, but it must be remembered that these deposits are not the property of the shareholders of the banks; not a dollar of the deposits is represented by the capital investment of shareholders. The banks are trustees for their depositors, and as trustees the banks must exercise the greatest care and the closest scrutiny in making loans. There is a new cult abroad in the land; I am not sure that I have not heard its echo within these walls. It holds that the borrower, rather than the lender, should determine the security. If credit is required to put this country on its feet in respect of its business—and we are moving forward; let no mistake be made about that—it is in the banks, available. All that is necessary is for the would-be borrower to go there with security that will warrant the trustees of the depositors in advancing the money to him.

I am afraid, Mr. Chairman, that I am to some extent wandering from the subject matter of the resolution. In indicating some of the provisions of the bill to be based upon this resolution the Minister of Finance stated that one of the sections would provide for bilingual currency. Again, personally I approve that. At the present time we have bilingual postage stamps in Canada, though I doubt whether more than one person in fifty thousand in this country is aware of that fact. More than eighty years ago we had in the then province of Upper Canada notes issued in both English and French by the commonwealth at Kingston, and no one suffered. If there be a sound objection to the recognition of dual languages in connection with any documents of any kind issued by the government, that objection seems to me to weigh as strongly against bills printed some in French and some in English. We have them circulating to-day pretty much throughout the country. You may get one bill wholly in French; the next time you ask for money from a bank you may be handed a bill wholly in English. The dual bills involve added cost. What practical difference can it make to the individual if the two languages are on the one bill, and a saving made? More than that, how many people are there in this house or in this country who read either the lettering or the wording of the bank note.

Mr. DUNNING: Just the figures.

Mr. WHITE: That is all they are concerned with, nothing but the numerals. They want to know whether it is a one or a ten, and they are praying heaven it may be a ten. But beyond the numerals they do not give a hoot what appears on the bill, as long as they are satisfied that it is a bona fide bank note.

In connection with the setting up of the Bank of Canada, our central bank, it is of the highest consequence that that institution should continue to be a banker's bank and not a public bank. The credit of Canada is high, but it has recently had one or two shocks. Daniel Webster, speaking in the American senate eighty odd years ago in eulogy of that eminent American financier, Alexander Hamilton, one time secretary of the United States treasury, and father, I think, of the banking system as originally founded in the United States, said of him, "He laid his hand upon the dead corpse of public credit and it sprang upon its feet." There are dangers in this country through repudiation of contracts, through violation of solemn compacts. Instances have occurred in two provinces. If we are not careful we may find that not provinces only, but even the parliament of Canada, by misguided financial legislation, have laid their hand upon the public credit and the public credit has crumpled under its touch.

Mr. R. A. PELLETIER (Peace River): Mr. Chairman, it was once my pleasure to tell the hon. member who has just sat down that I would listen very carefully to advice which he might give me from time to time. But I regret to say on this matter I hold views exactly opposite to his. The resolution which is now before the committee is of such great importance to Canada that I feel it my duty to express my views. It is proposed to change the present set-up of the Bank of Canada. There must be a fundamental reason for desiring this change. It is realized that the functions of money affect fundamentally the life of every individual, because individuals must have money in order to survive, since money to-day means purchasing power, a claim on all and everything. Some say that we are here to govern the country; but that is not enough; it is not a common ground, since others will immediately reply that some of us serve only a portion of the country, namely finance, and attempt to govern the rest. There must be another reason, more basic than all others, which has brought us here. And there is. Within the breast of every living thing there is a common desire, a desire greater than all else, an instinct, an urge, that compels us to fight to the last breath, to cling to life. It is the desire to survive. A man will rob his neighbour; he will place the blood and flesh of his body in bondage; he

will sell his immortal soul; he will grasp the last straw and cling to life until the last gasp. That desire may not always be floating on the surface of man's multitude of emotions where it is constantly in view, but no one will dare to deny that it is there. With this desire uppermost people become uneasy as they see and read of conditions existing not only round them but throughout the world, and all agree that money is the factor which is causing most of the trouble. They see a world filled with the necessities of life that they cannot obtain. Such a representative and reliable body as the London Chamber of Commerce had the following to say about our gold standard. I quote from the Times of Saturday, December 24, 1932, which printed the new monetary policy of the London Chamber of Commerce, and I refer particularly to the part entitled: Gold as a Regulator:

It is incredible that in a scientific age the nations should so long have been content to rely upon the fortuitous arrival and disappearance of gold as the regulator to determine when the currency should be expanded or contracted. Not only had this gold movement little if any connection with business activity within the country, but the methods employed to put additional currency into circulation and to withdraw it, were calculated to do the maximum amount of injury to the trade and industry of the country by causing wide fluctuations in the price level. To cause such fluctuations and consequent disorders was in fact a necessary feature of the system. Additional currency was not called out as required by industry and commerce; it suddenly became available owing to a fortuitous acquisition of gold by the Bank of England. As the joint stock banks could find, at that moment, no outlet in industry for the additional credit made available by the broadening of their cash base, it found its way into speculation in the stock and raw material markets. A boom having thus been created in these markets, industry began to feel the benefit of an increased demand for its products. The advances which had, in the first place, been made for speculative purposes, were then withdrawn by the banks in order to finance the industrial boom, so that before this was well under way a slump in stock and raw material markets had begun. This is the phenomenon spoken of as the "trade cycle"—

The CHAIRMAN: Order.

Mr. GRAY: What is the hon. gentleman quoting?

The CHAIRMAN: I was going to ask the hon. member what he is quoting.

Mr. PELLETIER: I stated at the beginning that I was quoting from a reprint from the London Times Trade and Engineering supplement dated Saturday, December 24, 1932. I simply want to point out the attitude which the London Chamber of Commerce took concerning gold as a regulator for currency. That attitude has been taken, I might say, not only by the gentlemen referred to by the hon. member for St. Antoine-Westmount (Mr. White), but by the Right Hon. Reginald McKenna. The London Chamber of Commerce certainly includes men whose standing and authority in public life cannot be questioned. However, supposing that these authorities are not sufficient and cannot be accepted by this committee, I have collected other authorities who have had something to say upon our present monetary system. For example, there is James Madison, an eminent American, who said:

We are free to-day, substantially, but the day will come when our republic will be an impossibility, because wealth will be concentrated in the hands of a few. A republic cannot stand on bayonets, and when that day comes, when the wealth of the nation will be in the hands of a few, then we must rely on the wisdom of the best elements of the country to readjust the laws of the nation to changed conditions.

Then there is Justice Lurton, a justice of the Supreme Court of the United States from 1910 to 1914, who said:

The power to coin money and regulate the value thereof, and of foreign coin, is a prerogative of sovereignty and a power exclusively vested in the congress of the United States.

Another whom I would like to quote is Salmon P. Chase, and I might say in passing this is not Stuart Chase of whom we have heard recently; it is Salmon P. Chase, Secretary of the Treasury in the United States from 1861 to 1864 and Chief Justice of the United States Supreme Court from 1864 to 1873. He said:

My agency in promoting the passage of the national bank act was the greatest financial mistake of my life. It has built up a monopoly which affects every interest in the country. It should be repealed. But before that can be accomplished the people will be arrayed on one side and the banks on the other in a contest such as we have never seen before in this country.

I could go on indefinitely quoting views of many people in public life, or those of practical economists, but that has been done so often that perhaps it may not be necessary at this time. However, for the benefit of certain hon. members with whom I am well acquainted, I should like to quote from one authority which I know they will not dispute. I have before me a book entitled: The Social Order, Its Reconstruction and Perfection, by His Holiness Pope Pius XI. It is a reprint of the Encyclical Quadragesimo Anno and at

page 46 we find the following observations about money:

This power becomes particularly irresistible when exercised by those who, because they hold and control money, are able also to govern credit and determine its allotment, for that reason supplying, so to speak, the life-blood to the entire economic body, and grasping, as it were, in their hands the very soul of production, so that no one dare breathe against their will.

Then, at page 51, I find the following remedy:

For it is rightly contended that certain forms of property must be reserved to the state, since they carry with them an opportunity of domination too great to be left to private individuals without injury to the community at large.

I quote these observations because at times the statement has been made that when anything of this kind is brought forward it must be communism or socialism, but that does not hold true in the present instance. As I said before, the authority to which I have referred is beyond question.

The point I wanted to make was that it was thought desirable to bring about monetary reform, and people throughout the world were very uneasy. They began to study matters, and to seek out causes. They tried to determine what the causes might be, and in their studies they ran across articles such as I shall read. A report from China states:

A terrible famine is now sweeping China, news dispatches tell us, and the estimated number of natives dead or facing death ranges from 10,000,000 to 30,000,000. It is appalling to think that number of lives can be wiped out in this age of modern efficiency. But the very dimensions of the disaster in China seem to blunt our appreciation of its gravity.

The final paragraph is as follows:

Whether the situation in China to-day is at all parallel we do not know, but the words of one dispatch at least hint that the famine is not altogether a matter of absence of food. These words are that "starving parents are selling their children to gain money for food." Apparently if you have money you do not have to starve.

Of course that is in China, and hon. members may say that it is a long way from us, and that we would never be subjected to the same conditions. But to show that these difficulties are not those which only we have to face, but are common to the world, I gathered some clippings from various parts of the world to indicate that these conditions exist not only in Canada but elsewhere. This is another article from outside which may be of interest to hon. members. I quote the following from the New Era of Sydney:

Helensburgh, N.S.W. miners will carry their own dead to the local cemetery. The little south coast mining community is impoverished. Helensburgh mine once supported 400 coal miners. There have been no earnings for some months, and the question of burial costs has become important. The miners' lodge has decided that a tradesman be commissioned to make coffins for them, as they are required. There will be no hearse; no plumes.

The CHAIRMAN: Order. I must remind the hon. member that what he has just been quoting has nothing to do with the resolution under discussion.

Mr. PELLETIER: I certainly must abide by your decision, Mr. Chairman, but the question before us has to do with monetary reform, and that may be considered in connection with banking. If we are to be prevented from expressing our views on the subject I do not know how we can cooperate in bettering financial conditions in Canada. I noticed yesterday that other hon. members were allowed a great deal of latitude, and I do not believe I should be discriminated against in that respect. However I wish simply to finish the quotation. It reads:

The miners will bear the caskets—

Mr. CHAIRMAN: The hon. member must not proceed with the article.

Mr. PELLETIER: Then it will not be possible to continue quoting the articles I have before me. The point I wish to make is that I can gather information from around the world, not only from Canada, to show that the money question is at the bottom of our trouble. To come back to our own country, let me say that not long ago conditions in Canada became so bad that the people began to ask questions. The time arrived when they were expected to elect some representatives to the federal House of Commons in order to fight our battle for survival. During the campaign the people were given many promises by the various parties desiring to carry out the will of the people. For example, I have before me a pamphlet used in the provincial campaign, and headed: Alberta's Provincial Liberal Leader. There are some 644 promises contained in the pamphlet and it is hard to locate the one dealing with monetary reform, but here it is:

Usury once in control will wreck any nation. Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of parliament and of democracy is idle and futile.

Of course that is a Liberal platform. In order to prevent my being accused of bringing provincial matters into the debate I have

carefully preserved another pamphlet headed: The Central Bank. It reads:

Where Liberalism stands as against the other political parties. Issued by the National Liberal Federation of Canada, 114 Wellington street, Ottawa.

This pamphlet deals entirely with the central bank, so in reading it I cannot possibly be out of order. After a full discussion of financial policies in Canada I find that the last sentence reads as follows:

Liberalism therefore stands for the public control of the issue of national currency and credit through a properly constituted national central bank that will issue currency and credit not for private gain but in terms of public need.

Of course that is a worthy procedure, and I would be prepared to support anything of the kind at any time.

The resolution before us to-day states:

That it is expedient to bring in a measure to amend the Bank of Canada Act so as to increase the capital stock of the bank, to provide that certain shares thereof shall be purchased by the Minister of Finance out of the consolidated revenue fund in order to assure ownership of a majority of the shares by the government, to increase the number of directors, and to provide for election and appointment of directors in such manner as to assure voting control of the board by directors appointed by the government.

The resolution says nothing at all about the issue of "currency and credit not for private gain but in terms of public need." We know that throughout Canada one of the chief planks of the Liberal platform was the question of monetary reform. Throughout western Canada the utterances of certain members of the Liberal party were held up as an indication of what that party would do for the Canadian people. It has promised to fight international finance, to fight usury and to stop a condition whereby the wages of money are greater than the wages of man. The people placed the present government in office, and at the present time they have no opportunity of telling us how they feel about the matter. They cannot tell us the way they feel about the manner in which their hopes are being smashed. But we can get some idea of what is happening when we read what is written in some publications. In quoting from the Financial Post of March 21, 1936, I do not believe it can be urged that I am quoting from a social credit or communistic authority. It does not hold, represent or speak for radical views, but this is what it has to say:

With the announcement of the government's legislation to "nationalize" the Bank of Canada, all danger or any important change in the existing set-up of this institution evaporates.

The resolution closely follows forecasts made in The Post. The method of liquidating the Liberal party's campaign pledge to be followed is to increase the capital stock of the bank to a point where the government will own a majority of the shares. The present shareholders will not be disturbed and the only difference that will occur in the management will be the addition of government appointed directors.

To all practical purposes, the government's legislation is eye-wash, and it is a safe forecast that opposition groups in parliament who believe in outright nationalization will easily identify it as such.

I hope that members of the Liberal party who campaigned in western Canada on the platform of monetary reform will rise and protest against the government's present method of carrying out the promises which they made. There is the question as it is raised by the Financial Post.

We were criticized not very long ago for saying that there was no such thing as a money power, but as I listened to the Minister of Finance when bringing down the resolution, I heard him suggest that a money power certainly does exist, and that this legislation was one of the ways in which he meant to get control of that money power.

What do London financiers think of this proposal of the government? I quote from the Evening Citizen's London News Bureau, a dispatch from London, dated March 23, 1936:

Bankers and financiers in London express no anxiety at Premier Mackenzie King's proposal for state control of Canada's new central bank.

"It should not be assumed," says the financial editor of the Times, expressing the opinion of "The City," to-day, "that government ownership either in Canada or New Zealand will bring about any change of real importance. It is probably true that in neither country has the government any intention of making any revolutionary change in banking or monetary policy."

The Times financial editor, however, sees danger if at a future date a political party —obviously the social credit party is meant— should obtain power to "pursue some dangerous monetary experiment."

So the big financial people, those about whom we heard so much in the Liberal campaign in western Canada, have absolutely nothing to fear, according to their own expressed opinions, from this policy of the government.

The Prime Minister (Mr. Mackenzie King) told us yesterday that he did not promise sweeping reforms to the people of Canada, and yet I hope I shall be allowed to offer him my sympathies for I realize how deeply hurt he must now feel knowing that the people of Canada expected more in the way of monetary reform than he is offering us in this legislation.

But if it is out of place for me to offer my sympathies I might be allowed, now that the time is ripe, to offer some constructive suggestions in relation to our attitude towards a central bank. But first it should be noted that monetary reform was before the Canadian people long before the elections of last October. It will be observed from newspaper reports, however, that at the recent convention of the Twentieth Century Liberal Association the subject of monetary reform was conspicuous by its absence. Perhaps that was not the time to talk monetary reform. I assume the time will be three or four years hence.

The social credit group in this house have claimed that the Bank of Canada should, apart from its other functions, be used to perform three things: First, to measure and report upon the national credit; second, to determine the amount of financial credit to be used for the just price discount; and, third, to issue a national dividend. The social credit group has been criticized considerably over the national dividend, and therefore I cannot lose this opportunity to explain to the committee how closely related a national dividend is to the Bank of Canada.

At the outset we say that the primary thing in the mind of every single individual, and of every member of this house, of everyone no matter who or where he is, is the desire to survive, and we know that survival to-day depends upon what we call purchasing power. If we place financial values higher than human values, we are refusing to recognize that inherent right of the individual. It is distasteful to be told that one places financial values above human values, but in the face of what we see we cannot say anything else. We must recognize that life is the primary thing; otherwise we must say that financial values are higher than human values.

What can be so wrong or unreasonable about this proposal and desire to guarantee a certain economic security to individuals? It seems to me that we are sent here for that very purpose, in order to give every individual in Canada a better chance to survive in this battle which they are fighting. It remains, then, only a question of technical details how this is to be done. Let us not lose sight of the main point, which is that we must guarantee to every individual that thing which life itself should be sufficient to guarantee to him.

First of all, we shall have to realize that the old idea of work and wages being sufficient to provide one with purchasing power and a livelihood is something of the past. That may sound humorous to certain hon. members who are laughing at the present time. It is quite easy to laugh when everybody else is laughing, but it might not be so easy when one is left laughing alone, and that day is certainly coming. It cannot much longer be put off from day to day. We seek to displace that purchasing power which we give out in the form of wages, so we must always recognize that the first claim upon goods is not work or worth or anything else but it is life. Money, after all, should be used simply as a method of distributing goods. Life has the first claim upon money. What is so wrong with proposing to give to all people, regardless of class or any other distinction, this guarantee which will mean economic independence to all our Canadian citizens? After all, economic independence is the one thing which must come. I do not see any reason why, simply because someone possesses money or holds the whip-hand over us, we should be made the slave of his will or desire in order to obtain that portion of purchasing power which is absolutely necessary in order to survive. Until the day comes when we recognize this claim of the individual as his human right we shall make little progress.

I was glad to see the Minister of Finance, when he brought down this resolution, do one thing which I am sure many people will thank him for. It has been the impression of a great many people in Canada that the Liberal party stood for monetary reform, but now those who expected any advance in monetary reform from the Liberal party will know they cannot expect it from that party, and the field of their search is correspondingly narrowed. They must be indebted to the Minister of Finance.

Mr. DUNNING: Will my hon. friend permit a question?

Mr. PELLETIER: Certainly.

Mr. DUNNING: A few minutes ago my hon. friend made what he called three constructive suggestions. He spoke very quickly and I did not catch their full purport, but I gather they were intended to be suggestions as to how the Bank of Canada as contemplated by this resolution should function. I wish he would develop and explain those three suggestions, showing how they would work and in what manner we should proceed to do in this parliament what he suggests.

Mr. PELLETIER: If I attempted to develop them and at the same time tried to keep myself to what the resolution proposes I would not get very far because the resolution does not propose very much.

Mr. DUNNING: There were three suggestions.

Mr. PELLETIER: I will go over them again. The first is to measure and report upon the national credit.

Mr. DUNNING: What is that?

Mr. PELLETIER: In passing, I may say that I have on the order paper a resolution which calls for the establishment in Canada of an agency which would measure the productive capacity of the country. That is what I am referring to—to measure and report upon the national credit in relation to the national productive capacity of the dominion as a whole. The second is to determine the amount of financial credit to be used for the just price discount.

Mr. DUNNING: What is that?

Mr. PELLETIER: If, after we have determined the total amount of production, it is found that we can consume only 75 per cent of production, we shall then declare a just price discount of 25 per cent in order to reduce the price of goods so that the money in existence can take care of the total amount of production in any one cycle. The third is the issue of the national dividend. I am sure that I shall not have an opportunity of developing the resolution I have on the order paper, and thereby going a long way towards explaining the points I have been making. The references I have given are available to all hon. members. In closing I want to make this point: Until we recognize that life is the primary consideration and has a claim upon us before money, I see little hope for improvement in Canada.

At six o'clock the Speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

CONSIDERED IN COMMITTEE—THIRD READINGS

Bill No. 40, respecting the St Lawrence and Adirondack Railway Company—Mr. Chevrier (Stormont).

Bill No. 41, respecting the Ottawa and New York Railway Company—Mr. Chevrier (Stormont).

THOUSAND ISLANDS BRIDGE COMPANY

The house again in committee on Bill No. 59, respecting Thousand Islands Bridge Company—Mr. Stewart—Mr. Sanderson in the chair.

On the preamble.

Mr. MACKENZIE (Vancouver): Consideration of this bill in committee was postponed at the request of the hon. member for Winnipeg North (Mr. Heaps). He subsequently expressed himself as quite satisfied with regard to the point he raised, and withdrew his objection.

Preamble agreed to.

Bill reported, read the third time and passed.

CRIMINAL CODE AMENDMENT

PROVISIONS GOVERNING TRIAL OF YOUNG PERSONS

Mr. T. L. CHURCH (Broadview) moved the second reading of Bill No. 60, to amend the Criminal Code (trial of young persons).

He said: Mr. Speaker, this being near the end of the session, five minute speeches from now on would be, I think, in order.

Some hon. MEMBERS: Hear, hear.

Mr. CHURCH: I hope that it will come by the end of next week. Recommendations on behalf of this bill have been made by judicial officers. The bill relates to the trial of young persons. Under the Juvenile Delinquents Act the parents have to be notified, and the magistrate or the judge has a procedure to go through prior to and after the trial of the delinquents. My proposal is to extend these provisions, the wisdom of which in times like these has been demonstrated, to those under nineteen years of age. As I stated in moving the first reading of this bill, many people who are in trouble—some among the most dangerous criminals we have—are of about that age. The class I have in mind, however, is the high school element that are out of work through no fault of their own, and many of whose parents are on relief. As a result they go to new Ontario, where, having no references, they cannot get a job. I have before me a letter from a commercial traveller who lives in the riding of the hon. member for Greenwood (Mr. Massey). My correspondent, who is a reputable commercial man, upon a recent trip through new Ontario visited Sudbury, Kirkland Lake, Timmins and other mining centres. "At Kirkland Lake," he states, "twenty Canadian young men were locked up and given eight days in gaol on vagrancy charges. These boys were only looking for work. And we call this a free country. Let

any young Canadian go to one of the ore mining centres and seek work and see what he will get."

Many children who are to-day in factories should be in school, and nearly all the young offenders come from poverty stricken homes, where the father is out of work. They have never had a real chance. Many of them are handicapped since birth through insufficient food and clothing; too often, when the father is on relief, the eldest boy leaves home and goes to new Ontario or other places, and the only charge that can be laid against him is that he cannot get work. Section 238, the vagrancy section of the criminal code, states:

> Every one is a loose, idle or disorderly person or vagrant who,—
> (a) not having any visible means of subsistence, is found wandering abroad or lodging in any barn or outhouse, et cetera.

Lads like these are the forgotten element under the constitution.

By this bill I do not intend to place any additional expense upon the public. As I said in moving first reading, in the larger cities there are many bodies such as the Lions Club, the Big Brother movement, the Big Sister movement and so on, all engaged in helping in this work and willing to help still more. Right here in the city of Ottawa we have the Lions Club, which has been helping in this work for some time past. I repeat that the parents or other next of kin should be notified. When these children get into trouble they do not want their parents notified, and in many cases as a result wind up serving a term in gaol, and come out with that stigma attached to them. I do not want to criticize the magistrates, but only a couple of weeks ago two of these young fellows were arrested in New Toronto. They were eighteen years of age, and when the magistrate said, "Supposing I give you three months in the reformatory," one of them replied, "It doesn't matter to me." The magistrate said: "So you've reached the indifferent stage. I don't wonder at it. Where is your home?" The boys replied that their home originally had been in Winnipeg but that they had been just roaming around for the last four years. Accepting their statement that they had never been in trouble before, the magistrate gave them ten days each. The only complaint against them was that they were trying to get work, and that is the sort of thing that goes on. Many of these people are sent down without even being heard. It is not the fault of the magistrates; it is the system that is to blame. All I ask is that when the minister considers the amendments to the criminal code he should also consider extending the provisions of the Juvenile Delinquents Act to those under nineteen years of age, especially those of the high school population. Only the other day at the Union station in Toronto —and I saw this myself when the train was about to leave for Ottawa in the morning— twenty-one of these young people were brought back from new Ontario, some of them were charged with vagrancy and all being brought to the Guelph reformatory because there was no room for them in the gaols in northern Ontario. Their only crime was that they could not find jobs. After checking up on the stories of some of these cases of young people the police often find that they had never been in trouble before, but they simply could not get work.

I do not ask anything out of the way. I believe this problem should be dealt with as it is in England to-day, where many of the prisons have been closed. This problem has been brought about very largely by the depression. I have before me the blue book of the Inspector of Prisons for the province of Ontario which shows that these conditions are largely due to the depression, and when the depression is over no doubt they will vanish. But the state has a duty to give these youths a fair trial, and if they are not represented by counsel there are in the large centres service clubs that could take care of such matters. Many lawyers are doing such work for nothing, and I only ask the minister to look into this matter. If he can give it any attention when the criminal code is being amended I hope he will do so, because I know some of these high school children of the city of Toronto who have got into trouble through no fault of their own; they were only looking for work in new Ontario and other places.

Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, my hon. friend has suggested that this matter should be considered and a decision rendered before the introduction of the general bill concerning the criminal code, but only this afternoon I heard him complain that we were asking too much when we took time to study things and did not reach decisions. I have reached a decision as far as this bill is concerned; I am compelled to oppose it and to ask that it should not pass.

May I say, Mr. Speaker, that the provisions of the Juvenile Delinquents Act are the result of very careful work and deliberations on the part of the child welfare council, which is composed of philanthropic people all over Canada who are deeply interested in the work. Some of the members of that council are magistrates who have had long experience with regard to

the procedure concerning children. I was minister in charge of the act when it was put through some years ago, after a meeting of that council, and I would hesitate to change some of the important provisions of that act merely because my hon. friend thinks they should be changed. According to this act a child is defined as follows:

"Child" means any boy or girl apparently or actually under the age of sixteen years: provided, that in any province or provinces as to which the governor in council by proclamation has directed or may hereafter direct, "child" means any boy or girl apparently or actually under the age of eighteen years: provided further, that any such proclamation may apply either to boys only or to girls only or to both boys and girls.

Three provinces, British Columbia, Manitoba and Alberta, by resolution of their governments have asked that the governor in council should raise the age to eighteen, so in those provinces when boys or girls under eighteen years of age are arrested they are classed as juvenile delinquents under the act and treated in that special way. This request has not been made by the other provinces; indeed, in at least one province the lieutenant governor in council has asked that there should be no change as far as that province is concerned. Various bodies in some of the provinces have asked that the age should be raised to eighteen, but the federal government has always required that this request should be made by the governmental authorities of the province, by the lieutenant governor in council. So in three of the provinces at least the notices, which my hon. friend would require to be given to the parents, are given as far as children under eighteen years of age are concerned.

My hon. friend wants the provisions of section 10 of the Juvenile Delinquents Act, which requires notice to be given to the parents or to friends of the parents before a juvenile delinquent is tried, to apply to children between the ages of sixteen and nineteen, and in the second place his bill demands that counsel should be appointed by the court to defend such juvenile delinquents. As I have said, with respect to the first provision, in three provinces it would not be needed, because there the age has been raised to eighteen. As far as the other provinces are concerned I believe this would have the effect of delaying the trials of those nineteen years of age or under, especially when there are no relatives in the city or town where they have been arrested and where their trial will be held. If notice should be sent to relatives elsewhere and an investigation should be carried on to find them, I do not think it would be in the interests of justice or even of the boys themselves that their trial should be delayed as long as would be required for that purpose. When the relatives are in the city where the trial takes place it must be exceptional if they do not know of or are not made acquainted with the troubles in which their children are involved.

I do not agree with the statement of my hon. friend, which is also in the explanatory note attached to his bill, that many young people are being sent to gaol in a mechanical way. I think that is a terrible indictment of Canadian courts, and one that is neither fair nor justified. It is certainly not in accordance with any reports received by the Department of Justice. On the contrary I believe that our judges everywhere take special care when the delinquents who are brought before them are young people. Surely my hon. friend could not substantiate that charge against the courts of Canada, that they are simply throwing away boys and girls, sending them to gaol mechanically without proper trial.

If we are to raise the age under which boys and girls are to be considered as children and come under the provisions of the Juvenile Delinquents Act I think this should be done with the cooperation of the provinces. The provinces are more directly interested in this matter. The age limit as at present set is the limit asked for by the child welfare council, and before any change is made I would like to have their views about it, as well as the views of the provinces.

With regard to the proposal that counsel should be supplied for the defence of juvenile delinquents, and even those who are no longer juvenile but under the age of nineteen, that would constitute a considerable change and, if it were made, surely a demand would follow that this should be done in all cases. If it is the provinces that would have to pay for the defending counsel we should at least consult with them before putting that provision into our statutes. The administration of justice is under provincial jurisdiction. If my hon. friend has in mind that this should be an expense of the dominion government, that might be considered, but I think his bill would be ultra vires as far as that goes because it would be a charge on the treasury of the country and so my hon. friend would have no right to introduce such a bill.

On the whole, in spite of all that is said and suggested in the introduction of this bill, I think Canadian justice is not so bad, and many things that have been said are not

justified. The courts of the country take great care when it comes to the trial of young people. I do not think the change suggested by this bill is necessitated by any condition which exists at the present time. Therefore, as I said, I am sorry, but I do not feel justified in accepting this bill, and I oppose its second reading.

Motion (Mr. Church) negatived on division.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

The house resumed consideration in committee of the proposed resolution with respect to the Bank of Canada—Mr. Dunning—Mr. Sanderson in the chair.

Mr. G. G. McGEER (Vancouver-Burrard): Mr. Chairman, before I proceed to a discussion of the features of the resolution of which I wish to speak, I want to correct some statements that were made this afternoon by the hon. member for St. Antoine-Westmount (Mr. White). If I recall his remarks correctly he suggested, first, that there is an abundance of money available and that there is no shortage of funds for all proper needs of the public. In support of that extraordinary statement he suggested as evidence the fact that there is something over $2,000,000,000 of bank deposits and less than $1,000,000,000 of current loans, and while he did not say so, the inference was left that apparently there are bank deposits available for financing Canadian activities to the extent of roughly $1,500,000,000.

May I place on record the actual facts as at the end of 1935. Our bank deposits consisted of the following items: Deposits in foreign countries, $348,000,000; current accounts, that is accounts on which cheques may be drawn every day in the transaction of the commerce of the country and upon which the banks do not pay any interest because they do not treat them as loanable deposits, $568,000,000; time or savings accounts, which are withdrawable only on notice to the banks, and upon which the banks pay interest, $1,445,000,000. As against those savings bank deposits the banks had out current loans of $828,000,000, and in addition to that they had advanced on account of national, provincial, municipal, railway loans and other public securities the sum of $1,175,000,000. Besides that there were call loans outstanding totalling $82,000,000, making a total of investments by the banks in Canada of $2,085,000,000. If we subtract these savings deposits from the amount the banks had actually invested in that type of security we find that the banks had invested $640,000,000 more than the total of savings deposits.

But that does not tell the whole story. In addition to the $2,085,000,000 invested in the type of loan and security I have mentioned, the other investments of the chartered banks totalled $900,000,000. As a matter of fact, to-day the total volume of our bank credit currency, our bank note currency, our Bank of Canada currency and our metal currency is roughly about 50 per cent below where it would be had the same ratio of advancement been sustained from 1915 to 1935 that had obtained from 1867 to 1915. Since 1918 there has been a steady decrease in the total volume of money available for the Canadian people. The hon. member went a little further and suggested that when Reginald McKenna, not only a banker but a man who for many years was one of the most distinguished chancellors of the exchequer who had ever graced the British House of Commons, said that the banks make deposits by calling bank loans deposits he was talking utter nonsense. Not only has that distinguished statesman and banker in England made that statement, but it is recorded as the unanimous conclusion of the British Macmillan commission, the report of which has been properly described by Sir Josiah Stamp as the outstanding book on modern practical monetary and political economy. Not only have the Macmillan commission confirmed the statement, but similar statements have been made by Carl Snyder possibly one of the most distinguished economists and statisticians in the employ of the federal reserve banking system. It has recently been made definitely by one who graces the high position of chairman of the board of governors of the federal reserve system of the United States, Mr. Marriner Eccles. In addition to that group of distinguished authorities, the facts speak for themselves.

I have pointed out to the committee that to-day there are so-called bank deposits in Canada totalling $2,361,000,000, and deducting the amount of foreign deposits, or deposits in branches of Canadian banks operating abroad, the amount is something over $2,000,000,000. How much money have we in Canada? We have created by law under the Currency Act metal coin to the value of $39,000,000. We have bills issued by the Bank of Canada under the authority of the Bank of Canada Act, amounting to $99,000,000; we have bank bills, issued under the Bank Act by chartered banks, amounting to $135,000,000, and we have foreign currency in the possession of our Canadian banks, totalling $21,000,000. In all, the entire

money wealth of Canada is $294,000,000. If we take that $294,000,000 from the $2,361,000,000 the bankers claim they have on deposit, we have the amount of bank deposits in excess of the total money in issue and in circulation in this dominion.

In other words the bankers have created, in excess of the money that exists in the dominion, bank deposits to a total of $2,067,000,000. How was that money created? It was created by the simple process which modern banking practice has adopted of substituting bank credit created by a bookkeeping system, and issued as money fictitiously called bank deposits—mere statements of accounts which are promises to pay, money which does not exist in the country and which the banker cannot meet if he is ever called upon to meet it. I do not know if anybody else can do that kind of thing without going to the penitentiary. I challenge the government or the Department of Justice to find in our currency or banking legislation a single authority or provision which sanctions the principle that our chartered banks are following, namely that of trading short in money. I am inclined to the opinion—and I speak not only as a member of parliament but as a lawyer who has given some little time and thought to this subject—that this is the greatest unchallenged swindle and vicious exploitation of the egregious principle of trading short that is to be found in any department of the mad activities inspired by the pursuit of profit. I was amused when the hon. member for St. Antoine-Westmount spoke sympathetically about the capacity of banking institutions to earn profits. I have checked the figures and I find that in 1934, on a capital investment of $144,000,000, the banks made an actual profit of $18,000,000 which figures out roughly to 12 per cent—not bad for a depression year. But that was not all. That profit was paid out by the Bank of Montreal at the rate of 8 per cent, a decrease from 1930 when they paid 14 per cent. The other banks ranged from 6 per cent to 12 per cent, but the average stood at about 12 per cent; then they put aside as rest account an amount almost as great. Last year, in 1935, their profits were a little better, and the preliminary dividend paid by the Bank of Montreal in the first quarter of this year, 1936, is, I believe, four per cent, indicating that the depression is not going to put our banks out of business so far as taking care of themselves is concerned, because with that profit and with the reduction in the interest rate on deposits probably we shall see our banks weather the storm.

I am sorry that I was not in the house yesterday to listen to the speech of the hon. Minister of Finance (Mr. Dunning), but I should like to put part of his statement on the record to interpret what I think this resolution really means. As reported at page 3257 of Hansard, he said:

> I should like now to discuss the factors which have led the government to propose amendments to the constitution of the bank providing for a predominant interest by the public in the ownership and also voting control of the bank. In the first place, the fundamental consideration is that the primary function of a central bank is to regulate the volume of currency and credit in use, and this is so vital a national function that it should not be left to the control of private interests. The issue of currency has always been regarded as a prerogative of the crown. It ic true that in all modern countries during the growth and development of banking practice, the use of bank notes, and particularly of cheques drawn against bank deposits, has come largely to supplant in the business world the use of hand to hand currencies. The significance of this amazing development of bank credits as the chief form of purchasing power was not at first perceived, and it is only in comparatively recent times that governmental authorities and monetary experts—and indeed central bankers themselves—have come to realize that the primary function of a central bank was not to make loans to a necessitous government or to provide other banking services but rather to control the volume of credit and currency in the best interests of the economic life of the nation.

Well, if that is the power of the central bank it means that in that bank's authority is the right to control the economic progress of the people of the nation, which means that in that bank is vested control over the government's right to set and maintain an advancing standard of living for the people. The hon. Minister of Finance went on:

> But the point is that for the first time in this country we have an institution which is charged with the function of regulating credit and currency, and which therefore will conscientiously and deliberately—

Mr. DUNNING: Consciously.

Mr. McGEER: Consciously, not conscientiously. I am glad to have that correction because I am sure they would not do it conscientiously. I do not blame the minister for correcting that slip. He went on:

> —and which therefore will consciously and deliberately set influences to work which will affect the price level as well as the level of production, trade and employment. Surely this is too vital a function to leave in the hands of a privately controlled institution.

Well, it has been there for some time, and we know something about the state of the price level and about trade and economic conditions and the state of unemployment in the nation. He went on:

> If this function is to be performed at all it should only be by an institution under

adequate government control. This is my main point, Mr. Chairman; in fact it is the sum and substance of the whole matter.

A little later on, carrying the same line of reasoning right to the issue of national policy, he quoted with approval the expressions of the right hon. the Prime Minister (Mr. Mackenzie King) in this wise:

I am however, discussing the question of control of policy, and I do say that with respect to policies, whether they relate to trade, to shipping, to marketing, to finance, to defence, or to any other phase of a country's economy, those policies, if they are the expression of view of a government representative of the people, should be capable of being carried out without interference from any institution whatever.

Then in the course of the debate, as reported at page 3298 of Hansard, this quotation from the Prime Minister was read:

The Liberal party believes that credit is a public matter, not of interest to bankers only, but of direct concern to the average citizen. It stands for the immediate establishment of a properly constituted national central bank, to perform the functions of rediscount, and the control of currency issue, considered in terms of public need. A central bank is necessary to determine the supply of currency in relation to the domestic, social and industrial requirements of the Canadian people; and also to deal with problems of international commerce and exchange.

And this discussion followed:

Mr. Mackenzie King: What is wrong with that?

Mr. Douglas: There is nothing wrong with it. What we are asking for now is legislation to implement that.

Mr. Dunning: It is before the committee.

If that is true, no one can have any fault to find with the proposed resolution, but I cannot bring myself to believe that the adoption of the principle of a partly privately owned, partly publicly owned, Bank of Canada is in conformity with the declared acknowledgment that the bank controls the economic life of the nation and has the power to regulate its currency and credit, or that it is not vesting in this Bank of Canada a power which will enable it, if it wills, to interfere with the government in matters of national policy.

Let me put the matter to the committee on a plain, simple arithmetical basis. We now meet a situation where it is proposed to continue five million dollars' worth of shareholders in the Bank of Canada. They are to have the right to vote seven votes, through their representatives on the board of directors. The government vests its authority in a governor and deputy governor and gives four of its directors double voting power, or eight votes. Very well. Let us assume that three

of the directors appointed by the government decide to vote with the seven directors representing the shareholders, and who can guarantee in face of the argument presented by the Minister of Railways (Mr. Howe) for the removal of the Canadian National Railway trustees, that the appointees of this government are going to conform with the wishes of the government and that they are not going to conform with the wishes of five million dollars' worth of shareholders?

How far then are we going to carry out the promises that were made, absolutely, not assurances that were given as a mere idle message to the people in the heat of a campaign, but promises that were recorded upon the pages of parliamentary history in the House of Commons by the Liberal party as it made its stand before it went to the last election in its appeal to the electorate? Of course, I feel strongly on this issue. I may have been over-optimistic; I may have been unwarrantably enthusiastic in my conclusion that Liberalism was going to establish, over the oligarchy of money power that long had ruled this and other countries, the supreme sovereignty of parliament and of democracy by restoring to parliament the constitutional right, yes, may I go further and say, the constitutional duty to create the currency and credit media of exchange which were necessary to sustain government and the progress of humanity. I may have been over-optimistic in my belief that the day was going to dawn when Liberalism would usher in an era when mankind in this country would be emancipated from the slavery of debt and from the bondage of usury. And I do not believe that that promise is being fulfilled.

Now, may I say a word by way of reminder, because I want to warn the government and the Liberal party to-day that if I am right in my conclusions as to the way in which the public has interpreted these promises that were made while the government was in opposition, and that were made as a pledge before the election, if they are not fulfilled then it may be that the Liberal party is placing its footsteps on that trail of broken promises which leads not only through the valley of humiliation but down deep into the abysmal depths of eternal oblivion.

Now I may be pardoned if for a moment I refer to a distinguished chancellor of the exchequer who went through the experience of restoring the gold standard money system to Great Britain. When the Right Hon. Winston Churchill, standing in his place as Chancellor of the British Exchequer in 1925, recommended the restoration of the very kind of

system which the Bank of Canada Act has adopted, and promised the people of Great Britain the security which it offered, on the assurance that every expert commission and every authoritative source of administration worth listening to had declared for the necessity of returning to the gold standard, he did, of course, enter the valley of oblivion and, in his case, not without very much humiliation, because he bobbed up in the British House of Commons in 1936 with probably one of the most profound acknowledgments of imperfect action, which had been corrected by time, that had ever been made. In 1936 he says:

Great Britain has shaken herself free from the Gladstonian structure and tradition of finance. Now, he said, we are a protectionist nation with a substantial tariff, which we should no doubt raise higher as the years go by. The gold standard was not only dead, but had been relegated for a long period to purgatory. We have no sinking fund except a small fortuitous balance of the last year's surplus. We have dealt with the American debt liability in a manner which nobody would have tolerated in the years when I was chancellor.

A significant feature of Mr. Churchill's address will be found, I think, in the fact that he acknowledges that under the direction of the classical economy and orthodox finance of the nineteenth century his 1925 policy of deflation, which I venture to say is being more or less carried out by this type of legislation and by our own budget this year, a budget balanced through reduction in public expenditure and increased taxation, brought England to disaster. To save herself she was compelled to resort to managed currency, industrial bonuses, protection of home industry, regulation of trade and commerce, public works and social services; and in fact, on his authority—and no one is in a better position to speak than he is—the way to recovery is to be found, first, in the abandonment of the classical, orthodox school of economy and finance of the Victorian era, and, second, in the adoption of a policy based upon all that has been denounced in the past as unsound. He added this touch, which I think is interesting: After relegating the gold standard and orthodox, classical economists to the place in hell from which they came, and wholly justifying the complete repudiation of the ideas of that classical, orthodox economy and finance, which he formerly championed, he said:

All those rules by which chancellors of every party, except in war time, were rigidly bound, have now been swept away. How former chancellors would stare, if what has been done could all be explained to them, he said, as he blandly referred to himself as "the last orthodox chancellor of the Victorian epoch." Amidst cheers and laughter he appealed to the committee "to recognize me as the last of the Mohicans."

I am afraid that Mr. Churchill cannot have that privilege, because apparently the effect of the retreats in the Ottawa valley, which I believe was not altogether a land of the Mohicans but rather a land of the Iroquois, has been to produce another chancellor, a chancellor of the Canadian exchequer, who has really stuck solidly by the thing which brought Churchill to disaster in 1925.

Mr. DUNNING: My hon. friend will permit me to say that I have not at any time advocated what Mr. Churchill did in 1925, which was to return to the old gold standard. My hon. friend should not accuse me of that. I have never been guilty of it on any occasion, for I do not believe it would be a good policy.

Mr. McGEER: I am glad to have my hon. friend's explanation of that.

Mr. DUNNING: It is not an explanation; it is a straight denial which I expect my hon. friend to accept.

Mr. McGEER: No, because Churchill never advocated a return to the old-fashioned gold standard. He put Great Britain upon exactly the same basis that the Bank of Canada Act has placed the Dominion of Canada to-day.

Some hon. MEMBERS: No, no.

Mr. McGEER: Read your Bank of Canada Act. Let us see what Churchill said in 1925. I expected this. He said:

During the late administration, late Chancellor of the Exchequer (Mr. Snowden) appointed a committee of experts and high authorities to examine into the question of the amalgamation of the treasury and the Bank of England note issues.

He goes over the list of these experts and says that His Majesty's government intends to follow the report of the committee.

We thus resume our international position as a gold standard country. That is an important event, but I hasten to add a qualification. Returning to the international gold standard does not mean that we are going to issue gold coinage. That is quite unnecessary for the purpose of the gold standard, and is out of the question in present circumstances. It would be an unwarrantable extravagance which our present financial stringency by no means allows us to indulge in. Indeed, I must appeal to all classes in the public interest to continue to use notes and to make no change in the habits and practices they have become used to for the last ten years. The practice of the last ten years has protected the Bank of England and other banks against any appreciable demand for sovereigns or half sovereigns. But now that we are returning publicly to the gold standard in international matters with a

free export gold, I feel that it will be better for us to regularize what has been our practice by legislation. I shall therefore propose to introduce a bill which, among other things, will provide the following:

First. That until otherwise provided by proclamation the Bank of England and treasury notes will be convertible into coin only at the option of the Bank of England.

Secondly. That the right to tender bullion to the mint to be coined shall be confined in the future by law, as it has long been confined in practice, to the Bank of England.

With these qualifications our standard under the Bank of Canada Act is identical.

Mr. DUNNING: Not at all.

Mr. MeGEER: Parliament has, of course, by legislation suspended, under the sanctions which are contained in the Bank of Canada Act, formerly contained in the Finance Act, the right of people to secure gold without a licence. Parliament has also denied the right to hold gold as a private privilege in Canada. But neither of these rights existed in 1925 or during Mr. Churchill's tenure of office as Chancellor of the Exchequer. The right to export gold was lost in 1914. The right to demand gold was lost in 1914, and no provision was ever brought back that established that right as an inherent privilege.

THE ROYAL ASSENT

A message was delivered by Major A. R. Thompson, Gentleman Usher of the Black Rod, as follows:

Mr. Speaker, His Honour, the deputy of His Excellency the Governor General, desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, the house went up to the Senate,

And having returned,

Mr. SPEAKER informed the house that the deputy of His Excellency the Governor General had been pleased to give in His Majesty's name the royal assent to the following bills:

An Act for the relief of Birdie Louise Coleman Wilson.

An Act for the relief of Solomon Hyman, otherwise known as Saul or Sam Hyman.

An Act for the relief of Lewis Gould.

An Act for the relief of Hyman Stotland.

An Act to incorporate The Economical Mutual Fire Insurance Company.

An Act respecting The Northern Trusts Company.

An Act to incorporate The Equitable Life Insurance Company of Canada.

An Act respecting The Pension Fund Society of the Bank of Montreal.

An Act for the relief of Pedro Alfonso Baptista.

[Mr. McGeer.]

An Act for the relief of Louise Isabel Sutherland Chaplin.

An Act for the relief of Clara Violetta Dodge Connolly.

An Act for the relief of Marie Consuela Hill Montabone.

An Act for the relief of Lona Marie Vaughan Burnett Gravina.

An Act to amend The Canadian and British Insurance Companies Act, 1932.

An Act to amend the Indian Act.

An Act to amend the Customs Act.

An Act for granting to His Majesty certain sums of money for the public service of the financial year ending the 31st March, 1937.

An Act for granting to His Majesty certain sums of money for the public service of the financial year ending the 31st March, 1937.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

The house resumed consideration in committee of the proposed resolution with respect to the Bank of Canada—Mr. Dunning—Mr. Sanderson in the chair.

Mr. McGEER: The main point the committee is considering is not merely a change in the form of ownership of the stock of the Bank of Canada. That is simply incidental to the establishment of control over the creation and issue of the currency needs of both government and people in the Dominion of Canada. The issue that came up in the last election campaign, and that I think was stressed more than anything else, was a plain and simple one: Shall parliament delegate its power to create by law and put into circulation the currency and credit which constitute the media of the exchange needs of both government and people, and issue the currency and credit media of exchange in terms of public need, or shall they be subject to the limitation of being issued in terms of private gain. That issue is fundamental to the establishment of a new era of ordered progress. If we fail to meet our promise to the electors of Canada in that regard we shall fail to fulfil a promise which amounted to a guarantee to bring about a fundamental change in the practical political economy that governed parliament in the past, under which social and economic security disappeared and poverty and destitution became the order of the day after education and science had created circumstances under which we should have looked forward to unbounded progress and prosperity.

I do not know that there is any need to hurry with a matter so fundamentally important to the well-being of future generations. To-day we are carrying a debt load of nine and a half billion dollars created

under the private money system which has persistently issued currency and credit in terms of private gain. If we are going to make a change that is going to save humanity from an appalling calamity, then we as a parliament should take time to give full and mature consideration to this matter. I am going to suggest to the government that it is unfortunate that a measure of such great importance should have been introduced in what are now recognized as the closing days of this session of parliament, and I am going to ask the government to accept the following amendment, which is moved by myself and seconded by the hon. member for Kootenay East (Mr. Stevens):

That this resolution be referred to a select committee of parliament consisting of six members of the senate and seven members of the House of Commons, and that such committee shall be empowered to investigate all matters relating to currency and credit, banking, finance and commerce and to prepare and present to parliament for its consideration at its next sitting a bill that will bring about the establishment of a properly constituted central bank through which shall be performed the functions of rediscount and the control of currency issue in terms of public need, not possible private gain, and through which the supply of currency and credit shall be determined in relation to the domestic, social and industrial requirements of the Canadian people.

Of course I know it is easy to say that in connection with these issues one should appreciate the plight of the government; that public opinion is not prepared for fundamental changes; that there may be difficulties in the Senate and even in the House of Commons. But one thing is certain; it is that the Liberal members of this house and the electorate throughout the Dominion of Canada have a right to know why the fulsome promises made by the then opposition when it opposed this Bank of Canada Act, and made to the electorate in connection with the establishment of a national central bank, properly constituted, that would be publicly owned and publicly operated, are now to be altered to mean a central bank partly owned by the public and partly owned privately, under which a hundred thousand $50 subscribers are given a preferred security at the rate of 4½ per cent. By this resolution we tell these shareholders: We do not need your money and we will not let you have a voice in the management of the bank. Therefore all this resolution is doing, so far as the privately owned part of that banking institution is concerned, is creating a preference for a few on a 4½ per cent investment basis, and establishing a power and an authority that may be in a position to frustrate the government in the establishment and maintenance of national policy.

Believing as I sincerely do that this measure does not fulfil the fundamental promise that was made and that this government and the Liberal members of the house were elected to fulfil, I think time for consideration would be advisable, and I am sure that after due and proper consideration a greater change would be brought about in the right of the nation to control the issue of currency and credit than is contemplated in the legislation to be founded on this resolution.

Mr. LAPOINTE (Quebec East): I do not know whether I should raise a point of order, but I would like to call to your attention, Mr. Chairman, the fact that this resolution is now being considered in committee of the whole. We are not sitting as the house; we are a delegated body of the house. I do not believe that the committee of the whole, or any committee for that matter, can delegate to another committee any matter which has been sent to it for its consideration.

Mr. STEVENS: On the point of order; it is quite competent for the house sitting in committee of the whole to make amendments to resolutions or bills. Then the committee of the whole reports to the house, and it is then in the hands of the house to accept or reject the report. That is done constantly. During the last five weeks the Minister of Finance has sat in his seat and handed to his colleagues I venture to say at least twenty-five amendments to resolutions.

Mr. LAPOINTE (Quebec East): But not appointing another committee.

Mr. STEVENS: I am talking about amendments to resolutions.

Mr. LAPOINTE (Quebec East): I grant that, but that is not the question I raised.

Mr. STEVENS: What I have indicated is done constantly. In this committee, sitting as a committee of the whole house, an amendment is offered; it is referred to the house as a whole for adoption or rejection. In my opinion that is in order. Of course it is easy to raise a point of order and laugh the matter off.

Mr. LAPOINTE (Quebec East): My hon. friend has raised many in his parliamentary career, to my knowledge.

Mr. STEVENS: These are serious matters, affecting the interests of this country. The views I hold may be all wrong, but that is not the point. The point is: Is this to be a free forum or is it not? I listened last night, as

I have done, to the Prime Minister speaking in the most eloquent terms of the freedom and rights of parliament, and I endorse his views on that. But the tendency to raise points of order on everything when, in fact, the control of the whole situation is in the hands of the government, is not upholding the freedom of the house. If the government do not want to accept the amendment, there is a way, the parliamentary way, the recognized way, of deciding the question, and that is to vote down the amendment. The Minister of Justice is an authority on parliamentary procedure, but he cites no rule, gives no authority, simply says that the amendment is out of order, and the chairman is then supposed to rule it out of order.

Some hon. MEMBERS: Order.

Mr. LAPOINTE (Quebec East): There is no debate on this.

Mr. STEVENS: I am quite in order. I say that this is not sound parliamentary practice. If there is a violation of a rule, let us know what the rule is; let the rule be quoted. A point of order should be based upon a rule. I protest against this method of lightly disposing of amendments which are offered in sincerity. I submit that the amendment is in order.

Mr. McGEER: The only thing that would have been necessary to meet the point suggested by the Minister of Justice would be to make the resolution read:

> That this committee recommend to the house that the bill be not introduced now but be referred to a committee of parliament.

But I appreciate the suggestion. I have said what I wanted to say about the question. If the government are not disposed to give this matter the consideration that it should receive I am not going to stand on a point of order. I put it forward with a request that the government consider its expediency. Probably the worst thing that could happen would be to have a resolution forced on the government that they were not willing to accept and then have the kind of committee that would bring in the most devastating or disastrous report.

However, what I wanted to do was to place my position on record. That is what I think should be done.

Mr. MACKENZIE KING: Mr. Chairman, may I say to the hon. member that if he had really desired the government to give this matter consideration he would have shown to the government the ordinary courtesy which every hon. member usually does when he has in mind bringing forward a motion intended for the consideration of the government, namely have said something about it in advance to some member of the government. This amendment has been proposed, at this moment, without any notification, that I am aware of, to a member of the government. The hon. member now says that his great desire is to have the government give the matter very careful consideration. I wonder if hon. members realize that this amendment is a suggestion to refer the question of the constitution of the Bank of Canada away from the consideration of the House of Commons, which it is now receiving to a select committee of parliament to be composed to begin with of six members of the Senate. If hon. members of the House of Commons wish to support a proposal of that kind I think if it is in order they should be given the opportunity.

Some hon. MEMBERS: Question.

Mr. STEVENS: Before the question is put I wish to say just a very few words. As intimated last night, it is my intention to reserve my full discussion of this matter until a later stage, that is if this amendment is not carried. In the meantime I should like to make a few remarks on the resolution as amended.

Mr. MACKENZIE KING: The point of order should be disposed of first.

Mr. STEVENS: I beg pardon; I thought it had been disposed of.

The CHAIRMAN: I think it is a well known principle that the committee of the whole cannot delegate its responsibility or functions to a special committee of the house or to a standing committee of the house. I think the authority, Bourinot's Parliamentary Procedure at page 529, fourth edition, covers that very well.

The committee of the whole have no power to refer a resolution to a special committee. Its functions consist in either reporting the resolution or refusing to report it. Special committees cannot accept references from the committee of the whole. For these reasons I rule the amendment out of order.

Mr. STEVENS: Now, Mr. Chairman, we are back on all fours again.

Mr. LAPOINTE (Quebec East): It is not so light as the hon. member suggested.

Mr. STEVENS: I am not suggesting that it is a light matter.

Mr. LAPOINTE (Quebec East): The hon. member did.

Hon. H. H. STEVENS (Kootenay East): The Minister of Justice a little while ago treated it as a frivolous matter. Now that we are back to the resolution I wish to make a very few observations.

It is frequently stated that the present or existing system of banking and finance, in this instance the Bank of Canada or the general banking system or the financial system of the country, is to all intents and purposes a perfect system. That is, no suggestion of change should be entertained. But I have before me a brochure issued by the bankers' association in 1923, which contains some interesting matter. It will be recalled by the committee that in 1923 or 1924, I have forgotten which year, parliament amended the Bank Act so as to inaugurate a system of inspection of banks, and for the last twelve or thirteen years a system has been in operation which is and for many years has been recognized as a highly successful one. In the utterances of the bankers' association in 1923 I find these words:

> Of all the proposed amendments to the Bank Act a system of government inspection will least stand the test of experience elsewhere and of common sense, and the plan is objectionable not from the standpoint of bankers and shareholders but of depositors who would inevitably be lulled into a false sense of security with a resultant demand upon the government when disaster occurs.

I cite that to indicate how futile and foolish is the tendency to pooh-pooh and ridicule any suggestion for change or progress. Here were the bankers who quite seriously, no doubt, declared that the proposal for bank inspection would not stand the test of experience or common sense. I was reminded of our venerable and very much beloved member from St. Antoine-Westmount (Mr. White) who this afternoon described as idiots those who hold that bank loans create bank deposits. He used the expression, "Who is there who would entertain such an idiotic idea?" Well, in the same brochure I find these words:

> Nearly all loans are made by credits entered upon the books of the bank, or by cheques or drafts or acceptances, and these pass into the general clearing of the community of which only resulting balances are settled in money.

As far back as 1923 we find the bankers' association giving expression to the very suggestion that some people in this session of parliament regard as foolish and idiotic.

As the hon. member for Vancouver-Burrard (Mr. McGeer) so ably disclosed in his observations, it is the creation of credits by the banks which in large measure account for the rise in the deposits. There is nothing fictitious, nothing mysterious about the matter. A man may go to a bank and borrow $1,000 on his own note of hand. The hon. member for St. Antoine-Westmount said that he might take the money and walk out. That is true; but quite likely he would pay it to some one for goods or services, and in that way the money would immediately return to the bank as deposits. What usually occurs is that the banker simply enters a credit to the individual borrowing, or if he secures his loan by the discounting of paper such as bills of exchange, notes of hand and so on, they are simply entered to his credit in the bank, and cheques issued against them.

I would suggest to the Minister of Finance that we might very well have a new column in bank annual or monthly statements showing the extent to which general deposits are accountable by loans. As a matter of fact a very substantial portion of general bank deposits—I am not speaking of savings deposits —are created in that way. There is no question about it. I remember reading a speech of one of the—

Mr. DUNNING: I never denied it.

Mr. STEVENS: It was denied this afternoon, and ridiculed. We were asked who would be such idiots as to believe it.

Mr. DUNNING: I thought the hon. member was referring to something I had said.

Mr. STEVENS: No; I do not think the minister would make such a statement. I cite that because what I am seeking to impress upon the committee is this: The fact that we are asking for progress and for changes in the law does not indicate any disregard for stability. There is too great a tendency to suggest that any proposal of the kind is an invasion of the stability of our banking or financial system. I do not intend to proceed at greater length this evening, because when the bill is introduced I shall deal with the matter more generally and at greater length.

Mr. T. L. CHURCH (Broadview): Mr. Chairman, as I said a few days ago, it is all very well for us to call this a free parliament, but unless a member is permitted to speak upon a resolution and if necessary to divide the house, parliament is not free and shows the need of constitutional and parliamentary reform. The present resolution is just what I would expect from the present government. From Vancouver to Halifax they have expressed different policies concerning the Bank of Canada. We know and have heard what the government's policy was in the Pacific province. A few days ago we heard what it was in Quebec and the maritimes, and notwith-

standing what the Prime Minister may say I can tell the committee what it was in Ontario. In that province the policy of the government was one of straight public ownership; there is no doubt about that. They were going to get money from the bank to build breakwaters and harbours at the city of Toronto and elsewhere. Members of the Senate and House of Commons came to that city and indicated that they were going to use the Bank of Canada not only for ordinary banking purposes but for many other purposes. As I have said, the policy in each province was different. If I were asked my opinion I would say that the last state of the Bank of Canada is going to be worse than the first under this government. To-day the people of Canada are wondering what is going to become of the Bank of Canada. We spent a large amount of money on a royal commission in 1933, but before the bank has been functioning a year we turn the whole thing upside down and go back to where we were. I say, "God save the bank from its friends." In my humble opinion it will be a glorified Home Bank. As I said before, the government has got us into hot water in connection with the British North America Act, and I suggest that it would have been much better to leave the bank alone for a year or two in order to see how it would function.

A royal commission was appointed, but this resolution turns the report upside down. After the report was presented to parliament an act of parliament, being chapter 43 of the statutes of 1934, was enacted. I should like to point out the difference between the functions of the bank as indicated in the statute and the proposed new functions as indicated in the resolution, because they are as far apart as the poles. Yesterday, when it was indicated that the Prime Minister had stood for public ownership, he said that the interpretation was not a proper one, and explained that he wanted control, but not necessarily government ownership.

We have heard a great deal of talk about government control. When and where has it existed in Canada? Has it existed in connection with the railways? When was there a time when we had government control over anything or the tariff or the bankers' association, when has it existed since we have been a country? This resolution interferes with the whole scope of the Macmillan report. The Macmillan commission was appointed on July 31, 1933, to make an exhaustive inquiry as to whether we should have a central bank, and if so, whether it should be publicly or privately owned, or a combination of private and public ownership with the banks having representation. Of the thirty-six countries that have central banks six countries, and some of the largest, have public ownership the Liberals were to pattern the Bank of Canada after the hydro-electric enterprise in Ontario; that was the shining example which Liberal candidates held up before the people in the last election—it was done here in Ontario—and they said that the Bank of Canada was to be a straight public ownership institution of that sort. Seventeen other countries have a central bank under private ownership. Eight countries have the ownership divided fifty-fifty between private and public ownership. There are a few others, mainly in Latin America, where the bank is partly privately and partly publicly owned, with the chartered banks having representation on the board.

Legislation was enacted on the basis of this Macmillan report. The chairman of the commission was the Right Hon. Lord Macmillan, and the commissioners were Sir Charles Stewart Addis, of London, England, Sir Thomas White, of Toronto, the Hon. J. E. Brownlee, of the province of Alberta, and Mr. Beaudry Leman, of the city of Montreal. As a result of the report of this commission parliament passed the Bank of Canada Act of 1934. The report of the Macmillan commission points out that the functions of a central bank are to regulate credit and currency; to regulate foreign exchange; to mitigate fluctuations in the level of production, trade, employment and prices as far as may be possible within the scope of monetary action, and to give expert financial advice to the government of the day. But what this resolution proposes is the direct opposite of what is proposed in the Macmillan report. The commission points out that the central bank should be a ready source of skilled and impartial financial advice at the disposal of the administration of the day. But this government does not want any technical advice.

This resolution is partly political and partly economic, and in the main, as I see it, it is political. At page 63 the Macmillan report says:

> In return for the privileges which the state confers upon it—

That is, upon a central bank.

> —the bank should use its store of experience in the service of the community without the desire or the need to make profit a primary consideration.

I quote again from page 63:

> The regulation of the quantity of credit is effected by the action of the central bank on the reserves of the commercial banks. By in-

creasing or diminishing these reserves, or by increasing the cost of securing them, there is set in motion a process of expansion or contraction through the ordinary channels of banking. A central bank is thus not a competitor with the commercial banks. Its functions are regulatory and indirect.

That was the report of the commission, and the bank was created and opened its doors with a capital of $5,000,000, divided into $50 shares, which were offered for public subscription by the Minister of Finance on September 17, 1934. The offering was largely oversubscribed. The maximum allotment to any one individual or corporation was fifty shares. Shares of the bank may be held only by British subjects ordinarily resident in Canada, or by corporations controlled by British subjects ordinarily resident in Canada. The maximum holding permitted one person is fifty shares.

The bank is authorized to pay cumulative dividends of 4½ per cent per annum on its profits, the remaining surplus to be paid, after making provision for bad and doubtful debts, depreciation in assets, pension fund and all such matters that are properly provided for by banks, into the consolidated revenue fund of Canada.

The bank may buy and sell securities of the dominion and the provinces. It may also buy and sell gold and silver, and may deal in foreign exchange.

The bank has assumed liability for dominion notes outstanding and is replacing them with its own notes in denominations of $1, $2, $5, $10, $20, $50, $100, $500 and $1,000. The chartered banks are required to reduce the issue of their own bank notes to 25 per cent of their paid-up capital during the next ten years.

The Bank of Canada must retain a reserve of gold equal to not less than 25 per cent of its total note and deposit liabilities in Canada.

The bank has an obligation to sell gold in the form of bars on demand.

The chartered banks are required to maintain a reserve of not less than five per cent of their deposit liabilities within Canada in the form of deposits with and notes of the bank.

The central bank acts as the fiscal agent of the Dominion of Canada and may by agreement act as banker or fiscal agent of any province. The bank must not accept deposits from individuals, and thus cannot compete with the chartered banks in commercial banking fields.

The governor of the bank is its chief executive officer, and he is assisted by a deputy governor and an assistant deputy governor. The first governors were appointed by the government and are as follows: Governor G. F. Towers, and the government were very lucky to get a man of his great ability, integrity and capacity. The deputy governor is J. A. C. Osborne, and the assistant deputy governor, L. P. St-Amour, good men. Subsequent appointments are to be made by the board of directors of the bank subject to the approval of the governor in council.

At the first meeting of the shareholders on January 23, 1935, seven directors were elected for terms to run as follows, one until the third annual general meeting, two until the fourth, two until the fifth, and two until the sixth annual general meeting. Directors must hold at least ten shares of the capital stock of the bank, must be British subjects ordinarily resident in Canada, must not receive remuneration out of public funds in any capacity, and must have no connection with a chartered bank.

There is also an executive committee of the board of directors consisting of the governor, deputy governor, and one member of the board, which must meet once a week. The board itself must meet at least four times a year. The Deputy Minister of Finance is ex-officio a member of the board of directors and of the executive committee, but is without a vote.

The bank commenced business on March 11, 1935, think of it, just a little over a year ago, and has had no time yet to even function. A statement is required of the assets and liabilities of the bank as at the close of business on each Wednesday.

Those are the functions, broadly speaking, of the Bank of Canada, which began to function just a little over a year ago, and it has functioned well, I believe, considering the turmoil and stress which a general election causes all over Canada, and in view of the clamour and agitation there was throughout this country for a change in our banking and monetary system. Our banking system has come down from confederation, down through the dark days of the past five years, and has stood fast against clamour and agitation to change the monetary system. I think the government would have been well advised to give the Bank of Canada one or two more years in which to function, and I believe the people of Canada would prefer that, leaving

changes to come about gradually to meet changing conditions in our economic and financial life.

By the resolution now before the committee the government proposes to amend the Bank of Canada Act, and to make it a government ownership institution to the extent of fifty-one per cent. As you know, Mr. Chairman, the Bank of Canada started with a very low capitalization, only $5,000,000, a very small capital indeed, out of which the bank provided for its salaries and kept going. Now the government comes along and says: We are going to go into government ownership, but we are going to have, not one hundred per cent government ownership of the bank as we promised the electors, but only fifty-one per cent. The government says that in this way it will have some control over the Bank of Canada. But what control did it have over the Home Bank? It proposes government ownership to the extent of only fifty-one per cent instead of one hundred per cent. Is there any control over the chartered banks? Let hon. members attend the sittings of the banking and commerce committee and see how much the high court of parliament has to do with the chartered banks and the way they function. The powers of the chartered banks are prescribed by the Bank Act, but the Bank Act is being violated in many spheres of activity.

The Macmillan report at page 98 says that it is not necessary for a central bank to have much capital to start with. This resolution calls for government ownership only in name, and in my opinion it will be found that the directors will be selected in the same way that the employment commission were selected, in the same way that the railway commission and the members of the tariff board were selected. I remember that ten years ago, when I first came into the house, this matter came up, and Mr. Fielding discussed it. I refer to this because of a remark that was made yesterday. The minister distinctly called the attention of the committee to the resolution before the chair, proposing government control to the extent of fifty-one per cent, and he indicated the kind of control. That is a matter which will have to be discussed when the bill is in committee and therefore I shall not refer to it on this occasion.

I shall, however, refer to the statement of the minister that in future there will be bilingual notes instead of some being in English and some in French. I would point out that this upsets the whole practice from confederation to the present time, for Sir John Macdonald, Sir Wilfrid Laurier and Mr. Fielding opposed it, and bilingual currency. Why? Because it is inconvenient, and what is more it is not desired by the banking people or by the taxpayers and is against the spirit and letter of the British North America Act. They do not want to have notes of that description going all over the world. I can remember when this matter was discussed in the committee on banking and commerce fourteen years ago. I was not a member of the committee, but in the house I heard section 133 of the British North America Act quoted with reference to the use of French and English in Canada. Are you going to have a note, one side of which will be printed in French and the other in English? The thing would be simply intolerable; it could not be carried out in practice. If French branches of banks in Quebec wished to have some notes in French, a certain number of bills are distributed to the banks as demanded in actual practice but not by statute, for convenience only as now given them, but it has to be left to the good judgment of the banking institutions. This note circulation clause of the Bank of Canada Act is copied from section 60 of the consolidated act of 1934 regarding banks and banking. The principle of that section is copied into the Bank of Canada Act. This matter was not discussed in the election campaign in Ontario because such a change in the note issue in Canada is something which every government since confederation has opposed. Every government in Canada has been opposed to having notes issued in two languages and bilingual currency. I wish to protest against it on behalf of the people whom I represent. I am not speaking for all the people of Ontario but I certainly am speaking for my own constituents. As I say, Sir John A. Macdonald and Sir Wilfrid Laurier and Mr. Fielding as well opposed this proposal in the past. Mr. Fielding, Minister of Finance rose in his place in the banking and commerce committee and said that the government would not have it; he said that the matter should be left where it was since 1867. When bills printed in French were necessary in practice a few would be printed, he said, but this should not be put into the law. When this provision of the bill comes up in committee I intend to take strong ground against this proposal.

We do not know what is going to become of the Bank of Canada. There is a division among the members supporting the government, and I submit that the resolution ought to be withdrawn and held over until next year. I see there is a suggestion that we

should come back in the fall. Well, if the government should leave this matter over for a year, it should be left over until next year or the year after, along with other bills with which the government is not yet ready to deal. It would be better to have a Bank of Canada constituted along the lines suggested by the commission of experts who went into the whole situation and that it be given a five year break, one or two of whom submitted a dissenting report. In years to come there may be necessity for a change, but I do not think that time will come in the next five or ten years. I hope the government will give this resolution further consideration and let it stand over. We know what to expect if this is to be anything like the proposal in connection with the British North America Act; we know what the hon. member for Parkdale (Mr. Spence) said in that regard. I predict the same thing with respect to this resolution, and I am sure the people of Canada will protest against this proposal with regard to bilingual notes. If the proposal were submitted to the people of Ontario the government would not have five members from that province sitting on the treasury benches.

Mr. J. C. LANDERYOU (Calgary East): The majority of the members of this house as well as the majority of the people of Canada are fully convinced that monetary reform is essential if we are to have a permanent solution of the economic problem. I would point out that the government will be judged, not on the number of shares they happen to own in the central bank but on the policy which they put into operation. The ownership of the central bank will undoubtedly be a step forward, a step that has been a long time coming, and one that is important, inasmuch as it gives the government control over the issue of credit. Just as the people of Canada expected to have control of credit through parliament, the people of the provinces expect to have control of their credit through provincial banks. I realize that, when reforms in our social and economic life are being discussed or attempted to be made, constitutional difficulties may arise, and it is the duty of the provincial governments and the federal government to cooperate to the limit to bring about these necessary reforms. I suggest to the government that they give authority to the provincial governments to have their own banks in order to make available to the people of the provinces the credit necessary to handle purely provincial matters, so that industry may be assisted in the provinces, prices regulated, and the economic security of the people guaranteed in so far as the provinces are able to guarantee them. I believe that with the government owned central bank and with provincially owned banks in the various provinces cooperating, economic security for the people of Canada can be effected.

Much has been said in favour of 100 per cent ownership of the national bank, and I believe it should be so. I do not think any small percentage of the people should have a special privilege in relation to the credit of the dominion. I do not believe that they would be left out of the picture when we consider the benefits which will accrue to them as well as to all other citizens of Canada from a properly constituted central bank. They would benefit as well as the rest, and I do not feel that they should have any special privileges granted them, such as 4½ per cent, in connection with which we might effect a considerable saving.

References have been made to credit—how it has been created and how it should be manipulated, whether the granting of loans creates deposits and the repayment of loans destroys them. We have heard a good deal about this lately. But wherever money is created it should be created in sufficient quantities, I submit, actually to reflect our real ability to create and distribute wealth. We should see that that is the case in the Dominion of Canada. If we do not have sufficient, or if there is too much, that can be regulated. One hon. member suggested this afternoon that there is more credit available than the dominion can possibly use. He mentioned the figure of $1,400,000,000, and he said that there is not sufficient security behind the people who desire money to-day. We believe that there is sufficient security. We believe that the natural resources of the Dominion of Canada and the willingness of people to apply themselves to those natural resources should be sufficient credit. I do not blame men who to-day, under the system of private control of credit, refuse to grant to industry the money necessary for development. Knowing the position of the markets in this country at the present time, I would not condemn the man who would hesitate to invest his capital in the coal mines of western Canada, where we have fourteen per cent of the entire coal deposits of the world, along with many thousands of people without sufficient coal to keep themselves warm in winter time. But because those people have not the purchasing power to buy coal after it is produced, I would not blame anyone for not investing in projects of coal development.

So this question of credit and of its control is very important. The question whether it should be controlled absolutely by the federal government or whether it should be decentralized to allow the provinces to have control of their own credit for purely provincial matters is one that should be considered, and I am disappointed that the amendment of the hon. member for Vancouver-Burrard (Mr. McGeer) was not accepted. I believe that the whole matter of money and credit should be discussed, so that there will be no more mystery in the public mind about it. These doctrines and ideas that are circulating in Canada should be thoroughly analyzed and the truth made known to the people, and I feel sure that until that is done these matters will continue to be seriously debated in this house.

Resolution reported, read the second time and concurred in. Mr. Dunning thereupon moved for leave to introduce Bill No. 82, to amend the Bank of Canada Act.

Motion agreed to and bill read the first time.

JUDGES ACT AMENDMENT

Hon. ERNEST LAPOINTE (Minister of Justice) moved that the house go into committee to consider the following proposed resolution:

That it is expedient to amend the Judges Act to provide salaries for the Ontario appeal and high court judges as presently constituted; and further provide that when a vacancy occurs in the office of chief justice in appeal the office shall be abolished and the court shall thereafter consist of a chief justice and seven other judges.

Sir GEORGE PERLEY: Far be it from me to try to interfere with the progress of business, but I think it would be better to suspend consideration of this resolution until the leader of the opposition (Mr. Bennett) is in the house, as he understands much more about it than any of the rest of us.

Mr. LAPOINTE (Quebec East): If my right hon. friend will allow the resolution to go into committee, I will move that the committee rise until the leader of the opposition is back.

Sir GEORGE PERLEY: Certainly.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Mr. LAPOINTE (Quebec East): Does my right hon. friend wish that this should be postponed? It is merely to give effect to a law of Ontario constituting the courts of Ontario.

Sir GEORGE PERLEY: If the hon. minister would be good enough to do that.

Mr. LAPOINTE (Quebec East): Very well.

Progress reported.

SPECIAL WAR REVENUE ACT

Hon. CHARLES A. DUNNING (Minister of Finance) moved the second reading of Bill No. 76, to amend the Special War Revenue Act.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

Section 1 agreed to.

On section 2—Definitions, et cetera.

Mr. LAWSON: I should like to ask the minister a question applying to this bill generally, if this is the time to do it. Is this a consolidation?

Mr. ILSLEY: No.

Mr. LAWSON: Merely the amendments of this year?

Mr. ILSLEY: That is right.

Mr. DUNNING: There are very few administrative changes. In the main they are the resolutions which passed the committee of ways and means consequent on the budget. My hon. friend remembers the procedure.

Mr. LAWSON: It seems to me that there are a good many more provisions in this bill than were covered by the resolutions which came before the committee of ways and means.

Mr. DUNNING: Very few. It takes quite a large bill to cover the resolutions.

Mr. STIRLING: Turning the pages over rather rapidly, I am confused as between sections 2 and 3. Has part VII, on page 2 of the bill, been before the committee of ways and means?

Mr. ILSLEY: Section 2 of the bill is the amendment of the whole of part VII.

Mr. DUNNING: Carried by the committee of ways and means.

Mr. STIRLING: All that new material on page 2?

Mr. DUNNING: Yes.

Mr. ILSLEY: Section 2 begins at the bottom of page 1, carries over on to page 2 and includes page 3 and part of page 4.

Sir GEORGE PERLEY: I should like to ask in a general way if this bill follows the resolutions passed in committee of ways and means.

Mr. DUNNING: Yes, it does, and where administrative changes are being made they will be indicated by the minister as we reach them. The only exceptions to the ways and means resolutions are a few minor administrative changes which will be indicated by the Minister of National Revenue as we go along.

Sir GEORGE PERLEY: Quite so. Then this section 2, with regard to stock taxes and so on, is exactly as it was passed by the committee of ways and means?

Mr. DUNNING: Yes.

Mr. LAWSON: I am sorry if I appear to be dense, but I have no recollection of any change having been made in the transfer tax on bonds, stocks and share certificates in the committee of ways and means this year.

Mr. DUNNING: My hon. friend will remember that in the budget speech and subsequently in committee of ways and means I referred to a means of taxing a group of companies—I forget the official description of the group—having a type of interest which did not come within the definitions previously contained in the act. That is the only change in this section.

Mr. LAWSON: So really we are not changing the rates of the transfer tax but merely making a change to clarify some situation which was not clarified under the previous act?

Mr. DUNNING: Quite right, and to do so it was necessary to rewrite the whole section.

Section agreed to.

Sections 3 and 4 agreed to.

On section 5—Consumption or sales tax of eight per cent.

Mr. LAWSON: The only change there is to substitute the eight per cent sales tax for the six per cent?

Mr. DUNNING: And the proviso on the next page, which is indicated by the black line and which was covered in the resolution.

Section agreed to.

Section 6 agreed to.

On section 7—Licensee to give security.

Mr. DUNNING: That is an administrative change.

Mr. ILSLEY: The explanation of this change is as follows: Licensed wholesalers are permitted to purchase and import merchandise without the payment of sales tax, and they account for the tax at the time of the sale. However, several such licensed wholesalers have failed and the guarantors who have supplied security for the payment of the sales tax have claimed that the security given under the former section did not extend to the liquidator or trustee. The result has been that the department has been unable to collect the taxes due on the values as provided under the act. The present section is for the purpose of requiring that the security be extended to cover the operations of the trustee or liquidator, in order to protect the revenues.

The explanation of subsection 3 is this: In view of the increase in the rate of sales tax in 1932 and again at the present time, it is considered that the security of $15,000 is not enough in some cases, and this change is to provide greater security for payment of the tax.

Mr. LAWSON: As a result of this amendment will the government secure any greater priority for their tax in any case of bankruptcy or liquidation to which it applies than they already have under the Bankruptcy Act?

Mr. ILSLEY: No.

Mr. LAWSON: You have the same priority, but this provides for security for the tax itself?

Mr. ILSLEY: Yes.

Section agreed to.

On section 8—Regulations.

Mr. ILSLEY: This is an administrative change. There are certain declarations required in connection with refund claims and the like, as well as those required on the returns made by taxpayers. It has been held that the previous authority in the act was not broad enough to cover the different declarations required. This resulted in taxpayers being put to the expense and inconvenience of making declarations before notaries public and commissioners for taking oaths. This amendment is to enable departmental officers to administer such oaths and declarations where possible.

Mr. LAWSON: As a lawyer I suggest to the minister that there is a danger in that unless he is very careful as to who are authorized to administer such oaths.

Section agreed to.

On section 9—Monthly returns of taxable sales.

Mr. ILSLEY: This is an administrative change, but it is very minor. Certain words are being left out because of the enactment of the previous section. They are no longer necessary.

Section agreed to.

On section 10—Procedure.

Mr. ILSLEY: This is an administrative change. This section is designed to make it incumbent upon persons who receive assignments of book debts or trade papers, which include sales tax, to pay the amount of such tax to the public revenues. In the past there has been no authority in the act to collect the tax in such cases, and if the taxpayer were in a precarious financial position or about to go into liquidation the amounts represented by the tax were collected by the person holding the collateral for his own account, and became a non-collectable account as far as the public revenues were concerned.

Mr. FACTOR: Does that include banks as well?

Mr. ILSLEY: Yes.

Section agreed to.

On section 11—Additional penalties.

Mr. ILSLEY: This is also an administrative change. It has been found that in some cases taxpayers were judgment proof and continued operating in business without accounting for the tax for which they were liable, often selling their goods below the prices of their competitors. While penalties have been imposed upon them, such penalties, like the taxes, are uncollectable. This section is designed to impose terms of imprisonment in lieu of the payment of penalties. This is deemed necessary to deal with certain extraordinary cases.

Section agreed to.

On section 12—Officers who may make inquiry.

Mr. ILSLEY: It occasionally becomes necessary for inquiries to be made on short notice, and by naming certain officers in the act as commissioners for the purpose of part I of the Inquiries Act it is considered that time can be saved and possibly moneys recovered which might be lost if the inquiry were delayed.

Section agreed to.

On section 13—Action against officers in the exercise of their duties.

Mr. ILSLEY: This section is not new in the revenue statutes. It is designed to protect officers in the performance of their duties in connection with the collection of the public revenues, and is merely extending to this act the principle of protection of such officers that is already in the Customs Act and the Excise Act.

Section agreed to.

On section 14—French version corrected.

Mr. ILSLEY: This is merely a change in the French version.

Section agreed to.

On section 15—Schedule I amended.

Mr. DUNNING: A ways and means item entirely.

Section agreed to.

On section 16—Schedule II amended.

Sir GEORGE PERLEY: There is a part at the bottom of page 10 on which we ought to have some explanation. That is not in the ways and means resolution?

Mr. DUNNING: Oh, yes, absolutely. It is the automobile item. It is new so far as this act is concerned, but the new part inserted is the part carried in committee of ways and means relating to automobiles.

Section agreed to.

On section 17—Schedule III repealed and reenacted.

Mr. DUNNING: This is the schedule of exemptions.

Sir GEORGE PERLEY: This is all following the ways and means resolution?

Mr. DUNNING: It is a rewriting of all the exemptions, including those provided for in this year's ways and means resolutions, and with no other change.

Section agreed to.

On section 18—Schedule V repealed and reenacted.

Mr. DUNNING: Exactly the same explanation.

Sir GEORGE PERLEY: Has the minister explained the administrative changes?

Mr. DUNNING: Each one as it came.

Section agreed to.

Sections 19 and 20 agreed to.

On the preamble.

Mr. STIRLING: Will a consolidation of this special War Revenue Act be printed forthwith?

Mr. ILSLEY: It is consolidated every year, that is for office use and for the use of members. I hold in my hand the 1934 consolidation, but I think there is a 1935 one. It is not reenacted; we do not put another act through.

Mr. STIRLING: But it will be a complete consolidation of the Special War Revenue Act as amended?

Mr. ILSLEY: Yes.

Mr. STIRLING: It is so inconvenient having the last year's one and having to look up all these amendments. Will the minister see that the members receive a copy?

Mr. ILSLEY: I certainly shall. I have had the same trouble.

Mr. LAWSON: Referring to clause 17, which covers the exemptions, I notice there is nothing to indicate any additions made to the exemptions this year. Am I overlooking them? My recollection is that were were one or two additions to the exemptions.

Mr. DUNNING: Yes, there were.

Mr. ILSLEY: In schedule III there are a few changes. They are not black-marked.

Mr. LAWSON: Could the minister indicate them by reference to the numbers of paragraphs?

Mr. DUNNING: The hon. member can get them out of the votes and proceedings.

Mr. ILSLEY: On page 12 at the end of the third complete paragraph, will be found these words:

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county, municipal or township roads.

The word "municipal" was added. Then at the beginning of the last paragraph the words—

Liver extract for use exclusively in the treatment of anaemia.

—are added. On page 13, line 5 the words—

Printing paper and printing ink for use exclusively in producing quarterly, bi-monthly, monthly and semi-monthly magazines and weekly literary papers unbound.

—are added. Then, towards the bottom of page 13, just above the title, "Goods enumerated in customs tariff items," these words have been added as an additional paragraph:

Materials, not to include lubricating or fuel oils or plant equipment, consumed in the process of the manufacture or production of taxable goods.

On page 17, in tariff item 695b, there have been added the words beginning "handmade drawings"; that whole paragraph has been added.

Further down on the same page item 696a has been added. And at the top of page 18 the $100 exemption section has been added. Those are the words that have been added.

Mr. STEWART: Before the committee rises, would the minister be good enough to return to page 7 of the bill, the section in which a penalty is imposed:

And in default of payment of the said penalties, to imprisonment for a term of not less than three months and not more than twelve months.

It says that this is applicable to taxes imposed by parts IV to XIII inclusive. Could the minister tell us in a general way what those taxes are?

Mr. ILSLEY: They are all the excise taxes imposed under the Special War Revenue Act.

Mr. STEWART: Then it means that a person in default of payment of any excise taxes may be imprisoned?

Mr. ILSLEY: Yes.

Mr. STEWART: That is a new penalty, is it not?

Mr. LAWSON: It is adopting a new principle, imprisonment for debt, surely.

Mr. STEWART: I do not recall that that was discussed.

Mr. DUNNING: Only in extraordinary cases, of course.

Mr. STEWART: Are we now going to impose a penalty of a term of imprisonment upon any person who neglects to pay taxes he owes to the Dominion of Canada?

Mr. ILSLEY: There are other similar sections in the act. For instance, under section 118, everyone who wilfully attempts in any manner to evade or defeat—

Sir GEORGE PERLEY: Oh, that is quite different—wilful attempts to evade.

Mr. STEWART: The section reads:

Every person who, being thereto liable, neglects, omits or refuses to pay any tax imposed by Parts IV to XIII inclusive, of this act, in addition to any other penalty to which he is subject for any such offence, shall be liable on summary conviction, to a penalty of not less than fifty dollars and not exceeding one thousand dollars and to a further penalty equal to double the amount of the tax properly payable, and in default of payment of the said penalties, to imprisonment for a term of not less than three months and not more than twelve months.

The part that is added is that in default of payment of the penalty, imprisonment is imposed. We did not discuss that matter thoroughly in committee of the whole, if it was discussed at all. It is well to understand what we are doing, namely that any person in default of payment of income tax, in addition to a penalty which may be imposed upon him for non-payment of the tax—

Mr. ILSLEY: No, not income tax.

Mr. STEWART: I was asking that.

Mr. ILSLEY: I was referring to the Special War Revenue Act.

Mr. STEWART: Does it refer to sales tax and excise tax?

Mr. ILSLEY: Yes.

Mr. STEWART: Any other taxes? What about the stamp tax?

Mr. ILSLEY: Yes; I counted twenty-eight of them.

Mr. NEILL: Is there any precedent for this in other legislation?

Mr. ILSLEY: After due consideration I am inclined to believe that the provision is severe, and if there is going to be any dispute I shall not press it further.

Mr. DUNNING: It will be deleted, and the subsequent sections renumbered.

Mr. ILSLEY: May I point out that the deletion will not do away with the possibility of imprisonment, because by the section as it stands a defaulting taxpayer is subject to penalty on summary conviction of a sum not less than $50 and not exceeding $1,000. There is a provision in the criminal code whereby imprisonment may be imposed to enforce a penalty.

Mr. NEILL: That is under the criminal code.

Mr. STEWART: And a different matter altogether.

[Sir George Perley.]

Mr. ILSLEY: If any hon. member thinks imprisonment cannot be imposed upon a person refusing to pay a fine imposed by the preceding part of the section, he is under a misapprehension.

Mr. NEILL: Is not the minister referring to an offence under the criminal code?

Mr. ILSLEY: They would be prosecutions under part XV of the criminal code.

Mr. LAWSON: How could there be prosecutions under the criminal code for breach of the Special War Revenue Act?

Mr. ILSLEY: The whole procedure is under the code. If I am not greatly mistaken, an information is laid. It is all set out under part XV.

Mr. LAWSON: The procedure as to how one proceeds in order to charge a subject before a court is set out in the criminal code, but one could not be said to be prosecuted for an offence under the code when, as a matter of fact, he is being tried to ascertain whether or not he is guilty of a breach of the Special War Revenue Act, or some provision of it.

Mr. STEWART: It seems to me that in order to render a person liable to imprisonment there would have to be a special prosecution under a provision of the criminal code. In the present instance it would seem inevitably to follow that if there is a default and a conviction the magistrate would be bound to impose imprisonment.

Mr. ILSLEY: I move:

That section 11 of the bill be deleted and the subsequent sections renumbered.

Motion agreed to.

Sir GEORGE PERLEY: Section 12 seems to involve an administrative change. Have all other administrative changes been explained and discussed?

Mr. DUNNING: Yes.

Mr. LAWSON: Section 11 having been struck out, if the ministers of the crown wish to be consistent they must observe that that portion of section 2 which is numbered 62 provides a penalty more drastic than the one which has been struck out. Under section 11 imprisonment became applicable only when a person convicted refused to pay the fine, but under the section I have indicated, subsection 3, a person is liable on summary conviction to a penalty not exceeding $500 and not less than $50, or to imprisonment

for any term not exceeding six months and not less than one month, or to both fine and imprisonment. The additional words are underlined at the top of page 4 of the bill.

Mr. ILSLEY: The penalty in this instance is for failure to maintain books and records. Before the change was made there was a penalty for refusing to produce books, but no penalty for refusing to keep them, which was ridiculous and inconsistent. Subsection 3 is brought in line with subsection 2.

Mr. LAWSON: If the minister gives consideration to the matter I am sure he will agree there is a difference. If a man is in business and an inspector from the government comes along and says, "You owe the government money; you have books, and we want those books to find out how much you owe," and the man replies, "I refuse to give them to you," he has committed a wilful misdemeanour. On the other hand, I have known men in this country who did quite a large amount of business without actually keeping books, and they did not keep books in some cases not because of any ulterior motive or purpose. It is the government's responsibility if they want to make this an offence punishable by imprisonment, but I can only say that it strikes me as being a very unusual attitude for a Liberal government, judging by what I have heard of them in the past.

Mr. JACOBS: Do you expect them to be any better than your government?

The CHAIRMAN: Shall the preamble carry?

Mr. LAWSON: You have not carried section 20, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. DUNNING: Yes, that was carried.

Mr. LAWSON: I can only say this to the minister, that if he takes that attitude, then the next time that a purely administrative bill comes before us we shall see that it does not carry if we have to stay on our feet all night until we get the information we require. Someone called "carried" to section 20. The chairman may have said "carried," and—

The CHAIRMAN: The chairman did say "carried," and no member of the committee objected.

Mr. LAWSON: Then I can only request you, Mr. Chairman, not to go so rapidly, because I had in mind something I wanted to ask on section 20.

Mr. DUNNING: I was not desiring to stop discussion at all; I was simply pointing out that to revert to a section which was carried some time ago would be out of order.

Mr. LAWSON: It is out of order, I quite agree.

Mr. DUNNING: Section 20, which is really a formal section of the bill was called "carried," but if it is desired to hold it we shall do so.

Mr. LAWSON: I want to ask for just one piece of information.

Mr. DUNNING: By all means.

Mr. LAWSON: Section 20 provides that section 4 of this bill shall be deemed to have come into force on the first day of June, 1936. The other sections of the bill, I assume, come into effect either on the date the bill receives royal assent or on the date the Finance minister read the budget.

Mr. DUNNING: The previous section deals with that.

Mr. LAWSON: Why is section 4 different from the others?

Mr. ILSLEY: It deals with two classes of persons, commercial artists and packers of olives, and it was not deemed just to make the provisions with respect to them retroactive.

Mr. LAWSON: Is there some reason for that?

The CHAIRMAN: Shall the preamble carry?

Sir GEORGE PERLEY: We are trying to make headway with the bill, and you must give us a little leeway, Mr. Chairman, or we shall discuss it in some form or another. Regarding the penalty for failure to maintain records, which is dealt with on page 4 of the bill, I listened to the explanation of the minister, and what I dislike about this provision is that the man would be liable to imprisonment although he had not wilfully done anything. Subsection 3 of section 62, at the top of page 4 provides that if any person liable to maintain records and books of account fails to maintain them, the minister may assess the tax payable by such person and the tax so assessed shall be deemed to be due and payable forthwith; then, further, if the man does not pay the tax he has to go to gaol. I think something should be inserted there to show that the man has wilfully done something.

Mr. ILSLEY: The gaol sentence is not for refusing to pay his tax.

Sir GEORGE PERLEY: That is the way I read the subsection.

Mr. ILSLEY: I respectfully differ from the hon. gentleman. It says:

If any person liable to maintain records and books of account for the purposes of this part has, in the opinion of the minister, failed to maintain adequate records and books of account, the minister may assess the tax payable by such person under this part, and the taxes so assessed shall be deemed to be due and payable forthwith. Such person shall also be liable on summary conviction to a penalty not exceeding five hundred dollars and not less than fifty dollars—

Sir GEORGE PERLEY: A summary conviction for what?

Mr. ILSLEY: For not maintaining the records and books which he was liable to maintain.

Sir GEORGE PERLEY: Quite so. I know plenty of people who carry on quite a lot of business and never keep any books. It would take a good while to bring this new rule into force, and does the minister think that a man who offends in ignorance, not wilfully, should not only be assessed by the minister but also be liable to imprisonment? I do not think he does.

Mr. LAWSON: I would point out that the subsection provides:

If any person liable to maintain records and books of account for the purposes of this part has, in the opinion of the minister—

Then here is the gravamen—has what?

—failed to maintain adequate records and books of account.

If he has failed to do so in the opinion of the minister, the minister may assess the tax payable. So, according to this section, the Minister of National Revenue determines whether the man is guilty of the offence of not keeping adequate books, and if the minister, not the courts, decides against him, the man becomes guilty of an offence, and of an offence which is punishable by imprisonment. I only say that if the government wants to pass that kind of legislation, it is on their doorstep.

Mr. ILSLEY: The language objected to by the hon. gentleman is not new.

Mr. LAWSON: The prison penalty is new.

Mr. ILSLEY: That is new.

Mr. LAWSON: That is the whole gravamen.

[Mr. Ilsley.]

Mr. ILSLEY: There must be some penalty imposed upon persons who will not keep books they are required to keep.

Sir GEORGE PERLEY: May I suggest to the minister that the present law as it stands is quite sufficient in its penalties, because the minister has power to assess the tax payable, and the minister can assess it as he thinks best.

Mr. ILSLEY: But if there are no books, he has nothing to go on. That is the very trouble. How can our auditor tell how much is due if he goes to one of these establishments and there are no books? There may be thousands of dollars due. Without books we do not know, and the man can snap his fingers at the department. We have no sanctions.

Mr. LAWSON: Oh, no, he cannot, because the Minister of National Revenue may then impose an arbitrary assessment, and under the law the taxpayer becomes liable to pay that arbitrary assessment no matter how unreasonable it may be, unless he can produce books and satisfy the minister that his arbitrary assessment should be reduced. That is the whole idea of arbitrary assessments in income tax and everything else with which the minister has to deal.

Sir GEORGE PERLEY: I suggest that the minister might drop this last provision the same as he did in the other section, and let the bill go through in that way.

Mr. ILSLEY: I cannot agree to that. It is unreasonable to expect it. Just think of the position my hon. friends are in. They suggest that we make an arbitrary assessment, which might be a most unjust assessment, which is the most undesirable thing that can be suggested. There is no power, under this section, to make an arbitrary assessment. The minister may assess the taxes that are due, but if he has nothing to go on, what can he do?

Mr. LAWSON: All his predecessors in office have made assessments. As a matter of fact, the routine is that the minister never sees or hears about them because these income tax assessments are made by the income tax commissioner and go out under the minister's signature, and if the taxpayer does not like it he has the right of appeal to the minister. But the minister seldom hears of these cases until they come before him in the form of an appeal. Always the minister has had the

power to make an assessment. I put in the word "arbitrary" to indicate that it might be an assessment not based upon any particular calculation. By this act not only can the minister make an assessment where, in his opinion, he thinks adequate records and books have not been kept, but he can go further and take action whereby the man can be put into gaol. Surely the exercise of that discretion should be in the courts, and not in the minister.

The CHAIRMAN: Shall the preamble carry?

Sir GEORGE PERLEY: Has the minister given this provision his personal consideration? Is he prepared to insist himself that this shall go through or has this just come down to him from the officers of the department?

Mr. ILSLEY: I have given it some consideration; I have given it further consideration to-night, listening to the discussion, and certainly I have not been convinced that the provision should be withdrawn. I cannot agree to that. I agreed, however, to withdraw the other one.

Preamble stands.

Progress reported.

At eleven o'clock the house adjourned without question put, pursuant to standing order.

Wednesday, June 3, 1936

The house met at three o'clock.

RAILWAYS AND SHIPPING

Sir EUGENE FISET (Rimouski) presented the third and final report of the standing committee on railways and shipping owned, operated and controlled by the government.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

VICTORIA-MADAWASKA, N.B., FISHERY GUARDIAN

Mr. BROOKS:

1. Was Raymond W. McCluskey recently appointed to a position under the Department of Fisheries for the district of Victoria-Madawaska, New Brunswick?
2. If so, by whom was he recommended?
3. Has he been dismissed, and for what cause?
4. If dismissed, who has been appointed in his place, and on whose recommendation?

Mr. MICHAUD:

1. Yes, as a temporary fishery guardian.
2. He was appointed by the minister under the authority of the Fisheries Act.
3. Yes. Not satisfactory for the work.
4. Herbert Corbin. Appointed by the minister as in No. 2.

CANADIAN PACIFIC RAILWAY—$60,000,000 LOAN

Mr. POULIOT:

From what department or departments, and when, did the Department of the Secretary of State receive the correspondence contained in sessional paper No. 150-E, tabled on March 19, 1934, in accordance with an order of the House of Commons, dated February 12, 1934, for a copy of all correspondence interchanged between the government of Canada, or one or any of its members, and one or any of the Canadian banks, in connection with the guarantee given by the government for the loan of $60,000,000 to the Canadian Pacific Railway?

Mr. RINFRET:

The documents contained in the return tabled in the House of Commons on the 19th March, 1934, were not received in the Department of the Secretary of State. The return was tabled by the Right Hon. R. B. Bennett, then Prime Minister.

*MURDER OF CONSTABLE JOHN LEWIS AT SARNIA

Mr. CHURCH:

1. Will anything be done by the government (a) to grant a pension to the family of the late constable John Lewis, murdered on Saturday, May 23rd, at Sarnia, Ontario, while in the discharge of his duty in the interests of peace, order and good government in Canada; and (b) to lay down a definite policy for Canada towards police constables generally who die while in similar action in protecting life and property, and lose their lives for the protection of society?
2. Will the government confer with the attorneys-general of the provinces in the matter with a view of a suitable and adequate federal pension being granted all families who suffer such great loss, or by granting a pension in conjunction with provincial and municipal authority?

Mr. LAPOINTE (Quebec East): Numerous representations are coming to the government from various sources along the line suggested in this question, more particularly from the hon. member for Lambton West (Mr. Gray), in whose constituency this event occurred. I may say first that the administration of justice, both civil and criminal, is under provincial jurisdiction, and the provincial authorities are responsible. But it is represented that in this case there is some degree of responsibility on the federal authority by reason of the fact that the person who was responsible for what happened was a prisoner who had been released under the Ticket of Leave Act and had been favoured with the exercise of the prerogative of clemency on the part of the crown. Of course it never was contem-

plated under the Ticket of Leave Act that the crown should be responsible for any actions of those who benefited by the exercise of clemency on the part of the crown. To accede to the requests that are being made would involve the whole policy underlying the Ticket of Leave Act and the exercise of the prerogative of mercy and clemency by the crown. Everybody will agree that under such circumstances the matter will require the most serious consideration.

Mr. CHURCH: May I just say—

Some hon. MEMBERS: Order.

Mr. SPEAKER: Order.

Mr. CHURCH: Don't you think a policeman who protects free federal property all over Canada deserves a pension? It is just passing the buck.

RAILWAY EMPLOYEES—EMPLOYMENT AND WAGES

Mr. STEVENS:

1. How many engineers, conductors, firemen and trainmen in Canada have been paid for working more than the recognized equivalent of 26 days of 8 hours each a month, during the first quarter of 1936 (a) on the Canadian National Railways, and (b) on the Canadian Pacific Railway?
2. How many days of eight hours each would the excess time put in by these men be equivalent to (a) in the case of the Canadian National Railways, and (b) in the case of the Canadian Pacific Railway?
3. How many former employees with experience in the classes of work indicated in No. 1 were unemployed during the first quarter of 1936 (a) by the Canadian National Railways, and (b) by the Canadian Pacific Railway?
4. How many employees with experience in the classes of work indicated in No. 1 were employed only part time during the first quarter of 1936 (a) by the Canadian National Railways, and (b) by the Canadian Pacific Railway?
5. Has a referendum vote of employees in these classes of service been taken to ascertain if the majority of them would be satisfied with the recognized equivalent of not more than 26 days, of 8 hours each, a month?

Mr. HOWE: The subject matter of this question relates to the internal management of the Canadian National and Canadian Pacific railways. The government has no information on the subject, and cannot properly ask either railway for the information.

*CANADIAN NATIONAL RAILWAYS—ZONE ACCOUNTING SYSTEM

Mr. STEVENS:

1. To what extent has the "zone accounting system" been adopted by the Canadian National Railways?
2. What saving, if any, has been made in payroll expenses thereby?

[Mr. E. Lapointe.]

3. What is the cost per year of the rental of accounting machines used in this system, and what amount has been expended in the purchase of machines in connection therewith?
4. What is the cost of the stationery required for "zone accounting" over and above the cost of stationery used in this connection prior to the adoption of the system?
5. How many employees have been dismissed from the service as a result of the adoption of the system?

Mr. HOWE: The same answer applies to this as to the previous question.

*CANADIAN NATIONAL RAILWAYS—FREDERICTON, N.B., BRIDGE

Mr. BROOKS:

1. Will the government reconstruct the railway bridge, at Fredericton, which was destroyed by the spring freshets of 1936?
2. If so, will an appropriation be made for this purpose during the present session of parliament?

Mr. HOWE: This question relates to a railway bridge which is the property of the Canadian National Railways. I understand the question of reconstruction is under consideration by the Canadian National Railways, but it is not a matter for the government directly.

QUESTIONS PASSED AS ORDERS FOR RETURNS

PUBLIC WORKS DEPARTMENT EMPLOYEES

Mr. HYNDMAN:

1. How many employees of the maintenance branch of the public buildings at Ottawa have been dismissed since November 1, 1935?
2. What were their names?
3. How long had each man so dismissed been employed by the Department of Public Works?
4. Who were appointed in their places?
5. How many of those so appointed are war veterans?

BRITISH COLUMBIA EXPERIMENTAL FARMS

Mr. TAYLOR (Nanaimo):

1. What was the cost of the up-keep of the Agassiz experimental farm, British Columbia, for each of the years 1931, 1932, 1933, 1934, and 1935?
2. What was the cost of the up-keep of the Summerland experimental farm, British Columbia, for each of the years 1931, 1932, 1933, 1934, and 1935?
3. What was the cost of the up-keep of the Sidney experimental farm, British Columbia, for each of the years 1931, 1932, 1933, 1934, and 1935?
4. As to the Sidney experimental farm, British Columbia, what proportion of the cost of up-keep for each of the years 1931, 1932, 1933, 1934, and 1935, is related to (a) park grounds and floral care and up-keep; (b) laboratory; (c) entomology; (d) pathology; (e) test plots?

NATIONAL PARKS

Mr. PURDY:

1. What are the names and locations of the national parks in Canada?
2. What amount has been expended on each of them to March 31, 1936?

CANADIAN PACIFIC RAILWAY—$60,000,000 LOAN

Mr. POULIOT:

1. From May 31, 1933, inclusive, until February 13, 1934, was a copy of the letter of guarantee, dated May 31, 1933, signed by the Right Honourable R. B. Bennett, then Prime Minister, and addressed to Sir Charles Gordon, president of the Bank of Montreal, about the $60,000,000 loan to the Canadian Pacific Railway Company, forwarded, (a) to the Department of Finance; (b) to the Department of Railways and Canals, and (c) to any other department of the government?
2. If so, by whom, to whom and on what date or dates?

Mr. POULIOT:

In the office of the Prime Minister or in any other department, is there a copy of the memorandum presented by Sir E. W. Beatty, president of the Canadian Pacific Railway Company, to the Right Honourable R. B. Bennett, then Prime Minister, about the dominion guarantee of the $60,000,000 loan to the Canadian Pacific Railway, and referred to by the latter in his evidence before the select standing committee of banking and commerce during the year 1934, at page 194 of the report?

MOTIONS FOR PAPERS

FARMERS' CREDITORS ARRANGEMENT ACT

Mr. PERLEY (Qu'Appelle):

For a copy of all papers or documents, including correspondence, letters, telegrams, resolutions and recommendations between individuals and creditor companies, or their representatives and between individuals or creditor companies and the government of the Dominion of Canada, relating to the dismissal, removal or appointments of officials appointed under the Farmers' Creditors Arrangement Act in the province of Saskatchewan; also copy of any telegrams or other correspondence between the chairman of the review board and the dominion government with respect to his retirement or resignation, prior to the first of June, 1936.

CANADIAN PACIFIC RAILWAY—$60,000,000 LOAN

Mr. POULIOT:

For a copy of all correspondence between the Minister of Finance, from May 31, 1933, to October 23, 1935, and one or any of the Canadian banks or any railway company, in connection with the guarantee given by the government for the $60,000,000 loan to the Canadian Pacific Railway.

Mr. POULIOT:

For a copy of all correspondence between the Minister of Railways and Canals, from May 31, 1933, to October 23, 1935, and one or any of the Canadian banks or any railway company, in connection with the guarantee given by the government for the $60,000,000 loan to the Canadian Pacific Railway.

Mr. POULIOT:

For a copy of memorandum presented by Sir E. W. Beatty, president of the Canadian Pacific Railway Company, to the Right Honourable R. B. Bennett, then Prime Minister, about the dominion guarantee of the $60,000,000 loan to the Canadian Pacific Railway, and referred to by the latter in his evidence before the select standing committee on banking and commerce during the year 1934, at page 194 of the report.

Mr. POULIOT:

For a photostat copy of the original copy of the letter of guarantee, dated May 31, 1933, signed by the Right Honourable R. B. Bennett, then Prime Minister, and addressed to Sir Charles Gordon, president of the Bank of Montreal, about the $60,000,000 loan to the Canadian Pacific Railway Company, a typewritten copy of which has been tabled in sessional paper No. 150-E on March 19, 1934.

Mr. BENNETT: I am not in a position to raise a question about the motion, but I must say this establishes a precedent of such far-reaching consequence that I direct the attention of the government to it. It involves a photostatic copy of communications which in their very essence are privileged so far as the files of the privy council are concerned. A copy of the letter was produced before the committee, and if a photostatic copy of every document is to be produced it raises another issue in this chamber which I never have heard raised before.

Mr. POULIOT: If the right hon. gentleman quotes a rule to the house by virtue of which we cannot have a photostatic copy of the letter, I will abide by any ruling to that effect; but there is no rule to that effect.

Mr. MACKENZIE KING: I must say that the request of the hon. member (Mr. Pouliot) for a photostatic copy of a typewritten communication which has already been placed before the house does seem to reflect upon the government which brought down the document. I do not think the hon. member could have had any such intention. I am sure he feels that any typewritten copy which has been tabled is a true copy of the original document, and there could not be any intention to imply that it was not such. However the hon. member may have reasons for assuming that the typewritten copy tabled is not an accurate copy of the original communication, and if there are such reasons and he will state them I should be prepared to have the house decide whether or not the order should be granted. Unless he has some special reason for his request, I suggest the motion should be dropped.

Mr. POULIOT: I thank the right hon. gentleman for what he has just said; he must know my intentions are always pure. But the reason I ask for a photostatic copy of

the letter is that on the copy on record there are no initials of any minister besides the signature of the right hon. gentleman, and in order to do justice to the leader of the opposition, as I have heard that some of his ministers initialed the letter I wonder if the same initials were put on the copy. That is why I ask for a photostatic copy of the letter; it is only to render justice to the leader of the opposition. Once more I am defending him against himself.

Mr. MACKENZIE KING: If there is a question of the copy not being a true one I see no reason why the order should not pass.

Motion agreed to.

SPECIAL WAR REVENUE ACT

The house resumed, from Tuesday, June 2, consideration in committee of Bill No. 76, to amend the Special War Revenue Act—Mr. Dunning—Mr. Sanderson in the chair.

The CHAIRMAN: Members of the committee will understand that all sections of the bill, with the exception of the preamble and title, were passed last night.

Hon. J. L. ILSLEY (Minister of National Revenue): Mr. Chairman, while that is true, I believe it is a fact that when we adjourned we were considering subsection 3 of section 62. I have given careful consideration to the objections raised by certain members, and to some extent I believe they are well founded. For these reasons I move:

That section 2 of Bill 76, an act to Amend the Special War Revenue Act, be amended by striking out of subsection 3 of section 62 of the said act, as set out in the said section, all the words following the word "forthwith" in the sixth line of the said subsection, and by adding to the aforesaid section 62 the following subsection:

"(4) Every person who having been notified by the minister in writing to keep records and books of account as provided in this part, neglects or refuses to keep such records or books of account shall be liable on summary conviction to a penalty not exceeding $500 and not less than $50, and in default of payment of such penalty to imprisonment for a term not exceeding six months and not less than one month."

Mr. LAWSON: I congratulate the minister upon his reconsideration of the provision. It seems to me perfectly proper to impose a gaol sentence where an offence is wilfully committed and as I interpret the minister's proposed amending section it would apply only in cases of wilfulness. To that I have no objection.

Amendment agreed to.

Section 2 as amended agreed to.

[Mr. Pouliot.]

On section 20—Coming into force of section 4.

Mr. STEWART: I understood that section 20 was not finally passed.

Mr. DUNNING: It was.

Mr. STEWART: I should like to know why the provision is made that section 4 shall be deemed to come into effect on June 1, and not on the earlier date at which the other sections become effective.

Mr. ILSLEY: I made a brief explanation last night. The change in the definition of "producer or manufacturer" extends the definition to "any packer of olives and any commercial artist," and it is not deemed just to make the extension retroactive. From June 1 last it will apply to these two classes of persons.

On the preamble.

Mr. LAWSON: I was wondering if the minister would have any objection to a motion to revert to section 13 of this bill. The minister will remember that last night we went through the bill more or less hurriedly on the assurance that it contained merely the provisions of the budget, plus some administrative changes. I suggest to the minister that section 13 creates an entirely new situation so far as the enforcement officers of the department are concerned, and there are one or two phases of that amending section to which I should like to call the minister's attention.

Mr. ILSLEY: I do not think I can refuse to accede to the hon. gentleman's request if he has anything he would like to say.

Mr. LAWSON: Then, in order to regularize the matter, I would move, Mr. Chairman, that the committee revert to section 13 of the bill which is before the committee.

Motion agreed to.

On section 13—Action against officers in the exercise of their duties.

Mr. LAWSON: What I wish to call to the attention of the minister is the following. This section is designed apparently to confer protection upon enforcement officers of the department who commit certain acts in the course of their duty, or ostensibly in the course of their duty. The amendment comprises an addition to the Special War Revenue Act of sections 120A, 120B, 120C and 120D.

With respect to section 120A I raise no question except that the minister will observe that subsection 1 of section 120A provides for the requisite notice to be served, and sub-

section 2 starts off by requiring that there be in the notice something which is not specified in the subsection dealing with the notice. For the purpose of clarity I suggest to the minister that section 120A, subsection 1, be amended so as to make it clear that what is required in the notice is not merely a statement of the cause of action and the name and place of abode of the person who intends to bring such action, and the name of his attorney, solicitor or agent, but also such evidence as that person proposes to adduce in support of his cause of action, because that is apparently what is intended by the first part of subsection 2.

Mr. ILSLEY: The evidence does not have to be stated.

Mr. LAWSON: Then what is intended by the words in subsection 2, "No evidence of any cause of action shall be produced except of such as shall be stated in such notice?" Except of such what?

Mr. ILSLEY: Of such cause of action.

Mr. LAWSON: Oh, yes. If that is clear, I would say that I have no suggestion with reference to section 120A, but it was not very clear to me. Section 120B, subsection 3, however, goes much further, I think, than any law upon our statute books, in giving protection to judicial, magisterial and police officers. Subsection 3 provides:

If the plaintiff is non-suited, or discontinues the action, or if, upon demurrer or otherwise, judgment is given against the plaintiff, the defendant shall recover costs, and have such remedy for the same as any defendant has in other cases where costs are given.

I call to the attention of the minister that costs are always a matter in the discretion of the court, and the proposed subsection is going very far in providing protection for enforcement officers in this connection. In view of the fact that failure to give notice, the giving of which is now being made a statutory requisite, will defeat the cause of action, even though it might be a perfectly good cause of action, the costs should be a matter in the discretion of the court as in all other cases, and not arbitrarily fixed by statute.

Mr. ILSLEY: This provision simply follows the provision in the Customs Act, section 158, subsection 3, which reads as follows:

In such case, or if the plaintiff becomes non-suited, or discontinues his action, or judgment is given for the defendant upon demurrer or otherwise, such defendant shall be entitled to full costs of defence.

Mr. LAWSON: But is notice a prerequisite of action under the Customs Act?

Mr. ILSLEY: Yes; by section 157 notice is a prerequisite of action. In fact, these sections follow very closely the sections in the Customs Act. They introduce no new principle.

Mr. CAHAN: But in this it is stated that the "defendant shall recover costs," while in the other, if I heard the quotation correctly, it is provided that the "defendant shall be entitled to costs."

Mr. ILSLEY: Is there any difference?

Mr. CAHAN: I think there is a very great difference.

Mr. ILSLEY: The words are these:

The defendant shall recover costs, and have such remedy for the same as any defendant—

And so forth.

Mr. CAHAN: I think in the first place the word "shall" should be "may." As my hon. friend from York South (Mr. Lawson) has stated, he should recover costs only if he is entitled to costs.

Mr. ILSLEY: That would make a change in the whole policy in these acts. The Excise Act, section 83, contains this provision:

And in such case or in case the plaintiff is non-suited or discontinues his action, or judgment is given for the defendant upon demurrer or otherwise, such defendant shall be entitled to the like costs as he would have been entitled to in case he had pleaded the general issue only.

Mr. CAHAN: Why not use the same language?

Mr. ILSLEY: The language is slightly different in each of these acts.

Mr. BENNETT: The action has to be brought within three calendar months, and nothing can be done until one calendar month after notice. That means that the cause of action has to be considered and action taken in practically two months.

Another point is this, that instead of the giving of notice being set up as a plea, there is put upon the plaintiff the onus of proving that notice has been given, which is not usual.

Lastly, there has been a great change in procedure since the Customs Act was passed, and demurrers as such do not at present prevail in many of the provinces in Canada. The action is dismissed merely because no cause of action has been established. Setting down actions on demurrer is something that, under the Judicature Act of England, which is in force in most of the provinces, no longer prevails. What you do is to set down a point of

law, which is the old principle of the demurrer, to be considered by the court before the action is tried, and if the action is dismissed, as contemplated in this case, because no cause of action has been established or for other reasons, the defendant may recover his costs, but I should not think it desirable to say that he "shall" recover them.

The reason I mention this point is that I remember distinctly an action that was brought against the Department of Agriculture many, many years ago. It will be recalled that in the case against one of the members of the government of British Columbia the privy council decided that an action could properly be brought against him for failure to do his statutory duty and damages recovered, and after that it was not unusual for actions to be brought against officers of departments. The action I have in mind was brought against officials in the Department of Agriculture. No notice of the action had been given, and it was held that under the provisions of the law it was a good defence to say that he was a public officer and that no notice had been given. In some of the provinces we have provisions that all public officers and those holding public positions can be sued only if an action is brought against them. There is a direct conflict here between property and civil rights and the exercise of our exclusive powers under section 91. Property and civil rights has been held to be a matter solely within provincial jurisdiction. I am not at all clear that this is a matter which, because of its nature, enables us to legislate in connection with the statute of limitations with reference to bringing actions against individuals. In any event, I submit that three months is too short a time. In many of these cases a man will find that more than three months have gone before he has an opportunity of ascertaining the facts. He has to give notice after thirty days and it is quite clear that three months is not long enough. I think in some municipalities in western Canada the period is one year, while in others it is six months. To say that an action of this kind against an individual shall not be brought unless within three months, is an invitation in some instances to exercise powers which are beyond the jurisdiction of those exercising them.

Mr. ILSLEY: With regard to the objection raised by the leader of the opposition (Mr. Bennett), I would be reluctant to make the period any more than three months. Three months is the period specified in the Customs Act and the Excise Act, and it seems to have been there for a long time.

Mr. BENNETT: Those are widely different powers.

[Mr. Bennett.]

Mr. ILSLEY: Not very much. They are all based upon the same principle that considerable protection must be given to officers who are performing an invidious task, that of entering upon premises, looking at books and so on. I do not know what justification there could be for making an exception in the case of the Special War Revenue Act. The Excise Act is a very old act and as this section appears to have been taken from the revised statutes, I have no doubt it goes back a considerable length of time. The three month period is also to be found in the Customs Act. I do not know just what reason I could give for agreeing to the lengthening of that period in the Special War Revenue Act. With regard to the point raised by the hon. member for York South (Mr. Lawson), I have not any strong feeling as to the necessity of having the word "shall" in the section. I would be willing to substitute the word "may," if it is thought that that would be more just. The court could then decide who would pay the costs, and perhaps that would be preferable.

Mr. CAHAN: Why not use the same words as are in section 83 of the Excise Act?

Mr. ILSLEY: I submit that those words could not be used because they refer to a system of pleading which, it seems to me, is not in use in many of the provinces. The wording is:

> Such defendant shall be entitled to the like costs as he would have been entitled to in case he had pleaded the general issue only.

The hon. gentleman knows better than I that I would not know just what that means. Does it mean a denial of all the facts stated in the statement of claim?

Mr. BENNETT: Yes, not guilty by statute.

Mr. CAHAN: You use here the same terms, "The defendant may plead the general issue."

Mr. BENNETT: The second subsection of section 120 B reads:

> The defendant may plead the general issue, and give the special matter in evidence.

I think the whole section is obsolete.

Mr. ILSLEY: I think if the word "may" is substituted it will cover the situation. I would move that in line 15 on page 8 of the bill the word "shall" be struck out and the word "may" be inserted in its place.

Mr. CHURCH: Mr. Chairman, I should like to ask the minister a question with reference to these actions against the officers

in his department. I may say that I think these officers are doing their duty faithfully and they should be given protection against these damage suits which are being brought in the courts. An officer of this department is a great asset in collecting revenue, but sometimes he may feel that he cannot do his whole duty because he does not receive the same protection as is given other officers under the justice of the peace acts in the different provinces. Just recently huge frauds were disclosed at Washington in connection with the collections of customs and income taxes. Some of our officers may be a little timid because if they are sued in court they may have to pay costs equal, in some cases, to three or four months' pay.

The records in these cases should be public property as that is the only way in which the public can know who is defrauding the government in connection with customs and income taxes. In my opinion the minister should take up this matter during the recess. In the recent investigation at Washington it was found that Mr. Pierpont Morgan had never paid a cent of income tax. It was found also that smuggling of articles from all over the world was going on. I think the minister should consider during the recess whether in the public interest there should not be a registration system in each revenue district in Canada, which register would be open to the public, on payment of adequate fees of inspection as is done at the registry office. Case after case has been heard in the police court at Toronto and a record should be kept. The public never hears of the frauds which are being worked on the Canadian government, unless through these actions or suits. We know what the frauds are but unfortunately we cannot get the proper evidence. The minister and his department are doing good work against offenders; the officers of the department are faithful in their duty and they should have legal protection against the heavy costs which may be involved. If we are to have an active and militant force to collect the revenues under this act, then the government of the day should see that these officers are protected. They should have the same protection as is given many provincial officers under the departments of the attorneys general.

The recent mass buying and price spreads inquiry showed the huge frauds which are being worked. Look at what happened to some of the smugglers. They had to go down to Washington to settle their cases. Enormous whisky shipments were made across the lakes and these people had to go to a foreign government and pay $3,000,000 for the smuggling of whisky into the United States. We should conduct in Canada an investigation similar to that before the United States senate. If that were done we might be able to reduce the income tax, the sales tax and many other taxes which have become a burden on the people.

I contend that there should be a public register. Now we have to have a statement of claim, a statement of defence, an examination for discovery and a prosecution in the high court or the police court before the public can get any evidence of the frauds on the government. Then all they see is a paragraph in the daily press. We all know how much attention the daily press pays to this parliament. The papers do not bother with what is happening here or report the proceedings as formerly; they leave it all to the Canadian press. They give only about one-tenth of what is said here and sometimes that is not, in some cases, entirely correct. However, they are doing good, faithful work and they deserve a great deal of credit for the way in which they assist parliament.

I contend that if we have registers in the municipalities and provinces for real estate transactions, chattel mortgages, bills of sale, bills of lading, lien notes and all that kind of thing, it is time we made public the frauds being committed against the government by establishing a public register open to inspection for federal affairs I have named. You can go to the city clerk's office in any city or town in Canada, look up the roll and ascertain what a man is paying on income and business; but when it comes to federal affairs we have made no progress since confederation towards establishing a registry system whereby we can find out what the chisellers who are beating the government in customs duties and income tax as shown in the customs inquiry, are doing. It is not the small salaried man; it is not the consumer; he has to pay five or ten times over because of frauds against the government. We have seen the revelations at Washington and in the senate there, and we know what happened before the mass buying and price spreads commission in Canada. Anybody can go to Osgoode Hall and look up the statement of claim and the defence in the suits against our officers under this bill. The case comes up before the county court or the supreme court or the police court and you can get the evidence on payment of a small fee and a stamp tax in the court offices. Look at the way in which they are dealing with frauds in the old country, even where members of the House of Commons are concerned. There they enforce the law. I venture to say that if there were a federal register along the lines I propose it

would work satisfactorily, because anyone could go to a district office and by paying a small tax get the necessary information without inconvenience. Anybody who wanted information would have to pay for it; there would be a stamp tax of twenty-five or fifty cents, and no one would abuse the right. Moreover, that stamp tax would pay for the labour involved, giving a few extra men jobs. I am simply astonished at what has been going on, without any questions being asked in the House of Commons. People have been beating the regulations on both sides of the border in connection with customs and income tax. We find for years armed Canadian vessels on the great lakes, vessels loaded with smuggled whisky supplies bound for the United States, in violation, on the lakes, of the Rush-Bagot treaty, and they get away with it. And yet we are supposed to have an embassy at Washington, the result of our magnificent dream of separatism. Over the heads of the Canadian government these smugglers a month ago went to Washington and settled there with the United States government, a friendly power, for all this and for beating the regulations, and how they get away with it I do not know. We are away behind the times in the matter of law reform as regards income tax and customs law enforcement.

How will these officers be treated under section 13? Some man may have been beating the regulations, and if an officer takes any steps to cope with him he is threatened with a lawsuit. The consequence is that these officers may be intimidated by threats of suit; they are men receiving small salaries and under such circumstances they cannot be expected to do their duty properly. There are many people in Canada who are not paying income tax on millions of dollars of income from tax free bonds. No wonder they have been able to do so with impunity, and no wonder there is dissension in the country among the working classes, who have to pay heavy taxes—for everything is passed along to the consumer. The working people are getting sick of this sort of thing. They have come to the conclusion that there is one law for the rich and another for the poor in these revenue matters; that the small man must pay while the rich man can get away with it in the way I have indicated.

I do not blame the present minister; I do not blame the present government, far from it. I submit, however, that the government should look into this matter very carefully and appoint a committee of the house on investigation. Certainly this state of the law regarding litigation is not fair to the poor officers of the department. As I say, they receive small salaries and there is no reason why they should be faced with litigation and the necessity of engaging counsel to defend them for doing their duty to the government. Sometimes the costs are against the plaintiff, but in any event the officer will be put to a good deal of expense. The time has come when the whole policy should be changed. There should be some sort of system whereby those who want information may be able to obtain it, and a stop should be put to the frauds that are being committed by big business as has been shown in our mass buying committee and at Washington.

Mr. BENNETT: Notwithstanding what the minister has said, the distinction between this measure and action taken under either the Customs Act or the Excise Act is very clear. This statute came into force only after the war, and it deals with conditions that are not contemplated in either the Customs Act or the Excise Act. The powers given the officers are far greater and they are more difficult to ascertain. For reasons which the hon. gentleman knows, in connection with the collection of income tax and matters of that sort, it was necessary to clothe the officers with wide authority in dealing with such questions. I am dealing only with the question with respect to the Special War Revenue Act. If the minister would be good enough to observe, first of all the general issue may be pleaded, which means that the defendant may give special matter in evidence, pleading not guilty by statute, and setting out in the margin the number of the statute. The second provision is to enable action to be brought even within three months; then notice has to be given within one of these three months, and he has thirty days after notice has been given to make amends. If notice is given so that the thirty day period expires towards the end of the three months, then obviously the exercise of the thirty day right with respect to making amends could not be within the three month period, because the action itself has to be brought within three months. Further, it is provided that the defendant shall be entitled to "the like costs"—in section 120C, the same as in the preceding one—which probably in that case will not do very much harm. In view of the amendment made by substituting the word "may" for the word "shall" that difficulty may be overcome. But when you come to section 120D, you have an entirely new principle. I do not

know whether it is in the old Customs Act, but if it is, it is not satisfactory. This provision reads:

If, in any such action, the court or judge before whom the action is tried certifies that the defendant or defendants in such action acted upon probable cause, the plaintiff in such action shall not be entitled to more than twenty cents damages, nor to any costs of suit.

The rule is, reasonable and probable cause; and the House of Lords having decided that action would lie against a corporation in connection with actions of malicious prosecution, great importance attaches to the use of the words "reasonable and probable cause." The minister will find that the words "upon probable cause" are not the words that have received judicial interpretation in the courts of the country; those words are "reasonable and probable cause." I do not know what the old Customs Act says; it may say "probable cause." But certainly that statute is a very old one; we have made a great many changes and much progress since then. It might be well, therefore, to keep that in mind, if we are to apply the general principles and not deprive a man of the fruits of his victory. That is to say, a man goes into court, brings action and succeeds in proving damages. The court enters judgment for him for, we will say for the sake of argument, $500. But if the judge certifies that he had probable cause for bringing his action, then the result is that he gets twenty cents damages and no costs. The rule, I submit, is reasonable and probable cause, because probable cause is one thing and reasonable cause is another. There must be a combination of both reasonable cause and probable cause, in the cases that have received consideration by the courts of the country, to enable certain actions to be properly maintained. Are we not going too far when we say that probable cause entitles a successful plaintiff to twenty cents only, and no costs, without adding reasonable cause? For, as I say, a man may have a reasonable cause though it is not a probable cause. He may have probable cause which is not reasonable. I think the combination of words on which the decisions have been given make it necessary that similar words should be added to a statute such as this to enable the situation to be dealt with in the light of the decisions of the courts.

Mr. ILSLEY: The words "probable cause" are used in both the Excise Act and the Customs Act.

Mr. BENNETT: Conditions have changed a great deal since those acts were drafted.

Mr. ILSLEY: The phrase "reasonable and probable cause" is a very old one; it is one of the questions which arise in every action for malicious prosecution. That is the type of action in which it arises. There may be a difference between reasonable cause and probable cause, but probably that point has been considered by the courts; I am not sure whether or not it has. I do not think in committee of the whole we should depart from the old language of these acts unless we know exactly what we are doing. It may be that the words "probable cause" as used in the Customs Act and the Excise Act have received judicial interpretation on many occasions, and if in a hasty way we were to adopt the language that is applicable to actions for malicious prosecution and put it into this one act, out of the three, we might be doing something that would prove to be very embarrassing. I would prefer to adhere to the language which has been used in similar acts in the past and which, as far as I know, always has been in these acts.

Mr. BENNETT: Far be it from me to press the matter further than to direct attention to it, but I have never seen a more obsolete statute than the one we are now passing. The old statute is obsolete; it is perfectly useless. When you talk about pleading the general issue and demurrers, I fancy that when my hon. friend was a law student the law had made such progress that he was not even compelled to learn what the general issue meant in pleading to an action, and actions on the case and trespass were long since forgotten. Statements of claim became merely concise statements of the circumstances upon which the right to recover were based. Here we are still adhering to the time-worn, obsolete provisions which were first put upon our statute books in 1868 or 1870, I think, and which have come down through the years. Now we are enacting something, but instead of making it modern we say; All right; the Customs Act had it for fifty years; the Excise Act had it for fifty years; so let us copy it. I am sure that cannot be sound.

Mr. ILSLEY: The statute of frauds has had substantially the same wording since the time of Charles II.

Mr. BENNETT: Quite so. It has been reenacted in practically every country in the world, and the reasons given for that have been excellent. One judge said that every word in that statute cost a subsidy, as I am sure the hon. gentleman will recall.

Mr. ILSLEY: That is what I am afraid of in this instance.

Mr. BENNETT: The most reactionary Tory could hardly desire any stronger statement of reactionary principles than to say: Well, these things are old; they are all right, so let us stick to them. That is not the way in which progress is made. I say to the minister that this provision is unworkable and obsolete in this act as well as in the Customs Act and the Excise Act. I can tell the minister more. I am not busily engaged in practising my profession, but certainly if I had someone consult me in respect to this I would not pay much attention to it. I do not think we have considered it at all in the light of the decisions as to the power of this parliament to deal with matters of this kind, where property and civil rights are affected. We enacted that statute a very long time ago, and I say that if we are going to reenact a principle and insert it in a statute we should do so according to our conceptions of modern conditions rather than blindly follow something that is fifty years old and that we know is no good. The minister himself says that he would not be concerned about the general issue.

Mr. ILSLEY: I was set right on that, and I think pretty effectively, by the hon. member for St. Lawrence-St. George. I was told what the general issue meant by both the right hon. leader of the opposition and the hon. member for St. Lawrence-St. George.

Mr. BENNETT: Quite so, but that does not get away from the fact that we have this difficulty, and in a modern statute we are perpetuating the provisions of a statute passed half a century ago. However, I am quite content now that I have directed attention to the point.

Mr. LAWSON: Even though this may be a repetition of some wording that appears in other acts I am not going to give my approval to something with which I entirely disagree, and I promise my hon. friend the minister that if I get a chance to say something against this provision as it appears in the Customs Act or any other act, I shall do so.

Under section 120D I think you are taking away something from the very people you want to help. Let me illustrate that. The minister referred to an action for malicious prosecution. I quite agree that that is the sort of action in which this language would be brought before the courts. My hon. friend will remember that when you go before a court in an action for malicious prosecution, if you are for the plaintiff you have to do two things. First, you have to satisfy the judge that there was no reasonable and probable cause or you do not get to the jury at all, assuming that you have a jury trial. Then, the judge having found a lack of reasonable and probable cause, you are allowed to go to the jury, where you have to establish the further factor called malice. All right. Let us take a customs officer going into court as defendant in an action for malicious prosecution. Before a verdict can be obtained by the plaintiff the judge has to find that there was lack of reasonable and probable cause. Under this section, however, the judge has to make a much stronger finding in favour of the customs officer. He must find affirmatively that there was probable cause. It seems to me that in this section, though you may be repeating the words that appear in the Customs Act, you are not conferring any more protection or any greater right on your customs officer but you are introducing into present day legislation terms which, as far as I know, have not been defined or interpreted by the courts, when at the same time you have terms available that have been interpreted almost as extensively as the old 13 Elizabeth section of the statute of frauds.

I suggest to the minister that he reconsider the wording of this section. I should like to point out something else to the committee, in connection with section 120C, to show the effect this provision may have, as I see it. Under section 120C a plaintiff brings an action. We will assume, first, that he thinks he has a cause of action. He does not go to a lawyer for two or three weeks; these people do not always rush off to some lawyer the next morning. In this case the lawyer looks up the provisions of the law and tells this man, "We will have to serve a notice." After he serves the notice he cannot do anything for a month, so there is a month and three weeks gone by. He also remembers that he has only three months within which to issue his writ so, being a prudent and discreet lawyer, within at least a week after the notice has expired he issues the writ. In other words he has issued his writ two months after the cause of action. Then the customs officer comes along with a notice in which he tenders some amends. Now the writ has been issued.

Mr. ELLIOTT (Middlesex): That is within the calendar month after the notice.

Mr. LAWSON: Yes, within a month after the officer receives the notice he tenders some amends. Under the ordinary law these amends would be in mitigation of damages. Under this section it is in complete bar of damages. If that were all it would not be

so bad, but the plaintiff, having issued his writ before he got the amends, even if he accepts the amends and discontinues his action, is still liable to pay costs, in an action under which he could not do other than issue the writ, because section 120C says:

—and in such case, or in case the plaintiff ... discontinues his action, ... such defendant shall be entitled to the like costs as he would have been entitled to in case he had pleaded the general issue only:

I suggest that my hon. friend consider both those phases of the matter.

Mr. ILSLEY: My hon. friend is wrong about the sequence of events. The tender of amends is not within a month after the action is brought; it is within a month after the notice is given.

Mr. LAWSON: Quite right, but a condition might arise where, for the plaintiff to maintain his right of action, he would have to issue his writ before the officer is required to make the amends. Take a concrete case. Say alleged offence is committed to-day. Say the plaintiff's solicitor does not serve the notice until two months less one day after the commission of the offence. He would have to be within that time, or his action is barred. He has to issue his writ on the last day of the third month, in that event. Well, if the customs officer can tender the amends within one month after the notice is served, obviously he is not going to tender the amends the very day he gets the notice. Consequently the customs officer might tender the amends any time within one month less one day after the writ was issued, in which event the plaintiff must, under section 120C, pay the costs of issuing the writ. I am anxious to protect officers, but we should not put unreasonable things on our statutes.

Section as amended agreed to.

Bill reported, read the third time and passed.

JUDGES ACT AMENDMENT

The house resumed from Tuesday, June 2, consideration in committee of the following proposed resolution—Mr. Lapointe (Quebec East)—Mr. Sanderson in the chair.

That it is expedient to amend the Judges Act to provide salaries for the Ontario appeal and high court judges as presently constituted; and further provide that when a vacancy occurs in the office of chief justice in appeal the office shall be abolished and the court shall thereafter consist of a chief justice and seven other judges.

Mr. LAPOINTE (Quebec East): The object of this resolution and of the bill which will follow its adoption is to give effect to amendments which have been made to the Ontario judicature act by the legislature of Ontario, first in 1931, and in 1936 at the last session. In 1931 the legislature of Ontario provided for a reduction in the court of appeal from ten members to eight, by providing that when vacancies occur they be not filled. But at the same time the legislature increased the high court trial division by two members, providing that when vacancies occurred in the appeal court the appointments would be made to the trial division instead of to the appeal court.

Mr. BENNETT: It did not increase the total number?

Mr. LAPOINTE (Quebec East): It did not increase the total number. This legislation is to give effect to this change in the constitution of the court, plus an addition of two judges. The purpose of the bill is in reality to add two judges to the trial division of the high court of Ontario. The reason for it, as has been represented by the provincial authorities, is the increase of legal business in the province, and more particularly the fact that two of the judges of the trial division have to devote their activities to other work. One has to devote all his time to bankruptcy matters, and another at the present time is engaged in the work coming to him under the Farmers' Creditors Arrangement Act. The result is that on many occasions it has been impossible to have a judge of the high court at the county seat at the usual terms. The representations made were found sufficient by the legislature of Ontario, and when they were made to this government we thought we should give effect to the intention of the legislature. Under the constitution the province creates the courts and the federal parliament provides for appointment and salaries of the judges.

Mr. BENNETT: As I read the resolution it seems to me to be couched in unusual language to accomplish the end in view. The resolution reads:

That it is expedient to amend the Judges Act to provide salaries for the Ontario appeal and high court judges as presently constituted ...

Does it contemplate any change in salaries?

Mr. LAPOINTE (Quebec East): No. The apparent ambiguity struck me too, but the law officer who drafted it represented to me, and I accepted his explanation, that the term "as presently constituted" means as constituted by the Judicature Act of the province of Ontario. It is constituted, though effect has not been given here.

Mr. BENNETT: Yes; that is, it is constituted by statute of 1936.

Mr. LAPOINTE (Quebec East): Yes.

Mr. BENNETT: A statute of the Ontario legislature was passed last session, and the effect of it is to increase by two the number of high court judges.

Mr. LAPOINTE (Quebec East): Yes.

Mr. BENNETT: And with the aid of the statute of 1931 to bring about a reduction in the court of appeal from twelve to ten judges—

Mr. LAPOINTE (Quebec East): I forgot to say that one of the chief justices will disappear.

Mr. BENNETT: I understand that.

Mr. LAPOINTE (Quebec East): And when he vacates his office he will be replaced by an ordinary judge.

Mr. BENNETT: There will be seven other judges.

Mr. LAPOINTE (Quebec East): Yes.

Mr. LAWSON: There were ten originally.

Mr. BENNETT: But as a result of the action of the legislature the court of appeal consists of the chief justice and seven other judges.

Mr. LAPOINTE (Quebec East): Yes.

Mr. BENNETT: This would seem to be the proper time to make some general observations in this connection, in view of the fact that the minister and I were the subject matter of some discussion at the last meeting of the Canadian Bar Association. I do not think either the minister or myself has anything to withdraw. I can speak only for myself as to what has been said on previous occasions with respect to the judiciary.

Recently in England a commission was appointed to investigate the whole matter of the age of retirement of judges, and although I have not the information before me, and am trusting to my memory—I had not prepared to speak to the matter to-day—I believe the limit was placed at seventy-three. Does the minister remember the official recommendation? Can he say whether it was seventy-three or seventy-five?

Mr. LAPOINTE (Quebec East): I thought it was seventy-five, but my right hon. friend may be right.

Mr. BENNETT: At present there is a conflict in my memory between seventy-three and seventy-five, and I do not wish to express a certain opinion as to which it was.

Mr. FACTOR: Seventy-five.

[Mr. E. Lapointe.]

Mr. BENNETT: In respect of our federal courts—the Supreme Court of Canada and the Exchequer Court of Canada—and the county courts, we have provided a retiring age of seventy-five years. There is not much doubt that starting at one end of Canada and travelling to the other one may find large numbers of men endeavouring to discharge judicial functions who are physically unable to bear the strain of work and continuous effort necessary in the discharge of those duties. One makes that statement with great hesitancy, but it is a fact. It was so much so that at one time when the minister was in office he found it essential to enact legislation to enable him to deal with the difficulty. That legislation was severely challenged at the last meeting of the Canadian Bar Association. We introduced legislation to go a step farther and provide for retirement at seventy-five years. That, too, was challenged as being very unsatisfactory and as something which would impair the position of the judges.

For a moment let us examine the situation. I think the minister will agree it is time we were doing so. If all judges in Ontario were physically fit to discharge their judicial duties there would be no necessity of increasing the number by two. I believe that is so obvious that it needs only to be mentioned. There are other provinces in the confederation in which exactly the same difficulty prevails. Whether or not it is wise to discuss them in detail I have not yet made up my mind, but when the bill is introduced and has reached the committee stage I shall determine what course of action to pursue.

This is the principle which I submit should govern parliament in dealing with matters of this kind. First, if a man holds himself out as being qualified by training to occupy any position requiring the services of an expert—whether it be judge, doctor, dentist or engineer; it matters not—unless he has the proper qualifications he should not be appointed to the position, whatever it may be. Second, when he ceases to possess those qualifications he should no longer continue in office. Is there any possibility of getting away from the second proposition? We endeavour to have some regard, in a small way, for the first one. But the second, which is a corollary of the first, has been the very foundation of the impartial administration of justice, namely that when men hold themselves out as being sufficiently trained in the law to enable them to undertake judicial duties, and when by reason of impairment of physical or mental capacity they are no longer able to give concentrated attention for periods extending over seven, eight or nine hours a day, obviously they are no longer

qualified for the positions they hold. It is an implied condition of the contract they make with the state that they will be able to discharge those duties and give the services indicated, and when they have reached the stage where they can no longer do so, it seems to me they should be content to retire. That is the position I have taken in the matter. It is not a new one to-day, nor was it new during the last parliament; it dates back farther than that. My personal conviction is that that is the only way we can get satisfactory service. Whether or not we should assert our views in the manner in which we endeavoured to do, and failed to succeed in doing, is still open for discussion and comment.

Mr. FACTOR: Does not the British North America Act provide life appointment for judges of the Supreme Court of Ontario?

Mr. BENNETT: Certainly, but there is an implied condition that a man who undertakes to hold a position for life is qualified to do it; otherwise what have we?

Mr. FACTOR: I agree.

Mr. BENNETT: What is the result? If we were to rely altogether upon the provisions of the British North America Act whereby the judge may hold office during life and good behaviour, all we could do would be to appoint, and that would settle the matter; although the appointee might be an invalid, until an address were passed by both houses of parliament he could continue to occupy his position. It was that position that the present Minister of Justice had to meet on a previous occasion. The statute, it is true, was not originated by him, but when it was finally settled by the government of the day it provided for judicial inquiry as to physical or mental fitness, and if it was found as a result of inquiry that the occupant of a judicial position by impairment of either physical or mental health was unfit to discharge his duties, he could be retired, and the terms of retirement were provided in the act.

Mr. LAPOINTE (Quebec East): But it is a difficult thing to do.

Mr. BENNETT: Very. Judicial duties are always difficult to discharge; we know that. They involve the exercise of the highest qualities of which the human mind is capable, because justice is an attribute of the godhead, and frail humanity can only approximate an administration of justice as it should be administered. Failure to realize that is responsible for many of our difficulties.

The point I make is this: In any appointment where special knowledge is required, whether it be engineering or of some other professional kind, is it not an implied condition that with the payment of the salary there must be a maintenance of the special qualities upon which such payment is predicated? If there is a departure from that condition by reason of physical or mental incapacity, then obviously the right of the state to pay should also be terminated. For instance, if a judge is so deaf that he cannot hear the evidence, I suggest the matter is tremendously serious. What about the rights of those who stand in the dock before a judge who cannot hear and clearly appreciate the evidence of witnesses? Yet it is a condition that obtains at this time in more than one province. In the court of appeal it is not so difficult, yet it is a very unsound condition if the judge cannot hear what is said by counsel. Again, if a man has reached an age where concentration of effort has become practically impossible, is it quite right to say that litigants should have to defer to such a judge or that the state under such conditions should continue to pay, pay, pay?

These are problems to which I think we shall have to direct our attention, and they are not easy problems to deal with. By the time the bill is introduced I hope to have concluded whether it will serve a useful public purpose to deal with these problems one after the other and point out what the actual situation is, and the ages the judges have reached. It is not so much a question of age. For instance, I know of a case in which the appointee was not old but developed a condition which made it impossible for him satisfactorily to discharge judicial functions; he could not give concentrated attention to problems over a period of five or six hours a day, and that situation when it is known is one that should be dealt with. In England, where they have so magnificent a judicial system, they found it necessary to appoint a commission a few months ago to deal with the problem and make a report, which I shall endeavour to secure before we reach the bill, and if that is so in a country like England, where the appointments have no political flavour as they very often have in this country, it becomes tremendously important, it seems to me, that we should have a clear understanding of what the implied conditions are when one is appointed to the bench.

Undoubtedly, ever since the Act of Settlement, judges have held office during life and

good behaviour and can be removed only on the petition of both houses of parliament, assigning the cause and affording an opportunity to be heard. But I contend that in all judicial appointments there is an implied condition that the one who accepts them has at least the expert qualities that would be required of one who was appointed, say to the position of engineer. The reason why a lawyer is appointed to the bench to discharge judicial duties is that he is supposed to be trained in the law, and the implied condition is that he is fit to discharge the duties of the office to which he is appointed. If he no longer is able to do so, then clearly the obligation of the state should no longer continue. I think one is complementary to the other; the holding of office during life means during the lifetime of usefulness of the appointee. By "usefulness" I mean that he possess the physical and mental equipment necessary to enable him to discharge judicial functions, which means work for six, seven, eight, and perhaps more hours than that a day during the time his court is sitting. That is so at least in most countries, and it has been the principle that has governed judges in their attitude towards continuance in office. If we pay salaries so wholly inadequate that, with the increased costs and burdens that have been placed upon them for income tax and other matters, what was once ample compensation to secure judicial services of the highest quality is no longer sufficient to make them available and the salaries are out of proportion to the responsibilities involved, the situation is serious; and with the increased cost of living and heavier taxation many would—they have told me so—retire because their conscience tells them they are no longer fit to discharge to the full the duties of their office, but they are compelled to remain in office in order that they may care for themselves and their families and their homes. It is a serious situation.

When the committee was appointed during my hon. friend's former administration I then said what I still say, that you will never get a committee of this house to improve judicial salaries because the least effective and efficient will be most vocal in their demands for increased emoluments, and the result was as I think most of us anticipated. The minister endeavoured to do his best, but it was impossible in view of the turn which things took in a committee of this house to get any further than we did. On the other hand, it is clear that if we are to give effect to the views which the minister entertains as to the importance of the court of last resort in Canada being as strong as possible, we must commence to pay adequate compensation to the members of that court. Having regard to the tremendous responsibilities they have one can only observe that in the United States they have found it necessary to increase the salaries and emoluments of their judges in their court of last resort, so that their chief justice now receives, I think, $25,000. He always received a slightly higher salary than the puisne members of the court. When one thinks of the implications of the decisions of that court, one realizes that their responsibilities are very great, and while in this country they could not under any circumstances be so great, nevertheless they are very great in themselves.

We might start with our court of last resort, and from that possibly proceed further, but it would have to be, in my judgment, on the condition that there is a recognition on the part of all of the implied condition of service which I do not think any judge will successfully contend does not attach, because he has to hear cases from time to time of men who bring actions to recover fees for professional services, and if an engineer of great repute were to go into court and claim that he was entitled to recover $25,000 per annum over a given period of time because he had a retainer from a company, and the company pleaded that his physical and mental condition was such that he could not possibly do the work which devolved upon him by virtue of that retainer, I do not think any judge I know of would hesitate very long to declare that he could not recover. And yet they assert, and did at the bar association, a principle which is just the opposite of that, and the negation of the application of the doctrine of implied fitness for the position to which they have been appointed.

Mr. MacLENNAN: Who is to decide as to their physical and mental fitness?

Mr. BENNETT: The hon. member for Inverness-Richmond (Mr. MacLennan) has raised the question, who is to determine their fitness? The statute which was passed under the aegis of the present Minister of Justice makes provision for that. It provides that his fellow judges, not necessarily in the province in which he lives, but members of the judiciary, are to decide that question, and it is a pretty difficult thing to place that burden upon them. In connection with county court judges, of course, we do appoint commissions of inquiry, and we have the power of removal, and on two occasions that power has been exercised in the last fifteen years. It was exercised by my friend the Minister of Justice during his former administration, and it was

exercised by a government in the early nineteen hundreds. In all these cases judicial inquiries were held; the fitness of the judge was reported to the executive, and the executive took the appropriate action. To have a commission of judges appointed to inquire into the mental equipment and physical condition of judges is very difficult and is the reason why this parliament fixed an age limit with respect to the federal and county courts.

The difficulty in connection with the county courts is that if one of seventy years of age were appointed to the county court tomorrow he would retire at seventy-five years on full pay. That is the reason why we have the unwritten rule that a man over sixty years of age should not be appointed to the bench. This has been sometimes disregarded, but in the main it is observed. I can recall the efforts I made when I was first a member of this house to secure the appointment to the bench of a gentleman who was perhaps better qualified than any other man in Alberta, but as his age was something like sixty-five years the late Judge Doherty said he could not appoint him. That general rule has prevailed. If fifteen is added to sixty it makes seventy-five, and that is the age at which a county court judge retires. That has been the general rule, but there have been exceptions with respect to the higher courts.

I bring this matter to the attention of the minister because I have frequently discussed it with him and I know how concerned he is about it. I still have the perhaps antiquated and old fashioned view that of the three branches of our polity, the legislative, the executive and the judicial, the judicial is the one in which we must place the greatest reliance. Although the judicial branch has not the same powers as it has in the great republic to the south, nevertheless its powers are tremendous. Being what they are, it devolves upon us to take every step possible to obviate dissatisfaction on the part of the public, on the one hand, with the service they receive, and those who give themselves to judicial office, on the other hand, from having any possible thought that they have been unfairly treated by parliament, which is just another way of saying that the people have treated them unfairly. There should be a measure of obligation on the part of the one fully as great as there is on the part of the other. There should be an obligation on the part of the people to pay the sums fixed by parliament and, in my judgment, there should be an obligation on the part of those who receive payment to take it only so long as they are fit physically and mentally to discharge the implied obligations of their office, namely, to give that continuous attention to judicial work which was an essential condition of their being appointed.

So far as Ontario is concerned, it is quite obvious to anyone who knows the facts—whether or not they will be stated at length I shall have to leave to my own judgment later on—that these two appointments would not be necessary were it not for the age conditions that prevail. That is known to everyone familiar with the situation. The judges are doing bankruptcy work in all the provinces, but the work under the Farmers' Creditors Arrangement Act will slacken instead of increase. Probably it will have run itself out and be disposed of before long. That could not be made the reason for the appointment of two additional judges if the judges of the high court and the court of appeal were of an age where they could concentrate their physical energies and mental abilities upon the discharge of their judicial functions. Two or three hours a day is all that some of them are able to give in concentrated form to the problems of their courts. When one has reached a certain age it is not to be expected that he can go out to county towns to hold assizes with any degree of satisfaction to himself, or, shall I say, to those who have litigation in the courts over which he presides.

I do not envy the minister the difficulties of his position, but difficulties must be faced in dealing with matters of this kind. I think it is very unfair to impose upon the Canadian people the salaries of two additional high court judges in the province of Ontario when the necessity for so doing is attributable to conditions which have nothing to do with increased litigation or increased population, but arises out of the unfortunate circumstances to which I have alluded, and which I say again are not confined to the one province in this confederation.

Mr. CAHAN: Mr. Chairman, on previous occasions I have differed from the Minister of Justice (Mr. Lapointe) and the leader of the opposition (Mr. Bennett) with regard to the age of retirement for judges. I think a great injustice is sometimes done and the public interest sometimes suffers by prescribing a certain age for the retirement of either judicial officers or of officers of the civil service. Each case should be decided upon its own merits. On a previous occasion I called attention to the age of eminent judges serving in

Great Britain and the United States who had reached an age far beyond the limit of seventy-five years fixed by the statute introduced by the Minister of Justice as the age of retirement of judges of the federal and county courts. Without wanting in respect, I do say that a difficulty has arisen in Canada because of the lack of moral courage on the part of successive ministers of justice in the various adminstrations. I think section 28 of the Judges act was passed in 1922 and since then no minister of justice has had the courage to take the necessary measures prescribed by statute for the retirement of judges who have lost their capacity and efficiency. The statute to which I refer is chapter 105 of the revised statutes of Canada. Section 28 reads as follows:

28. (1) Any judge of the Supreme Court of Canada or of the Exchequer Court of Canada, or of any superior court in Canada, or any local judge in admiralty of the Exchequer Court of Canada or any judge of a county court, who is found by the governor in council, upon report of the Minister of Justice, to have become, by reason of age or infirmity, incapacitated or disabled from the due execution of his office, shall, notwithstanding anything in this act contained, cease to be paid or to receive or to be entitled to receive any further salary, if the facts respecting the incapacity or disability are first made the subject of inquiry and report in the manner hereinafter provided, and the judge is given reasonable notice of the time and place appointed for the inquiry and is afforded an opportunity by himself or his counsel of being heard thereat and of cross-examination of witnesses and of adducing evidence on his own behalf.

The next subsection reads:

(2) The governor in council may, for the purpose of making inquiry into the facts respecting the incapacity or disability of any such judge, issue a commission of inquiry to one or more judges of the Supreme Court of Canada, or of the Exchequer Court of Canada, or to one or more judges of any superior court in Canada, empowering him or them to make such inquiry and report,—

There is a reasonable provision for inquiry into the capacity of any judge holding an appointment to either of the courts mentioned, but the fact is that except in respect of county court judges this statutory power has not been exercised. I think it is due to a lack of moral courage on the part of the successive members of government holding the office of Minister of Justice. That office requires certain qualities and capacities greater than are vested in the ordinary member of parliament or in the ordinary member of government. In England the Lord High Chancellor does not fail, when called upon to exercise very great powers, by reason of his personal relations to those who have been appointed to and are sitting on the bench. When the Minister of Justice sees that a judge is apparently lacking in capacity or is disabled by reason of age or infirmity, or otherwise incapacitated or disabled from the due execution of his office, it is his moral and statutory duty, I submit, to provide for an inquiry and, if the report upon inquiry sustains retirement, to report to council accordingly and have the judge retired. The Minister of Justice should act in accordance with the responsibilities of his office—and I am not making any special reflections on the present minister. But if he would do that, as I think he is bound to do in the exercise of the duties and responsibilities of his high office, we would avoid these scandals which we see every day when the courts are in session, in almost every province in Canada.

Mr. CHURCH: The province of Ontario is empowered by the British North America Act to look after the constitution of the law courts in the province. I can see very little reason for this increase. This parliament, which provides the judges' salaries, should have some say before acts are passed by the Ontario legislature, when we are required to pay the salaries. There is no doubt that a good many of the supreme court judges are overworked, particularly those who go out on circuit. But take the votes in connection with the judges in Ontario. There is the Chief Justice of Ontario, whose salary is $10,000; Chief Justice in Appeal, $10,000; Chief Justice of the High Court of Justice, $10,000; salaries of six justices of appeal, at $9,000; salaries of ten judges of the high court, $90,000; and salaries of sixty-five county court judges at $5,000, together with travelling expenses, amounting in all to $400,000 a year. As was pointed out in the committee that sat in the session of 1929-30, in this province we have nearly as many judges as there are in England, with a population of 47 millions. I am not here to say anything against the splendid work done by the fine gentlemen who comprise the Supreme Court of Ontario, and as I say a great many of them are overworked. There is no doubt that this parliament, by delegating to them appeals in criminal cases and divorce legislation have added considerably to the work of certain judges. But on the other hand there is a good deal of work which, formerly performed by the supreme court, now goes to the county court. I would refer to Judge Morson, of the county court, who has retired on pension. In the first and tenth division courts of Toronto he did the work which is now being done by three judges. When you consider that there are sixty-five county and junior judges in the counties of Ontario, the vote is a large one for that province. I was asking a prominent member of the bar the other day

his opinion of this particular bill so far as Ontario is concerned, and he said he was very much opposed to it. I saw in the newspapers the pictures of two gentlemen who are said to have been selected.

I think there should be a survey of this whole situation, and I suggest that the bill stand over until next year. I approve of an addition to the number of circuit judges, because when one of these judges is taken ill it is difficult to get someone to take his place. I understand that a recommendation was made this or last year that, in addition to the present list of supreme court circuit judges, there should be a special judge who would be available if relief were necessary along the lines I suggest, at Osgoode Hall. I know a great many of the judges and I know that they work very hard and are worn out by the time the long vacation comes. But in Ontario, not satisfied with having passed the act to which the Minister of Justice has referred in this resolution, they have upset the whole jurisdiction of the magistrates' courts throughout the province. Magistrates from York county have been transferred to Oakville, Milton, and other places all over the province, though they were appointed, in the first instance, for the county of York.

In my opinion a committee of the house should be appointed to study this question with regard to the judges, and the whole question of law reform, and in particular I would suggest a rearrangement of the work of the judges in view of the acts that have been already passed by the province, removing from the high court certain jurisdiction and placing it in the county court. This bill should be laid over for a year. We are getting law reform by means of two or three haphazard bills introduced during the course of the session, whereas in my opinion the whole problem of law reform should be carefully studied as it was in England with a view to reducing the cost of the administration of justice, and increasing the efficiency of justice in this country. There is need for such law reform. I have the highest respect for the able, hard working and most admirable body of men who have served the country on the bench of Ontario, not only in the court of appeal but in the supreme court and county courts and in the magistrates' courts as well. The administration of justice in this country has reflected the greatest credit on those in charge of it.

I believe there is a great deal in what the leader of the opposition has said. Day after day on the streets of the city I come from I meet some of the judges, some of whom I know are very much overworked, while others may not be doing as much work. In 1929-30 it was found that three high court judges had left the bench to engage in a federal political inquiry—the late Mr. Robb used to call it the whisky inquiry, into customs and smuggling. Two or three judges, including one from Regina, left the bench for a year to carry on extra work, for which they got extra pay amounting to a large sum of money in addition to federal pay as judges, which others did their work. Judges should not be used for political investigations and inquiries; they have enough hard work as it is without being loaded up with all these extra duties. Much extra work has been placed on the supreme court judges, as well as other judges, by the Ontario legislature as well as federal authority. The lists of divorce cases at the non-jury sittings throughout this province have become appalling, just as was expected when we divested ourselves of this power and turned it over to the courts. The number of divorces is multiplying by two or three, and they are being made easier to obtain by the mistakes of this parliament. There are appeals, now also in criminal cases and every session adds to the work of our judges, and the pay is inadequate.

I believe it would be better if the minister would consider appointing a committee of the House of Commons or of both houses of parliament on law reform to go into the whole question of our judges and of law reform as they did in England. Let us have something concrete; let us bring the law up to date. As far as this measure goes, I believe we do need one additional judge for circuit work or so in Ontario, but the problem should be taken up in a larger way in order to consolidate the work, improve the efficiency of the law courts and prevent delays. I know one chief justice whom I saw on the street-car just the other day, who had been out on circuit hearing a very important case on constitutional questions. He has been overworked so much that he is ill. I was not speaking to him about this matter, but he certainly has been working very hard, hearing heavy cases that the newer younger judges are not given as yet. I must say that in my opinion recent appointments to the bench of younger men have been exceedingly well made, and these new judges in the supreme court are doing excellent work out on circuit that is a credit to the bench and the administration of justice which stands so high in Canada and is most creditable to the country.

Mr. DOUGLAS: I should like to say just a word with regard to the suggestion of the right hon. leader of the opposition that some means be provided for retiring judges who

have ceased to be physically or mentally fit to discharge their duties. I lived for some years in a city where the judge suffered, unfortunately, from periodic attacks of amnesia. The result was that over quite a period of time some very unfortunate decisions were handed down. There were two results. One was that the attitude towards the law in that particular community was one of ridicule; the second was that practically every decision had to be appealed. Many of the decisions were reversed and practically all were modified to some extent. I appreciate that this would be a delicate matter to deal with, but surely it ought to be possible to enact legislation which would permit of the retirement of men no longer able to discharge their duties efficiently. The authority of the law can be maintained, it would seem to me, only if the men sitting on the bench inspire confidence rather than ridicule.

Mr. LAPOINTE (Quebec East): I shall reserve my remarks until the bill is under consideration.

Resolution reported, read the second time and concurred in. Mr. Lapointe (Quebec East) thereupon moved for leave to introduce Bill No. 83, to amend the Judges Act.

Motion agreed to and bill read the first time.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR EXPENDITURE, INDEBTEDNESS AND THE REFUNDING OF MATURING OBLIGATIONS

The house resumed from Thursday, April 23, consideration in committee of the following proposed resolution—Mr. Dunning—Mr. Sanderson in the chair:

That it is expedient to bring in a measure respecting the Canadian National Railways, to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1936, and to provide for the refunding of certain maturing financial obligations.

Mr. DUNNING: Mr. Chairman, when this resolution was before the committee previously it was indicated that the standing committee on railways and shipping had not at that time finished its consideration of the estimates of the Canadian National Railways, and therefore the committee of the whole rose without completing its work. Since then the standing committee of the house dealing with these matters has completed its work and reported on this particular phase of the matter, as will be seen by reference to the votes and proceedings of April 30. I think, therefore, that any objection to the introduction of the bill has been met by what has happened since. I propose now, if the committee agrees to the resolution, just to introduce the bill; I do not expect it to be read the second time to-day, of course.

Mr. BENNETT: There is only one observation that I desire to make. It is this: In view of the evidence given before the special committee it does appear to me that there is not sufficient money provided for the deficit that inevitably must result.

Mr. DUNNING: This does not deal with the deficit.

Mr. BENNETT: But it deals with the amount that has to be provided for this calendar year.

Mr. DUNNING: This is for capital requirements only.

Mr. BENNETT: Only capital requirements?

Mr. DUNNING: Yes, capital requirements and refunding.

Mr. BENNETT: I was going to say with respect to the other matter that it was quite apparent that operations for the first three months, owing to extraordinary conditions, had been somewhat unsatisfactory.

Mr. DUNNING: The second three months are showing up better.

Mr. BENNETT: But not sufficiently to meet the contemplated shortage of revenue. However, since this deals only with capital expenditures and refunding I have nothing further to say.

Resolution reported, read the second time and concurred in. Mr. Dunning thereupon moved for leave to introduce Bill No. 84, respecting the Canadian National Railways and to authorize the provision of moneys to meet certain expenditures made and indebtedness incurred during the calendar year 1936.

Motion agreed to and bill read the first time.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR ADMINISTRATION BY BOARD OF DIRECTORS APPOINTED BY GOVERNOR IN COUNCIL

Hon. C. D. HOWE (Minister of Railways and Canals) moved that the house go into committee on Bill No. 21, to amend the Canadian National-Canadian Pacific Act, 1933.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Section 1 agreed to.

On section 2—Definition of trustees.

Mr. CAHAN: Have we had any clear statement by the minister as to the purpose of this substitution? Why would it not be quite sufficient for all practical purposes if the number of trustees were enlarged, and they were left vested with the duties that now appertain to the trustees? Why are directors presumed to be more efficient than trustees? What is the real purpose behind it? To me—and I say it with all due respect to the minister—the chief purpose of this bill is to place the entire management of the Canadian National Railways under political control, and if it is so placed I fear it is opening the way to political patronage and graft to an extent utterly unknown in Canada in the management of railways in which the government has a vested interest. We thought we were getting free from that. Whatever may be said about the existing trustees, I congratulate them upon this one thing: I think that since the board of trustees under Mr. Fullerton took control there has been less corruption and graft in the management of the Canadian National Railways than had existed in a number of previous years. That is one fact that Mr. Fullerton and those associated with him may be congratulated upon—the honesty and integrity which they have displayed since the board of trustees was created.

Mr. HOWE: Mr. Chairman, it does not seem to me that the change in name from trustees to directors can have all the detrimental effect suggested by my hon. friend. We believe the set-up of a board of trustees is unsuitable to the operation of the property, and more particularly that section which vests the power of veto in the chairman. Simply enlarging the number of trustees and leaving that veto power with the chairman would, we believe, be quite inconsistent with the purposes we are attempting to achieve. So that while this board could be called a board of seven trustees, my thought is that the term "trustees" suggests trustees in bankruptcy, trustees operating a bankrupt concern, whereas we think it is better policy at this time to appoint seven directors and operate the railway as a business concern. It is a matter of policy.

As to the suggestion that this change is going to introduce graft and corruption, I really cannot see the basis for it. I thought that in drafting this act we had blocked all the old avenues by which people used to approach the Canadian National Railways. I do not know that I should suggest what those ways were; we all know, but I think if my hon. friend will examine the legislation he will see that every one of them is closed. Instead of entrusting the direction of the railway to three men we are entrusting it to seven men. We believe that in doing so we cannot only get seven men of as great integrity as that of the present trustees—and I have no criticism whatever to make of the integrity of the men comprising the trustee board—but I think we can get men of equal integrity and of greater business experience, and perhaps men whose associations with the industrial life of Canada will enable them to contribute more to the prosperity of the railway than can the present trustees.

Mr. BENNETT: Will they be full time men?

Mr. HOWE: No. We hope to have them do the work of the ordinary executive committee, that is, be available to meet at least once a week. They must be men close enough to the headquarters of the railway to take an active part in the management. As far as the connection between the government and the railway is concerned, it is just as remote under this bill—perhaps more so; I am not so sure of that—as it is under the present trustees.

Mr. BENNETT: It could not be more so.

Mr. HOWE: My very short experience in politics has not led me to believe that a board given full control, such as the present trustees, is so vastly more impregnable to political influence than a board that has contact through a responsible minister. The minister has no powers in connection with the board of directors that he has not under the other board. The minister has no power to do with the railway as he likes. Large matters, matters of importance, arise almost every week which necessitate discussion between someone in authority in the railway and someone in authority in the government. For instance the government is still the trustee of a great deal of railway property that is operated as part of the Canadian National system, and the Canadian National Railways are operating steamships which the government owns. Matters of that kind require conferences between the two bodies. These conferences are held between the responsible minister and the chairman of the board or someone who has the authority to represent the railway. That is the only connection that is provided between the government and the board of management. In other days we used to have a representative

of the minister on the board. That has been changed, for just the reason my hon. friend suggests, that such connection might be used to influence the board in respect of matters on which the government should have no say, matters purely relative to the railway. All that is done away with. But as regards matters concerning which the government must confer with the railway and the railway with the government there is provision for such conferences between the head of the railway and the head of the department at Ottawa, that is, between the Minister of Railways and the chairman of the board. I think that is the only proper contact, and as such it is provided for.

How my hon. friend can say that this is going to lead to graft and corruption on a scale never before known in Canada I cannot understand. It is assuming that you have a very corrupt minister of railways and a very corrupt chairman of the board of directors. It must be so, because these two provide the only contact between the railway and the government. They must both be corrupt and not one alone, if graft and corruption are to exist. It seems to me that my hon. friend used rather strong language in that connection.

Mr. CAHAN: I trust the minister has all the virtues. Undoubtedly his past life discloses that he is a man of high character and very considerable experience, but he has never been subjected to the political influences emanating from 170 or 180 members of parliament, each of whom is anxious to obtain some advantage for his constituency. The other day the minister professed that he did not understand very much about the exercise of political influence upon governments and ministers in the administration of public properties, but I suggest to him that when two years hence he comes back to meet us his eyes will have been opened, and he will know something more about practical politics as accepted in the public life of Canada.

In one respect I cannot see very much change. It is true that instead of trustees we are to have a board of governors. This board is not to give its whole time to the administration; one director of the national company is appointed chairman of the board of directors. I assume he would be chairman of the board of directors of the national company. It was suggested that Mr. Fullerton, as chairman, had certain veto powers, but this gentleman who is to be appointed chairman has practically all the powers of the board. He will be there all the time. He will be on the job, and the others will not be on the job a sufficient length of time to find out what is being done, or to advise as to how it should be done.

But that is not the point I wished to make when I said the bill opened the way to political influence. In 1933, after comparatively slight criticism, a bill was passed by a very large majority, and was passed unanimously in another place. That measure solemnly declared that for a certain length of time the board of trustees should be constituted and, except under certain prescribed methods, parliament relieved itself of the responsibility of changing that board. The present bill is a complete repudiation of what parliament did in 1933. It is a violation of the solemn pledge of parliament to these men to the effect that in their appointment as trustees they would be retained for a certain length of time without interference. It is a repudiation of the very platform upon which they were appointed, whereby they were to be relieved completely from political pressure, placed in a position where they would be above political influence and capable of administering the railways in the interests of all the people of Canada without fear or favour of any political party. The present measure repudiates that pledge. It starts out by saying that we are to repeal the act of 1933 in so far as it appointed these trustees to act as a board of management. We are to repudiate the pledges under which they were appointed. We are to remove them from office because we do not like the complexion of their faces or the colour of their hair. Possibly some of them had been associated with those of another political stripe. The government is inviting subsequent parliaments, for the same political purposes and with the same view and scope of information, to repudiate the act in order that others who may be more acceptable to a later administration may be appointed in their place. That sort of action is unworthy of parliament. It is impossible for the directors who are to be appointed to assume that they are to be above political influence and control. When I say that I refer to political influence and control of a very reprehensible character, such as we have found in the administration of public bodies in Canada in times past. That is my objection; I can see no sign of improvement in the changes the minister now proposes.

Mr. HEAPS: Before the section is agreed to there are one or two observations I should like to make. I hope that future parliaments

will not get into the habit of changing the set-up of the Canadian National Railways management every time there is a change in the complexion of the House of Commons. It is a dangerous procedure. About 1932 we changed the set-up of the management, and now that there has been a change in government we are to have another change in the management of the Canadian National Railways. Nothing could be more inimical to the management of the railway and the confidence of the people in the Canadian National system than to have a management in which parliament and the people have lost confidence. I believe any government would find it very difficult to obtain the services of the most efficient men to handle the Canadian National Railways if those men thought their positions would be insecure and that they would not be retained if there were a change of government.

The three trustees are in a position where they are asked to resign and to a certain extent their usefulness has been impaired. I cannot see how logically they could remain in office and give the service required of them. But if under the present measure it is intended to appoint a committee of seven to handle the affairs of the railway I suggest that such committee should be appointed by the House of Commons at large rather than by the government. If that were done we would have at least something in the way of permanency of the men in office. I do not know whether the government has considered the suggestion, but I put it to the minister in the hope that it may be helpful. If the leaders of the different parties could get together and decide upon a committee of seven, the men to be appointed would have a greater degree of security than they could have if after a change of government they should find themselves in the position of the present trustees. That is one of the most unfortunate features of the present bill. It dispenses with the services of men, rightly or wrongly, and makes the position insecure. I offer the suggestion to the minister in the hope that he will give it careful consideration and that when a new board of directors is under consideration he will at least consult leaders of other groups in the house, in an effort to appoint a board which will have the full confidence of the House of Commons and the people of Canada.

Mr. STEWART: Mr. Chairman, the committee is dealing with the administration of the most important asset under the control of parliament, namely the Canadian National Railways. It is an asset which represents an enormous investment, an asset which if properly administered and properly developed will make an excellent contribution to the future development of Canada. The people of Canada have invested in this undertaking such an enormous sum of money that anything which relates to its administration should receive the most careful and serious consideration of the House of Commons and of the people of the dominion.

Conditions were such that it was deemed advisable to appoint a royal commission to investigate and consider the administration of the Canadian National Railways. The commission was one that commanded, I think, the confidence of the Canadian people. It undertook the task imposed upon it, and at great length and after the expenditure of an enormous sum of money made a report. That report indicated that the method of control or administration of the railways in the past had not been entirely satisfactory, and in pursuance and in keeping with the recommendations of that report a new method of control was devised. It was given the careful consideration of parliament, and that method of control by a board of trustees has been in force now for a little over two years.

The special committee set up to consider the administration of the Canadian National Railways has just completed its work, and the chairman of the board of trustees has made to that committee a statement which the minister has commended as a fair, reasonable and moderate one. That statement is not yet available to the members of this house, but it will be printed, I assume, in the votes and proceedings, and I suggest to every member of this committee to read it carefully and seriously. If that is done, then I am of the opinion that the members of this committee will come to the conclusion that the administration of the Canadian National Railways by this board of trustees has been successful; that it has under very difficult and trying conditions accomplished in large measure, so far as the circumstances permitted, the objects which it set out to accomplish; that economies have been made; that improvements in administration have taken place, and that policies have been initiated which, if pursued to their conclusion, will result to the advantage of the railways and of this dominion.

I submit that with that record behind us, with the reasons advanced for a change in the method of administration, and with the fact that we have set up a new organization which has been functioning for so short a time, yet even within which it has been able to demonstrate its value, we ought not now to return to what is to a large extent the form of administration which existed prior to the appointment of this board of trustees. As I under-

stand this bill, that is largely what it is; we are in large measure returning to the same old method, control and administration by appointees of the government as we had prior to the investigation by the commission. Results cannot be secured in a short period of time, in the administration of an enormous undertaking like the Canadian National Railways, and I submit that it would be just as sound for a man to plant a tree and in a few months pull it up by the roots to see if it was going to grow as for the minister to make this change at this time. If he will consider the situation he must agree that the board of trustees has not given a sufficient length of time in the control and administration of this road to demonstrate whether the present method is more successful than the old except in so far as the results already indicate that some progress has been made, and I submit that they should have an opportunity to demonstrate over a sufficient period of time their capacity to administer the affairs of the road.

The minister in introducing the bill gave some reasons why these changes should be made. I think the reasons he gave have been answered to a large extent by the statement of the chairman of the board of trustees. I submit that the proposed action of the minister under this bill is not in the public interest; that the board of trustees has not been given a sufficient opportunity, and that these changes are not in the interests of the Canadian National Railways or of the people of the Dominion of Canada. If there is one thing that is required it is a continuity of policy, and a change in the method of administration having been made as a result of an investigation by the commission, we ought to have an ample opportunity to test it out to see if it will produce the results which it was hoped it would, especially as there are already indications that good results have followed upon this change in the method of administration.

I submit, finally, that this whole proposition of the minister is a retrograde step; that we are going back to a condition of affairs which was condemned, which was not in the interests of the Canadian National or of its employees or of the people of this dominion, and I fear that the results will be disappointing both to the minister and to the people of Canada as a whole.

Mr. HOWE: In reply, Mr. Chairman, I think we are all agreed that the Duff report made some very sound recommendations, but whether in appointing the board of trustees the recommendations of the Duff report were followed as exactly as will be the case in the appointment of the seven directors proposed by this bill is a matter for argument. True, the set-up of the board of trustees was the set-up proposed by the Duff commission, but the personnel, as I stated in my opening remarks, hardly followed the recommendations of that report. This type of management was a very unusual one for a commercial corporation as far-flung as the national railways, and under this bill we are going back to the usual business organization. The entire set-up as proposed under this bill is usual in railways, directors being appointed for a three year term, one-third retiring annually, and with a chairman at the head who is an experienced railway man. I think this is the proper time to make the change. At the end of this year one of the trustees retires. I might say that the trustees themselves are quite emphatic in stating that the present system is not a proper one, and that the veto power given the chairman is not a proper power for federal trustees. If we wanted to replace a trustee whose term was up, I do not know where we could find a man of the calibre and background of experience necessary to fill the position. I doubt whether we could fill the position satisfactorily and I think this is the proper time to do what we are doing.

Mr. STEWART: Does the minister think a board of seven directors will be more likely than three trustees to carry out the recommendations of the Duff commission? What particular advantage would such a board have over the three trustees? The minister says that some of the provisions of the act are unsatisfactory, but is not the answer to that, amend the act?

Mr. HOWE: We are doing that.

Mr. STEWART: You are doing more than amending it; you are wiping it out altogether. It is not an amendment of the act; you are putting in a different set-up. The minister might just as well admit that now as at any other time. The minister states that there are certain defects in the present set-up, but I submit to him that he should amend the act rather than wipe it out altogether. When a house needs repairs it is not necessary to tear it all down. If a roof is leaking, repair the roof; if there is a defect in the plumbing, repair it. You do not need to build a new house in order to correct some defects in the old one.

Mr. JACOBS: What happens when the house is suffering from dry rot?

Mr. STEWART: A house two years old could hardly have any dry rot. Like my hon. friend, it would not be old enough.

Mr. CAHAN: You have got rid of the old roof; that is my chief objection. The Prime Minister is in the chamber and I should like to have his attention for a moment. The government is now purporting by this bill to repeal some very important provisions of an act passed in 1933 known as the Canadian National-Canadian Pacific Act, 1933. Section 7 of that act, which is now being repealed, reads:

No trustee shall be removed from office, nor suffer any reduction in salary, during the term for which he is appointed, unless for assigned cause and on address of the Senate and House of Commons of Canada.

There may be differences of opinion with regard to a pledge contained in a statute passed by the House of Commons and Senate of Canada; there may be differences of opinion with regard to the terms of such pledge when it was under consideration when passing both houses of parliament; but I ask the Prime Minister, even although differences of opinion prevailed at the session of 1933 when the act was passed, is not some consideration to be given to the terms of a pledge which parliament made? Provisions were being made for the appointment of three trustees to very high and important positions. Those appointments were similar to appointments to a court of appeal or a court of justice where the term was expressed in clear language, with the further provision that no one should be removed from office or suffer a reduction in salary, during the term for which he was appointed, unless for assigned cause and on address of the Senate and House of Commons of Canada. If that provision is to be wiped out by this bill, what confidence can hereafter be placed in the honour and integrity of a parliament that makes such a pledge and then two or three years later repudiates it by allowing the trustees to be removed without assigned cause and on address of the Senate and House of Commons of Canada after full consideration of the merits or demerits of the charges made against them? That was not a party pledge; it was a pledge contained in a statute passed by a majority of both houses. It declared that the men who were appointed and whose term of office was fixed should not be removed from office except for assigned cause and on address of the Senate and House of Commons of Canada. Such removal as is contemplated by this bill is not in accordance with the pledge. While I dislike to use strong terms, I think opprobrium, if not dishonour, is placed upon the parliament that refuses to carry out a pledge so made.

Mr. MACKENZIE KING: Mr. Chairman, may I say to my hon. friend that if at the time that particular clause was inserted there had not been very strong exception taken to it by the then Liberal opposition, I would say he was entirely right in what he is now saying. But one has to consider not only the opposition which was made at the time, but the grounds for it and the nature of it. It was stated very clearly, by the then Liberal opposition, that the particular plan adopted, of having these gentlemen removable only by address of both houses was a Conservative or Tory device to tie the hands of a Liberal administration should we come into office at any future time. I think it was stated very plainly that if that clause did carry, every effort would be made to see that the House of Commons, which was the representative of the people as a whole, would not have its hands tied with respect to the control of any industrial activity for which it might be held responsible.

My hon. friend speaks about the courts of the land and the tenure of office of judges and the grounds on which they are appointed, but this presents no parallel. A judicial position is an entirely different position to that of a director of a company. When a government is held responsible for the success or failure of a great industrial enterprise, it surely should have the right to have as directors of that enterprise persons in whom it has confidence. Otherwise, we would not have responsible government in a true sense.

I wish to repeat that the linking up of the Senate with the House of Commons in the control of everything which relates fundamentally to the finances of the country is a wrong principle and has always been recognized as such. My hon. friend may argue that the Senate was made a party to any dismissal of these gentlemen in order that their tenure of office might be secured, but he overlooks the fact that the House of Commons is the one body responsible for the administration of the different departments of government, that the government of the day has to take responsibility, and that any government returned by the people should, with respect to matters which relate to the finances of the country, be free to deal with those finances as its members think best.

For this reason I believe there is every justification for this particular clause being removed from the act. There is no ground

for contending that this implies any breach of faith or trust on the part of the present administration. As I said, it was made perfectly plain, when we were in opposition, that if we could possibly avoid it we did not propose to have our own and future parliaments bound in a manner which would hold them responsible for the administration of public affairs and yet deny them the right of having in charge of those affairs persons in whom they had confidence.

Mr. CAHAN: Just one word. The right hon. gentleman has laid down this principle, that minority in the House of Commons who oppose any public bill are to be at liberty thereafter, should that minority become the majority, to repudiate any promise or pledge which parliament as a whole has given to particular individuals in their official capacity. He further introduces this suggestion. It has not been stated that the trustees are not prepared to cooperate fully with the government of the day; that suggestion has not been made. But the Prime Minister goes further and says; We are now making the Canadian National Railways the football of politics.

Mr. MACKENZIE KING: I said nothing of the kind.

Mr. CAHAN: That is the only inference, that each successive government will be free to do what it pleases with regard to the provision for the organization and administration of that board, and a new government coming in, which does not like the colour of hair of these directors, or the colour of their eyes, or the particular smile which they bear upon their faces, is at liberty to put them out of office forthwith. Therefore no future tenure of office of directors or trustees of the Canadian National Railways can be regarded as secure. When that principle is once admitted and when parliament, in repudiation of its previous pledges, is prepared to carry out such a policy as that, does it not clearly mean and indicate that the administration of these great railways is to become purely a matter of party politics; that the door is wide open to the return of the system of corruption which we have had in times past in dealing with government railways? That is the precedent which, it seems to me, the right hon. gentleman is establishing. I am discussing this matter apart from his personality; I am not casting reflections upon him. But I do say this, that I do not know of a man in his government —and he has in it many members for whom I have high personal respect—there is not one of them, not even himself, who if placed in the position of Minister of Railways in charge of this can be expected to stand between his political party, demanding office and demanding consideration, demanding this contract and that contract, between that horde, who are looking for patronage, and the public service, the public interest, which alone should command the care and attention of the government of which the right hon. gentleman is Prime Minister.

Mr. MACKENZIE KING: My hon. friend has just said that I am seeking to lay down the principle that a minority must control the majority—

Mr. CAHAN: No; I said a minority in a previous parliament.

Mr. MACKENZIE KING: The principle I am laying down is that there is no minority which is superior to the majority when that majority is the people of the country as a whole; and the people of the country as a whole have sent this present House of Commons to legislate with respect to the Canadian National Railways as it thinks right and proper. The whole question of a new enactment with respect to the Canadian National Railways was presented to the people in the last general election. It was one of the policies on which the Liberal opposition took a very strong and positive stand, and it was returned to power in virtue of it and the other policies it outlined. The authority of the present administration in this matter is an authority which has been derived from the people of Canada as a whole, and in no unmistaken voice or way; and we intend to exercise that authority in the light of the responsibility so placed upon us. I wish to take very strong exception to the assumption that just because a director is to be appointed by a Liberal administration he will be thoroughly corrupt in the carrying out of his obligations, whereas a trustee appointed by a Tory administration is always to be above criticism. That is a new doctrine, a principle that does not apply. The only principle that can govern in these matters of the administration of public affairs is the principle of ministerial responsibility. The ministry will be responsible for those whom they appoint as directors. If a mistake is made in the appointment, or if mistakes are made by their appointees, the members of the ministry will be answerable to their masters. But their masters will not be the Tory party but the people of Canada as a whole. That is the essence of the situation. No one knows better than my hon. friend, unless it is his leader, that in most of the legislation which was introduced having to do with financial matters, an effort was made by the previous administration to tie the hands

of an incoming administration, to tie future parliaments in such a way that they would be bound, not to policies to which they were committed, but to Tory policies which they believed to be inimical to the country's interests. This is one case in point, and it is not by any means the only one. Certainly, however, so far as the present administration is concerned, it is prepared, in so far as it is able, to secure the necessary power and authority to take full responsibility for the legislation it proposes. It is not going to be tied, with respect to what it deems to be necessary and in the public interest, by any clause in any act or agreement which says that with respect to great transactions involving the finances of this country—and that is what is always put up in connection with the Canadian National Railways, that it is a big financial problem—this House of Commons is to be controlled by the other house of parliament. It will in so far as that is possible be controlled solely by its own members, in the exercise of full ministerial responsibility.

Progress reported.

At six o'clock the house adjourned, without question put, pursuant to standing order.

Thursday, June 4, 1936

The house met at three o'clock.

STANDING ORDERS

Mr. S. W. JACOBS (Cartier) presented the second report of the standing committee on standing orders, and moved that the report be concurred in.

Motion agreed to.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

DOMINION HOUSING ACT

Mr. MALLETTE:

1. How many loans have been made up to May 31, 1936, under the Dominion Housing Act, 1935, through authorized institutions, in each of the provinces?
2. What was the total amount of such loans made in each province?

Mr. DUNNING:

1. Ontario	111
Quebec	93
Nova Scotia	6
Prince Edward Island	1
British Columbia	1
	212

2. Ontario	$ 691,630
Quebec	788,726
Nova Scotia	26,860
Prince Edward Island	4,000
British Columbia	2,700
	$ 1,513,916

CANADIAN NATIONAL RAILWAYS—SALE OF PROPERTIES

Mr. ISNOR:

1. Have the Canadian National railways disposed of any properties at Prince's Lodge, Halifax county, Nova Scotia, since January 1, 1933?
2. If so, how many deeds have been given in connection with sale of properties at Prince's Lodge, Halifax county, Nova Scotia, since January 1, 1933?
3. What are the names of parties purchasing properties and the dates deeds were given?

Mr. HOWE:

1. No.
2. Answered by No. 1.
3. Answered by No. 1.

Mr. ISNOR:

1. Have the Canadian National railways disposed of any properties in the city of Halifax, Nova Scotia, since January 1, 1933?
2. If so, how many deeds have been given in connection with sales of such properties in the city of Halifax, Nova Scotia?
3. What were the names of parties purchasing properties, and the dates deeds were given?

Mr. HOWE:

1. Yes.
2. One letters patent.
3. A. S. MacMillan—letters patent, dated November 22, 1935.

EXPORTS TO THE UNITED STATES

Mr. MULLINS:

1. What amount of lumber (hardwood) was exported to the United States from Canada from January 1, 1935, to May 1, 1935?
2. What amount of lumber (hardwood) was exported to the United States from Canada from January 1, 1936, to May 1, 1936?
3. What amount of square shingles were exported to the United States from Canada from January 1, 1935, to May 1, 1935?
4. What amount of square shingles were exported to the United States from Canada from January 1, 1936, to May 1, 1936?
5. What amount of newsprint was exported to the United States from Canada from January 1, 1935, to May 1, 1945?
6. What amount of newsprint was exported to the United States from Canada from January 1, 1936, to May 1, 1936?
7. What amount of woodpulp was exported to the United States from Canada from January 1, 1935, to May 1, 1935?
8. What amount of woodpulp was exported to the United States from Canada from January 1, 1936, to May 1, 1936?

9. What amount of patent leather was exported to the United States from Canada from January 1, 1935, to May 1, 1935?
10. What amount of patent leather was exported to the United States from Canada from January 1, 1936, to May 1, 1936?

Mr. EULER:

1.	M feet..	4,145	$ 155,498
2.	M feet..	9,039	313,713
3.	Square..	493,805	1,189,298
4.	Square..	577,360	1,510,823
5.	Cwt.	11,722,505	20,315,839
6.	Cwt.	13,727,873	23,589,766
7.	Cwt.	3,075,821	6,724,335
8.	Cwt.	3,835,629	7,965,753

9. $6,382.

10. $43,973.

ST. RAPHAEL, QUE., POSTMASTER

Mr. WERMENLINGER:

1. Has Mr. F. Antoine Labrecque, postmaster of St. Raphael, Bellechasse county, Quebec, been dismissed?
2. If so, for what reasons?
3. What is the name of the commissioner who made the report recommending the dismissal of Mr. Labrecque?

Mr. ELLIOTT (Middlesex):

1. Yes.
2. Active political partisanship.
3. Jules Savard.

BANKING AND COMMERCE COMMITTEE, 1934—
STATEMENT OF MR. BENNETT

Mr. POULIOT:

Was the Right Honourable R. B. Bennett, then Prime Minister, sworn as a witness before giving his evidence before the select standing committee on banking and commerce on or about May 20, 1934?

Mr. MACKENZIE KING: No. The minutes of the sitting of March 20th, 1934, of the select standing committee on banking and commerce show that Mr. Bennett "was called, made a statement and was questioned thereon."

QUESTIONS PASSED AS ORDERS FOR RETURNS

ROBERTS CREEK, B.C., WHARFINGER

Mr. MacNEIL:

1. Has a wharfinger been appointed at Roberts Creek, British Columbia?
2. If so, on what date was such appointment authorized, and what is the name of the person appointed?
3. On what basis, and at what rate is remuneration awarded for this appointment?
4. Does such appointment involve the imposition of tolls on goods shipped to and from Roberts Creek, British Columbia?
5. If so, for what reasons are these tolls imposed at this time?
6. Are tolls levied on all supplies shipped from Vancouver to Roberts Creek at both points?

[Mr. Mullins.]

CANADIAN FARM LOAN BOARD—
BRITISH COLUMBIA

Mr. REID:

1. How many applications for loans under the Canadian Farm Loan Board have been made in the province of British Columbia during the years 1930 to 1935, and in each province of the dominion?
2. How many loans have been granted in the respective years in British Columbia, and in each province?
3. What was the average amount loaned in each year in British Columbia, and in each province?
4. What was the total amount loaned in each of the respective years, in British Columbia, and in each province?

Mr. DUNNING: Return tabled herewith.

DEPARTMENT OF AGRICULTURE—STUDENTS'
TEMPORARY EMPLOYMENT

Mr. BOULANGER:

1. How many young men from the British isles, studying in agricultural schools or colleges in Canada, obtained temporary positions in the federal Department of Agriculture during the years 1933, 1934, and 1935?
2. How many young Canadians, studying agriculture, obtained temporary positions in the federal Department of Agriculture during the years 1933, 1934, and 1935: (a) at the Ottawa central experimental farm; (b) at the other experimental farms or stations in Canada?
3. How many French Canadian students obtained temporary positions in the federal Department of Agriculture during the years 1933, 1934, and 1935: (a) at the Ottawa central experimental farm; (b) at the other experimental farms or stations in Canada?
4. What salary is paid by the various experimental farms or stations to the agricultural students employed by the federal Department of Agriculture?
5. On what date should the French Canadian students be available in order to obtain temporary positions in the federal Department of Agriculture, or at the Ottawa central experimental farm or the other experimental farms or stations in Canada?
6. On what date did the students commence their work as temporary employees of the federal Department of Agriculture at the experimental farms of Canada during the years 1933, 1934, and 1935?

TRANS-CANADA HIGHWAY

Mr. MALLETTE:

What amounts were contributed by the federal government to each of the several provinces, for the trans-Canada highway?

CANADIAN NATIONAL RAILWAYS

PROPOSED BRANCH LINE FROM SENNETERRE TO
ROUYN, QUEBEC

Hon. C. D. HOWE (Minister of Railways and Canals) moved that the house go into

committee at the next sitting to consider the following proposed resolution:

That it is expedient to bring in a measure to provide for the construction, prior to the 31st day of December, 1939, of the following Canadian National Railways branch line:—

From Senneterre to Rouyn in the province of Quebec—estimated mileage, 99 miles; average expenditure per mile, $60,000; estimated cost, $5,940,000.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the favourable consideration of the house.

Motion agreed to.

GOVERNMENT HOLIDAYS

EFFECT UPON MEN EMPLOYED ON DAY LABOUR BASIS

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, on June 1 the hon. member for Winnipeg North Centre (Mr. Woodsworth) asked if the government would consider the advisability, in making proclamation of a holiday for any purpose, of providing that such holiday shall be with pay. I replied at the time that the government had not had an opportunity to give special attention to the question beyond that which it had received at different times, but that we would give further consideration to it.

My reply to-day is that the government is advised that under the constitution the jurisdiction of parliament to legislate generally in respect of holidays does not enable parliament to impose upon employers liability to pay wages to persons employed on a day labour basis at an hourly rate of payment, in respect of holidays observed as such by the employees. The legislative power possessed by parliament to permit or require a day to be observed as a holiday does not include the power to legislate respecting the terms of contracts of employment on that day. Legislation so requiring wages to be paid would relate essentially to property and civil rights in the province, falling exclusively within the jurisdiction of the provincial legislatures, and any such legislation passed by parliament would constitute a colourable attempt to invade the provincial field of legislative power.

Mr. HEAPS: Arising out of the Prime Minister's answer may I ask whether the government would not be prepared to set an example by paying its employees who suffer the loss of a day's pay when a proclamation is made.

Mr. MACKENZIE KING: So far as the payment of civil servants is concerned, there is already provision for the payment of civil servants and the holidays to which they are entitled. I believe it is all part of the one measure.

CUSTOMS DUTIES EXEMPTIONS

CORRESPONDENCE RESPECTING PROVISION FOR FREE ENTRY OF GOODS TO VALUE OF $100

On the orders of the day:

Mr. H. E. WILTON (Hamilton West): Mr. Speaker, I should like to ask a question of the Minister of Finance (Mr. Dunning). Would he supply me, by mail if it is more convenient, with a list of the Hamilton business concerns which sent him letters of recommendation or commendation in connection with the $100 exemption on United States goods? At the same time I should like to have a list of firms from the same city who communicated with him protesting against the introduction of the item. Would he be prepared to lay on the table of the house the letters or copies thereof?

Hon. CHARLES A. DUNNING (Minister of Finance): I shall gladly give consideration to the hon. member's request.

OTTAWA RESTAURANT EMPLOYEES

On the orders of the day:

Hon. NORMAN McL. ROGERS (Minister of Labour): Mr. Speaker, on Tuesday last the hon. member for Peace River (Mr. Pelletier) stated that certain restaurants located in the city of Ottawa, whose employees up to the present have enjoyed one day off per week, have advised their employees that, with no increase in wages, they will be required to work seven days a week, with one day off every two weeks. He asked if the matter could be investigated by the federal Department of Labour, and should it be found that such a condition actually exists, if the department could take action to remedy the situation.

Pending a decision as to the validity of dominion legislation now before the supreme court, the subject matter of this question is one coming wholly within provincial jurisdiction. There are several provincial statutes which might have a bearing on the matter, such as The One Day's Rest in Seven Act, passed in 1922; the Ontario Factory, Shop and Office Building Act, 1932, and the Mini-

mum Wages Act, 1920. There is, however, no action which can be taken by the federal Department of Labour regarding the complaint other than to bring it to the attention of the provincial authorities. This has been done.

CRIMINAL CODE

PROPOSED AMENDMENT WITH RESPECT TO PROVISIONS OF SECTION 98

On the orders of the day:

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, I should like to ask the Minister of Justice (Mr. Lapointe) how soon we may expect legislation with respect to the repeal of section 98 of the criminal code.

Hon. ERNEST LAPOINTE (Minister of Justice): A bill to amend the criminal code will be introduced next week.

PUBLIC SERVICE—DISMISSALS

On the orders of the day:

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, some time ago an order was passed for a return showing the number of dismissals in the public service since last November. Many days have passed, and so far as I have been able to learn the order has not been complied with.

Mr. GRAY: They are waiting for the one I asked for.

Mr. BENNETT: Why should it wait for yours?

Hon. FERNAND RINFRET (Secretary of State): I made inquiries about these returns, and I understand they will be available within a few days.

Mr. BENNETT: There is no reason why a return covering a few months should wait for one covering several years.

Mr. RINFRET: I cannot make a reply now, further than the one I have given.

Mr. BENNETT: The hon. member for Lambton West has made the reply.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR ADMINISTRATION BY BOARD OF DIRECTORS APPOINTED BY GOVERNOR IN COUNCIL

The house resumed from Wednesday, June 3, consideration in committee of Bill No. 21, to amend the Canadian National-Canadian Pacific Act, 1933—Mr. Howe—Mr. Sanderson in the chair.

[Mr. Rogers.]

On section 2—Definition of trustees.

Mr. THOMAS REID (New Westminster): Mr. Chairman, before the section is agreed to may I say that I was not in the house when it was previously discussed, due to the fact that I was serving on a committee. My reason for rising to-day is to answer some of the criticisms and statements made by hon. members to the effect that it is the intention of the Liberal party through the present measure to come back to a system of political patronage. Many hon. members who spoke yesterday, including the hon. member for St. Lawrence-St. George (Mr. Cahan) viewed with alarm the bill now before the committee, and I felt I could not allow some of the statements to pass which left the impression that the Liberal party was allied with the Canadian National Railways so far as patronage is concerned. Nothing has been said about the other railway in Canada. Nothing has been said about the political patronage exercised by the Canadian Pacific Railway among hon. members of this chamber. As a matter of fact, for many years pressure has been brought to bear by the Canadian Pacific Railway upon hon. members. Even as late as this year it might interest the committee to know that that railway company were much interested in the personnel of the special railway committee which was to be set up.

I am going to mention one instance of political patronage exercised by that railway company among members of parliament. When I introduced my freight rates bill in 1932 I was approached by a high official of the Canadian Pacific Railway Company who, if I interpreted his remarks rightly, threatened me with political death if I dared to proceed with my bill. He pointed out to me what a large concern he represented, and indicated that if I proceeded with my bill I was going to make an enemy for life of this great company. It is just about time the country was made aware of the outside pressure brought to bear upon members of parliament by the Canadian Pacific Railway, and it might be of interest to find out how many friends of that railway have been approached in the House of Commons. After listening to speeches which were intended to leave the impression that the Liberal party and the Canadian National Railways are close together in matters of patronage, I felt it was about time someone spoke about the other angle of the matter. I am of the opinion that of the two methods, shall I say, which seem to be in existence, the one under which the Canadian Pacific Railway approaches the

members of this house is far more serious and dangerous than that under which any member of parliament approaches any official of the Canadian National Railways.

But the chief reason I rise, Mr. Chairman, is not altogther on that account. I have a suggestion to make which I think would be helpful in the solution of this great railway problem, and it is one which has not been touched on either in this debate or in any other debate in this house to which I have listened.

Every member of parliament is aware of the heavy load which the country is carrying and the heavy interest charges which have to be met each year on the Canadian National Railways, and in all our deliberations with a view to finding a solution of the problem, no one seems to have put his finger on the one spot which, if properly taken care of, might lead to a betterment of conditions and the bringing of our railways up to date. I speak of the labour element. Every attempt that has been made by either of the railways to amalgamate services has brought numerous telegrams and representations from every labour organization in the country, and rightly so, because they fear the dismissal of the railwaymen. If more serious note were taken of this labour aspect of the question, and an investigation made into it as was done in the United States, where there is provision in all their railway mergers for compensating by way of pension the employees dismissed, if we similarly made provision or set up a commission to take care of the men dismissed in any amalgamation or merger of the railways, I believe we might find a solution of this great railway problem. But that aspect of the situation has never been touched. It is true the financial aspect looms largest in the minds of most hon. members. Nevertheless, every time we approach this problem we are met with the question: What shall we do with the men who are dismissed? I am strongly of the opinion that if we set up a commission to look into the possibility of taking care of the men so displaced, we might bring about a solution of our railway situation. I know that this question has been gone into in the United States and some such plan is afoot there.

Many changes could, of course, be made. In my opinion our whole railway system would have to be brought up to date and modernized. Also there is a lot of material, shall I say, sitting in the various offices of the railways which should be overhauled. Let me give only one instance to illustrate what takes place when a change is made to bring about a betterment in some part of our railway system. In 1934 we noticed as we travelled on the trains that there was introduced on the menu of the railway dining cars a fifty cent meal at noon and a seventy-five cent or one dollar meal in the evening, but coming to Ottawa this year I noticed that the dining car had reverted to the old charges. On making inquiries I received this explanation as to why they went back to the old prices, and I mention it as an illustration of what takes place when any move is made to bring about betterment in some part of the system. They said that the office staff in Winnipeg objected very strongly to the great number who were dining in the dining car, they were more interested in making two or three hundred per cent profit, irrespective of how small was the number of meals served, than in having a large number of people frequent the dining cars. One could mention dozens of instances of this kind. So long as there are men in the railway offices who are simply dealing with cold figures, so long shall we be disappointed in our efforts to grapple successfully with this railway problem.

To summarize, Mr. Chairman, the two chief points I want to emphasize are: first, the point I made regarding political interference, not in respect of the Canadian National Railways alone, but in regard also to the Canadian Pacific, which occupies a dominant position and takes an active interest in political affairs in this country; and, second, I offer as a contribution toward the solution of the problem the suggestion that we endeavour to devise some scheme of taking care of railway labour that is displaced in any merger. If that question were gone into and some satisfactory arrangement made, as I believe could be done, I think it would lead to placing our railways in a far better position.

Mr. STEVENS: What is the number of the clause we are considering, Mr. Chairman?

The CHAIRMAN: Clause 2—definition of trustees.

Hon. H. H. STEVENS (Kootenay East): This is the clause which repeals the section of the old act which provides for the appointment of trustees, and it is the clause upon which I think one may appropriately make general observations with regard to the bill.

I believe that this measure and the bill dealing with the Bank of Canada Act are the two most important pieces of legislation which have come before the house this session. They are both significant and undoubtedly will be most important and, I think, vital in their ultimate effects. It is generally recognized that the railway problem is a vital one, and that we ought to give to the railway situation the fullest and most exhaustive

study. Inasmuch as this bill is the only measure before parliament, so far as I can recall, under which one can do so, I wish to take advantage of this opportunity to discuss the question briefly.

Does this bill, providing for the abolition of the system of operation under trustees and reverting to the system of operation by a board of directors, offer an adequate or reasonable solution of the railway problem of Canada? I fear, sir, we have to answer that it does not; in fact I cannot help feeling that it may prove to be a boomerang. In saying this I do not wish to give the impression that I am trying to belittle the bill, but I do think it has in it all the elements of, shall I say, an effect adverse to that which it is expected the bill will bring about.

Studying the situation as far as I have been able to do so, I believe that the trustees have given to this country reasonably good service. We cannot expect them, being human beings, to accomplish superhuman results. This railway system is a huge undertaking. I wonder sometimes whether we appreciate the tremendous magnitude of this railway system, not only its importance in the congested centres of the two great industrial provinces of eastern Canada but its extension to the Atlantic and the Pacific coasts, constituting a railway system that I venture to say is perhaps the greatest in the world to-day. In mileage it almost equals the total of Russia's railway system, although Russia has extended her railways in the last few years; but certainly it equals Russia's railway mileage of a few years ago. It is a tremendous system, and to expect that a new method of management, that which was proposed in 1933 for the appointment of trustees, could show the maximum of results by this time is, I think, asking more than could possibly be expected. But I think it advisable to impress upon the committee this fact: According to the reports, as I study them, reasonable results have been achieved under the most difficult circumstances.

Another point I wish to emphasize is that I do not believe the principle of the original act, namely that of providing every means of cooperation between the two great systems, has had a fair trial. In the first place, I do not think there has been time for a fair trial, and in the second place a systematic attack has been made upon the Canadian National Railways throughout the country during the last four or five years, which unquestionably has been a serious handicap to the management of the road. I do not believe parliament can ignore that fact. That there has been, first, a very serious depressed condition, and, second, a continuous attack from the outside to which the railway as a publicly owned body have had little opportunity or no liberty to reply, has constituted a handicap which is unreasonable and unfair. As a result of that, or perhaps I should say in spite of it, the measure of progress achieved by the trustees deserves commendation rather than condemnation.

If I understand the views of the minister who introduced the bill, he contends that the system of trustee management is such that there cannot be achieved the maximum of efficiency. The matter is referred to in the speech from the throne in these terms:

> You will be asked to consider amendments to existing legislation respecting the Canadian National Railways, which will serve to afford a greater measure of governmental authority and responsibility to parliament.

Those are broad and general terms which mean little to those not acquainted with parliamentary language. But to me they are an insinuation or suggestion that there has been a lack of a sense of responsibility to parliament during the time the trustees have been in charge, and it is suggested that a reversion to a board of directors form of control will result in a larger measure of sense of responsibility to parliament and a larger measure of control by parliament over the road. That is a distinct challenge to parliament. It is a definite charge against the system of trustee management. I do not think the facts as disclosed in the annual report of the railway as laid before the committee of parliament on Canadian National Railways and Canadian National shipping will justify any such charge.

I feel it would have been better had this bill been left with the committee, dealt with there and returned to the house with the report of the committee, not only upon the bill itself but upon the report of the railway, which is studied in that committee from year to year. Since that has not been done, all we can do is apply to the study of this bill the information which was disclosed in the hearings of the committee dealing with the management of the road. I have not been a member of that committee for some years, although I was a member some time ago, but I have attended some of its meetings and have read some of the evidence given before it. I am convinced that in the examination by the committee of the officers of the Canadian National Railways or in the report of the Canadian National Railways there is no justification for the charge, the statement, or the allegation, what-

ever you choose to call it, that the system of management under a board of trustees has been lacking in efficiency or in a sense of responsibility to parliament. That being my conviction, I find it extremely difficult to agree to the cancellation of that system, which is the purpose of the section immediately before us. I regret to place myself in the position of differing from the Minister of Railways, but I cannot help that.

The argument that government ownership is always inefficient has been made so often during the last few years that the public has subconsciously absorbed that conviction. We hear this argument everywhere. I saw it in an editorial in one of the leading dailies only a day or two ago—government ownership is in its essence inefficient. A casual comparison of the results of government ownership with the results of private ownership, as disclosed by the difficulties of the last six years, will, I think, persuade anyone that while government ownership may be attended by certain inefficiencies, private ownership is not free from similar inefficiencies. How often do we see a reference to that great hole in the centre of the city of Montreal as indicating the inefficiency of this road. I was in Montreal the other day and I walked across the viaduct. I must confess it shocks one to see that ghastly excavation which was to be the site of the foundation of a great terminal structure. However, as I stood there I looked to my left and I saw a magnificent building which at a cost of some $20,000,000 to $25,000,000 was erected by one of the most efficient financial organizations in this country. This great organization undoubtedly has men of the highest ability managing its affairs, yet will any one say that that great structure, which is only partly occupied, was a wise expenditure of that concern's money? The two stand there side by side. One is the evidence of perhaps too great optimism on the part of those who headed the national railways a few years ago, while the other is evidence of the superoptimism of private enterprise.

If we are going to compare the efficiency of government ownership with that of private ownership, we must go right down the line. For instance, it is said that we are overbuilt in railways in Canada. So we are. There is no use in attempting to disguise that fact; we might as well meet it frankly. The railways have been built; they are here; yet I notice that the great competitor of this national road is attempting to get into the mining areas north of the National Transcontinental line. No one can deny that we have been greatly worried during the last twenty years because of the building of the Transcontinental. That line has been the occasion of rebuke to those who originated it, but it has since been found that it opened up one of the richest mining areas in the world. During the last few years, perhaps more this year than any other, we have begun to realize the value of this area as a source of wealth for Canada. A railroad which is now government owned opened up that area, but there is keen competition on the part of the other railway, which is under private ownership, to go in there to tap some of these rich areas. I am not for a moment discussing the claims of the two—that comes under another bill—but I am pointing out that while for many years the Transcontinental was looked upon as an example of colossal folly in government projection of railway construction, we are now coming to realize that it did open up vast riches in this country.

And so one might go on with many other illustrations. For instance, it is said that the Canadian National has paralleled the Canadian Pacific. Well, if that is true it is also true that the Canadian Pacific paralleled the Canadian National, or the old Grand Trunk in Ontario and the Grand Trunk Pacific on the prairies. So that both systems have perhaps equal responsibility in the matter of overconstruction, but the tendency is always to put the blame on the Canadian National or the government owned system. I think it is wise for parliament to pause and weigh carefully the measure of responsibility. Though that may be now an unprofitable use of time, nevertheless it is advisable to do it if we are to have a proper idea of the responsibility of the government owned system as against the privately owned railway. I will not pursue the comparison further, but I do suggest that it is worthy of very close scrutiny and examination.

The hon. member for New Westminster (Mr. Reid) a moment ago referred to the question of the rights of employees, and I wish to supplement his observations by emphasizing the fact that the employees of this great system certainly have rights. And those rights were recognized by the chairman of the system in his address to the committee the other day. I should like to read two brief extracts from that address. I do so because I think the whole statement should be carefully considered, but these particular extracts are applicable to the rights of employees and will serve to bring them home more definitely than any language of mine could. In this statement Judge Fullerton says:

> When we took office, admittedly the morale of the men was low. They had seen their numbers reduced from 111,383 to 70,625 and

their total compensation reduced from $176,000,000 to $95,000,000. Those whose seniority had so far protected them were uncertain as to the future, their opportunities for promotion slight and their chances of demotion real. They were fearful of proposals for amalgamation and unification, both of which in their view meant disturbance, less work and less pay. I consider it essential in the interests of the railway itself that the conditions of service should be such as to offer at least as much security of employment as do other professions and occupations.

I pause here to emphasize that principle which Mr. Justice Fullerton in his statement has laid down—that the men are entitled to a sense of security in employment. And by the way, this parliament is charged with responsibility not only for the reducing of deficits but for preserving in equity the welfare of its citizens; and in this instance the welfare of these men, their livelihood, their very existence is in our custody in a very direct way. Mr. Fullerton goes on to say:

It seems to have been overlooked that the joint advantage can be secured only by transferring the burden to labour.

I would emphasize that point. That, sir, is one of the principal grievances of workingmen in this and other countries, that as efficiency advances in mechanical development and in other ways, the full burden or almost the full burden of loss is borne by labour. That is inequitable; it is an unfair situation. It is one of the things that civilized countries must face, and we ought to face it in connection with this bill and in connection with the proposals now before us. He says further:

A more equitable arrangement with labour appears to be required and should be provided. If this were done, one great preliminary step towards the accomplishment of any radical changes which might displace labour would be made.

And later on he makes a definite suggestion which I commend to the government and to this committee:

An agreement has been reached between the railway executives and organized labour in the United States providing for the payment of a measure of compensation to employees thrown out of work by consolidation of railway facilities, and I understand that the British railways also made some provision for employees displaced as a result of the amalgamation of British railways into four systems. I have reached the conclusion that the government, the railways and the representatives of railway labour should discuss this matter together with a view to the adoption of some arrangement for the two Canadian railroads as will afford reasonable protection against hardship on the part of those employees who may be displaced by the adoption of cooperative measures.

I listened to Judge Fullerton as he read his statement to the committee, and no one could help being impressed with the serious nature of this problem as he viewed it. I think that this house ought to pause in the passing of this measure and in the consideration of this whole question so as to ensure that, whatever steps are taken, this phase of the subject will be adequately safeguarded.

Another question impresses itself on my mind. Behind this bill, behind all the discussion, there looms constantly the question of unification or amalgamation. I do not think parliament can disregard it. It might be argued that I am trespassing at the moment upon the rules of the house in introducing that question; but we must not lose sight of the fact that, in the clause immediately before us, we are repealing the section that provides for the present system of management by trustees. That system was inaugurated in this country for the purpose of bringing about ultimately cooperation between the two railways.

One cannot have read the public utterances of persons in high authority on the competing line in recent years without being impressed with this thought—and I am not criticizing Sir Edward Beatty in this matter at all; I think he has a right to his views and it is his duty to those whom he serves to express those views. But we must look at this matter from the standpoint of the welfare, first, of the country as a whole and secondly of the Canadian National system. I have been impressed with this thought, that altogether too much emphasis has been placed by Sir Edward Beatty upon the problem of unification or amalgamation and not sufficient attention has been paid to genuine cooperation with the national system. It may be argued that I am unjust to Sir Edward Beatty in that regard. If I am I regret it, because I hold him in the highest esteem. I repeat that I am not criticizing him for taking any stand he thinks fit to take, but I hold that we as members of parliament should review all sides of the question, and if we differ from him we are bound to give expression to our views. Officials of the Canadian National Railways are prevented from making reply in kind to that sort of argument. For instance, Judge Fullerton or the president of the railway cannot go on the public platform and argue with perfect freedom what he believes to be the best policy; he can speak only guardedly, with reserve and after due consideration of what may be the views of the government—perhaps it would be more correct to say that these officials as such are bound to leave to the government itself declarations of large policy. So they are handicapped, and in the mean-

time there is growing up or being built up in the country a definite body of public opinion which, according to my view, is unfair to the national railways in that it does less than justice to that great system.

So I raise the question of unification and amalgamation, and I ask, is it the only solution? It is cited by many as the only solution of the problem. I do not think it is. Parliament and the people dare not forget that in the Canadian National railway system we have a magnificent asset, and one of stupendous value. True, there are losses. True, we have had every year a cash deficit. But look out over the world, and particularly over the United States; what railway over there but has a deficit? What systems over there, some of them operating in the most densely populated districts of the country, but have received aid from the federal government in the last few years? So, Mr. Chairman, I think above all things we should fix in our minds the fact that we have in this railway a magnificent asset.

The second thing I want to suggest is—and this is a definitely business suggestion—that one should never surrender an asset at the bottom of the market. There has never been a time in the last fifteen years when it was less advisable than it is now to consider any suggestion for the disposal of this system, unless it was in 1933, when things were a little worse than they are to-day. This is no time to tolerate propaganda of any kind for the disposal of what is known as the Canadian National Railways, the property of the people of this country. I am assuming for the sake of my argument and as a reflection of my own views that we ought not to consider unification,—a term, of course, so broad that you can attach to it almost any meaning you like, though I choose to give it the meaning that I think most people do, that it is merely the modern rendition of "amalgamation."

If there is not to be amalgamation or unification, and in my opinion there should not be at this time, what other things can we do, and does this bill offer any new way of dealing with the problem? In the first place I believe, as I indicated at the opening of my remarks, that this bill will be a retrograde step, because under the trustee system of management it would have been easier than it will be under a board of directors to put into effect some suggestions I am about to make.

Here are some things we can do. I admit none of them are new, and I do not pretend to bring under review all the proposals that one might make. There is the matter of the modernization of the service. I have in my hand an extract from the Wall Street Journal of May 23, 1936. It is headed: Pennsylvania Railroad Speeds Freight Deliveries, and I would ask the committee to give heed to it, because, in my opinion, if more time were spent in studying practical solutions instead of reaching out for the moon we should make much better progress towards the settlement of our railway problem. The article states:

> Simultaneously with the inauguration on Monday of system-wide store door pick-up and delivery of less than carload freight at regular station to station rates, the Pennsylvania railroad will extend the range of its overnight merchandise freight deliveries to include hauls of 400 miles and, in many cases, still greater distances. In numerous instances, second morning delivery will be advanced to first morning, reducing the time in transit by a full day. Later and more convenient closing hours for the acceptance of shipments will also be instituted at many points.

That is a statement of what the Pennsylvania Railway is doing in this one rather limited sphere. That road is recognized as one of the most efficient railways and perhaps one of the wealthiest organizations of its kind on the continent. It is progressive and up to date; perhaps more than any other system in the United States it is giving leadership in the modernizing of methods of handling not only freight but passengers and other traffic. But what does this mean? We have had constant complaints during the last ten years about the competition of trucks; it is a real competition and one that is very difficult to meet. The Pennsylvania railroad, I believe, has met that competition. In part, but only in part, the Canadian railways are doing the same thing. A system-wide store door pick-up: that is one thing. Going right to the place of origin of the freight, picking it up, taking it to the railway, transmitting it by fast freight to the point of delivery and delivering it to the door of the person or the firm to whom it is consigned: that is one element of the Pennsylvania system. The second point is that they give a fast and assured delivery. If Canadian railways, particularly in the congested industrial and commercial areas of eastern Canada, would do the same, they would render a great service to their systems and in large measure would meet the competition of the trucks. The last point is that although this railroad has already given a very generous time allowance for the delivery of freight, it has extended that allowance by careful study and good executive management. I cite this merely as an illustration of what is practicable. It is being done; it is nothing new; and certainly it is something that could be followed

in this country with substantial advantage to the railway.

The next point has to do with passenger rates. Within the last two years or more, and particularly within the last twelve months, it has become the practice of the two Canadian railways to give cheap passenger excursion rates. I think that could well be extended. I am not prepared to go into details of schedules and passenger rates, but only yesterday my attention was brought to the fact that the cost of travelling to Ottawa, Montreal or Toronto from some intermediate points is such that it would really be a large outlay to the average citizen, particularly in the small towns and rural districts. And the trains are running nearly empty. Stand on the driveway any morning—as I often do, because I make it a habit to walk along about the time these trains go out—and what do you see? A great engine capable of hauling fourteen or fifteen cars, pulling out with only four or five—a baggage and express car, a mail car, a coach or two and a chair car. You can watch the trains go by day after day, month after month and year after year, and you see in them just a handful of people; yet it costs as much to haul that train empty as full. A real and definite lowering of passenger rates would fill up those trains. I wonder whether it ever occurred to the railways that if this were done the movement of package freight might be definitely stimulated, because if people move about by hundreds and thousands it leads to a certain amount of purchasing, which means a larger movement of freight. These are little things, perhaps, but they would contribute to the solution of the problem. I suggest they could be considered with profit.

Then there is the question of carload lots in freight. The present limits are in my estimation altogether too high. Again I am not going to produce data and statistics, but I assert definitely that the minimum car lot is generally speaking too high. Go to any freight yard and watch the loading of the cars; you see a great freight car with a tare of 36,000 or 37,000 pounds and you see loaded into that car five or ten tons of freight. Dozens of cars go out only partly loaded; or, if they are held to complete the load, the freight that is put in in small lots is delayed and delivery is slow compared with the fast delivery I mentioned a moment ago. Why is it not possible and desirable for the railways to agree to a ten ton minimum carload, thus assuring rapid movement of that freight?

Another thing that should be studied is the whole question of railway equipment. I have watched these cars for forty years; the only difference between the freight car of to-day and that of forty years ago is that the car of to-day has a capacity of fifty tons, or sometimes more, whereas thirty or forty years ago I fancy the capacity was twenty or twenty-five tons. It means heavier, costlier, more imposing equipment, but certainly it has not brought about a larger net freight result.

Turning to passenger equipment, we know what has happened in Europe and in the United States in the last two or three years. Railway engineering experts the world over declare that the error of the last two decades has been that railway equipment ran to weight, whereas science called for a lessening of weight. Now they are addressing themselves to the task. Here again is a subject which might well receive the attention of the two great railway systems. A complete renovation of railway equipment would probably take ten years and might well be started now; it would give a large amount of employment. Cost—yes; it would cost a good deal, but in net results in the long run it would pay.

All these things could be done, and many others that I have not time to mention, without any conflict of opinion between the roads. It is not a question of amalgamation and unification. Cooperation in the elimination of competing services is sound provided that those who are displaced are reasonably well cared for. But these other matters would increase the efficiency of the roads, would not reduce employment at all, in fact would lead to an increase of employment. In the long run they would tend to increase the returns to and the efficiency of the roads, and they are not subjects which could possibly be looked upon as controversial as between the two railways.

This bill touches only the form or type of management; it does not offer any solution of the railway problem. I think the whole matter could be summed up with this observation; what the railways need is traffic, and what will create traffic? You cannot have traffic if people cannot buy, and people cannot buy goods if they have not purchasing power. That is why I couple this bill with the Bank of Canada Act amendment, because both measures lead us to a consideration of the same subject, namely, the fundamental economic problem of an equitable adjustment of our economic structure so that there may be a larger measure of purchasing power in the hands of the great body of people. Some have expressed it in this way: that out of the consumer's dollar a larger portion may go to the primary producers, who after all outnumber by long odds the rest of the popula-

tion. If their purchasing power could be raised—and I believe it can be—increased traffic would result and the railway problem would be solved.

I conclude by saying, regretfully, that I see no forward step in this proposal. Indeed, as I said at the outset, the repeal of section 3 of the Canadian National-Canadian Pacific Act of 1933, which is the section that inaugurated the system of trustee management, is a retrograde step.

Mr. W. A. WALSH (Mount Royal): With the latter part of the remarks of the hon. member for Kootenay East (Mr. Stevens) I am in complete agreement. The railway problem, I need not say, is one of our major problems if not the outstanding problem with which parliament has to deal, and as such it should receive major consideration from the government. The present bill is not such as to lead me to believe that the problem has received major consideration. I need not delve into the history of our railways; that history has been placed on Hansard many times and is there for all to read. I should like to emphasize, however, this fact, that it is a problem which is far too serious to be treated as a political issue. In an address before the Toronto board of trade the leader of the opposition (Mr. Bennett) suggested that the railway problem, more than any other, threatens our national life, and in a recent editorial the Montreal Daily Star suggested that the Canadian railway problem is as an octopus slowly and surely sapping the lifeblood of our country.

There is no question that the railway problem is a very involved one. The point uppermost in my mind is whether or not it is too seriously involved to be capable of solution by any one political party. I am convinced, and I believe many other hon. members feel the same way, that this is a major problem requiring the united action of all Canadians regardless of political affiliation. When I entered parliament at the beginning of this session I had hoped that a problem such as this would receive consideration regardless of political affiliations, but in that respect I have been disappointed.

I should like to amplify certain observations which have been made with regard to railway employees. I have a deep interest in the human aspect of the problem. We must remember that when we are considering a system of this magnitude, when we are dealing with an industry giving employment in Canada to 119,357 persons, the human element is of great importance. The Canadian National Railways employ 65,712 persons, and when we look at these large figures we have a clear understanding of the magnitude of the system and how it must affect our population. We must remember that many of the railway employees support families, in certain districts large families. When we suggest innovations and changes we must remember that the human element, the employee, is becoming uneasy and uncertain as to the future. We are causing a certain amount of unrest among the employees not only of the Canadian National but of the Canadian Pacific and of other railway systems in Canada. My view is that whatever change we may make in the national system indirectly affects every system in Canada.

At the present time unemployment exists to a considerable degree. A move in the railway field is likely to increase the number of unemployed unless we give careful consideration to the human element involved in the proposed change. I regret very much that so soon after taking office the government elected last October has seen fit to cause unrest among railway employees, who, I suggest, do not deserve that kind of treatment. In such a short space of time the government could not have given adequate consideration to proposals involving the radical changes indicated in the measure before the committee. I agree with the statement made by Judge Fullerton in the report he presented before the committee on railways and shipping on Tuesday morning. He used these words:

> Further I cannot conceive of anything more likely to have an unsettling effect upon those engaged in operating the railways than public argument centered on the system, and that whatever satisfaction one might obtain from such controversies they cannot in the end be of benefit to the railways over which I have been placed.

I charge the government with causing a certain degree of unrest and dissatisfaction among railway employees in Canada. They have not acted fairly towards those men and women, and in centres where the people are dependent upon railway employment there is great disappointment with the attitude the government has taken on this major question.

The statement has been made that we are overdeveloped in the matter of railways. With that statement we must all agree, and I need not quote figures to prove its accuracy. In passing, however, I should like to pay tribute to those great men of the past who have made possible our railway systems. We must not forget that the large mileage we criticize to-day was developed in the past by men of vision, men who conceived what Canada would be in the future. Those men deserve our tribute, not our criticism. They builded better than they knew.

I look at the railway system as it is centred around Montreal and I think of the tunnel constructed many years ago through Mount Royal. This afternoon there has been reference to a hole in the ground, which is a recent development of the tunnel. Was it as a result of an accident that the tunnel happened to come into Montreal through Mount Royal at the same level as the tracks going into Bonaventure station and over the Victoria bridge? No, it was not. The man who conceived the idea of building a tunnel and approaching the centre of Montreal from the north also appreciated the level of the Victoria bridge and Bonaventure station. He had a vision of the possible development of railway facilities on the island of Montreal, with the result that in the centre of Montreal we have an approach that can be used by any or all railways coming into that city. No, it was not any happy accident that took place in connection with the building of the tunnel. Like all railway developments in Canada, it was the result of broad vision on the part of the men who conceived it.

The hon. member for New Westminster (Mr. Reid) has made slighting references to the Canadian Pacific Railway Company. I hold no brief for that company, but I do not believe they deserve the harsh criticism to which they have been so unfairly subjected this afternoon. That railway has made the Dominion of Canada possible as a nation. Why should we criticize it as it was criticized this afternoon? It has made a great contribution to our national development and should not be subjected to unfair treatment. The hon. member for New Westminster was not fair in his observations. I do not believe Sir Edward Beatty or any of his officials would connive at an act such as was suggested this afternoon. I do not agree with the hon. member for Kootenay East (Mr. Stevens) in the suggestion that unification is but another application of the term amalgamation. It is not so. Unification is an altogether different term from amalgamation. My friend from one of the western constituencies invited a definition of unification and amalgamation. I gave him a definition of the term, and I thought I had made my definition quite clear and distinct. I always try to do that, but evidently I failed, or else his failure to comprehend a clear-cut definition fell short of my anticipations. The next morning I was greeted with the suggestion that he appreciated my definition for he would find it of tremendous value to him when he sought reelection in his district the next time an election was held. I deprecate, Mr. Chairman, lowering the discussion of such an important problem as this to the level of the election possibilities of one or two members of the house.

I have suggested that we have been overdeveloped in our railways, and I could quote figures in support of that. We have in this country a population of 225 per mile of railway, and in the United States the figure is 500 per mile. It is my opinion that our railways will never reach a state of efficiency until our population reaches approximately 25,000,000.

In the railway and shipping committee we discussed railway costs and the losses sustained by the Canadian National Railways. It was my intention to place certain figures on Hansard this afternoon, but I shall refrain from doing so. Anything I say in connection with the Canadian National Railways I do not say in order to knock or in any way to lower the prestige of that railway, because I am just as much convinced as is the hon. member for Kootenay East that the Canadian National Railways has an important part to play in our national development, and as such, as the railway in which we are vitally interested, it should have fair and reasonable consideration. Any figures I give which might be to the detriment of that railway I give only to show that the low figures that obtained under the board of directors prior to 1933 have been improved since the board of trustees came into office.

Previous to 1933 we had a board of directors, very similar to the board of directors now proposed by the government. When the board of directors was in office previously, we recognized the fact that they were struggling against tremendous difficulties, that deficits were increasing to such an extent that they became alarming. The situation was such that on July 16, 1931 the standing committee on railways and shipping passed the following resolution:

> Your committee desire to call the attention of the house to the proposal made by Sir Henry Thornton at one of the sessions of the committee. He referred to the serious position of the transportation business generally and recommended that a commission be appointed for the purpose of considering the whole question of Canadian transportation.

That suggestion was adopted, with the result that the Duff commission was appointed. We have heard a great deal about the Duff commission. I just wish that every member of the house was as familiar with that commission's report as I have tried to make myself during the past few weeks. It is a concise statement of conditions as the commission

found them during the course of their investigation. Prior to 1933 there had been a board of directors, and the commission was critical of that system of operating the railway. This is what they had to say in connection with the operation of the Canadian National Railways under a board of directors similar to the board of directors advocated at this time by the present government. In paragraph 33, page 13, we find these words:

Running through its administrative practices, however, has been the red thread of extravagance. The disciplinary check upon undue expenditure, inherent in private corporations because of their limited financial resources, has not been in evidence. Requisitions of the management have been endorsed by governments, and successive parliaments have voted money freely, if not lavishly.

Again, in paragraph 34, on the same page, we find these words:

Within the railway organization there has been freedom in expenditure and encouragement in plans for expansion and extension of services which were inconsistent with prudent administrative practices. The administration failed to realize that this country, with the greatest railway mileage in the world in relation to population, could not afford further capital and maintenance expenditures for unwarranted branch lines, for de luxe services, for unrequired hotels, for the building of ships in competitive service to be shortly abandoned; and, generally, for costly adventures in competitive railways out of proportion to the needs of the country.

Again, in paragraph 142, the Duff report goes on to say:

The conduct of the affairs of the national railway has been subjected in the past to political and public pressure.

Again, in paragraph 145:

Under the circumstances, the directors' functions have been in practice nothing more than advisory. It would seem that they generally gave formal approval to programs of expenditures which they appeared to regard as the main concern of the president and the government. This left the railway open to political influence and to public pressure exerted by communities and by associations of business and labour interests.

Again, in paragraph 146:

Of direct political interference by ministers and members of parliament in the detail operations of the railway, we were assured by the officials there was little or none. It was in the larger sphere of policy that political considerations led to unwise and unnecessary capital expenditures, the result of which was to create an atmosphere in which the ordinary principles of commercial operation of the railway were lost sight of.

There was the condition brought out in the Duff report. That report, which was produced at great cost to the country, and tabled in the house, represented the consensus of able men appointed to study a particular problem, and to-day despite that report, despite its recommendations, the government proposes to go back to the very things that were strongly condemned in that report. I ask you, Mr. Chairman, and through you the other members of this committee: is it fair to the people of Canada to institute a commission of that kind, with all the expenses involved, and then disregard its report? Is it any wonder that Judge Fullerton, emphasizing these particular things, uses these words:

These were the fundamental defects which the Duff commission believed could be remedied by a trustee system of direction. I wish to say most emphatically that we have exerted every effort to vindicate the hopes of the commission, and to add with some pride that, having regard to the brief time so far elapsed, we have achieved a substantial measure of success. So far as I have ever heard, there has not even been an allegation that the board of trustees has been influenced in the slightest degree by any political consideration at any time. The board has acted at all times, or endeavoured to act, as business men of broad and far-reaching responsibilities would act.

That is his opinion after two and one-half years experience as chairman of the board of trustees. Despite that experience, despite his considered opinion and despite the Duff report, we have before us a measure which will revert back to the conditions prevailing prior to 1933. I do not think it is fair to parliament or to the people to ask for consideration of a measure such as this. In his remarks yesterday the Prime Minister (Mr. Mackenzie King) suggested that the government had a mandate from the people, but the people gave no mandate to disregard a report for which they paid a considerable amount of money, a report based on considered information and supported by subsequent events. I do not think the government has any right to suggest that the people have had the opportunity to pass on legislation of this kind.

In my opinion this bill will restore political influence in connection with the management of the Canadian National system. There is every evidence of the possibility of government interference and political control. I have only to refer to the remarks of the Minister of Railways (Mr. Howe) during the course of a speech delivered in Toronto, not months after his taking office, not a year after, but just a few weeks. The Toronto Daily Star of December 9, 1935, gives his considered opinion on this question of major importance. He said:

The 1933 legislation which abolished the board of directors and substituted the trustee form of direction removed control of this directing agency from the hands of the gov-

ernment and placed it in the hands of parliament, the Commons and the Senate, though the latter might not be in any sense representative of public opinion as expressed in the election of the representative chamber. It went further. The act provided that the person with the titular rank of president shall report and be responsible to the trustees and them alone. Thus the government representing the owners, has, under the present legislation, no control whatever.

That is the statement of the minister, made less than two months after taking office. He was going to abolish the present system and take control to himself or to his department. He seeks to get the direction of the Canadian National Railways. He assumes that that direction has been lost. One of the presumptions of the Duff report was that it had been lost to political influence, and the minister now seeks to bring it back under that political influence. It was established by witnesses who appeared before the Duff commission that it was detrimental to the railway to be under political influence, and yet the Minister of Railways has introduced legislation to bring that very condition back into the system. I have talked to railway employees and they deprecate such a move. They are entirely opposed to anything that savours of political influence in connection with the operation of the Canadian National Railways. I hope the minister will take cognizance of their objections and of the other objections which have no doubt been voiced throughout the country. The minister continued:

> The purpose of the trustee form of management was to take the railway act out of politics. I wish this were possible. As Minister of Railways, I have no desire to interfere with the expert management of the road. My concern is the reverse, which is interference by the railroad management with the expressed policies of the government. We cannot escape the fact that the railway is owned by the people of Canada, that taxes collected from the people pay its deficits and that the prosperity of every citizen in thousands of communities from coast to coast can be affected by its managerial policies. Mine is a railroad riding—

Mr. HOWE: I may say that I never made that statement. It was taken inadvertently from a manuscript from which it was not struck out. I may say the manuscript was prepared by others and that statement was struck out of the copies that went to most of the papers. I never made the statement and it was quoted inadvertently in the Toronto Star.

Mr. BENNETT: The minister is frank, anyway.

Mr. HOWE: I believe other people have been misquoted.

[Mr. Walsh.]

Mr. WALSH: I accept the minister's statement. I thought I was perfectly safe in quoting from the Toronto Star rather than from the Mail and Empire. Is the remainder of the quotation incorrect?

Mr. HOWE: The whole thing was struck out.

Mr. WALSH: From the minister's statement we can assume it was written for him to give as an example of what might be done by a railroad governed by trustees. It might interfere with the election of certain candidates in certain ridings.

Mr. HOWE: Just what is my hon. friend referring to? Is he referring to the sentence which I said I did not speak?

Mr. WALSH: I take it for granted that the minister did not say it.

Mr. HOWE: Why refer to it?

Mr. WALSH: I am not referring to it.

Mr. HOWE: I said I did not say it; let us drop it. On a point of order, Mr. Chairman; the hon. member is reading something that I did not say.

The CHAIRMAN: The Minister of Railways and Canals (Mr. Howe) has denied that he said what the hon. member for Mount Royal (Mr. Walsh) quoted him as saying. The hon. member would be out of order in continuing to refer to that.

Mr. WALSH: I ceased to read. I accepted the statement of the minister that it had been prepared and written for him, but that he had not actually said it.

The CHAIRMAN: I think the matter is closed.

Mr. WALSH: Anything I have said that casts any reflection upon the minister, I happily withdraw, because I would not like to do anything of that sort.

Mr. BENNETT: The hon. member is referring to what somebody other than the minister said, and he has a right to do that.

Mr. WALSH: I was referring to the situation that existed prior to 1933. This situation which was recognized by everyone had been brought about through the operation of the Canadian National Railways by a board of directors. It could be clearly inferred from the Duff report that that method of management had given rise to a considerable amount

of political interference in connection with the operation of the railway. The point I am trying to make is that all this was done away with by the board of trustees. We now have a measure to reestablish that influence in connection with our Canadian National system.

I commenced by suggesting that this was a major problem, one that was beyond the ability of any one party to solve. I feel that that is so. This problem should be over and above all political parties. As one newspaper suggests, if we do not solve it, chaos will result. I urge the solution from that point of view. What the government has brought down is no solution; it will never alleviate the distress caused by the deficits that are piling up at the present time. This year we have $115,000,000 to pay out of our treasury in connection with the Canadian National Railways. How much longer can this country continue to pay amounts equal to that without going under? I leave it to the imagination of hon. members. How much longer can the people of Canada supply through taxes the deficits that are being piled up by the Canadian National Railways? I say again, as I said before, that anything that affects the Canadian National Railways indirectly affects our other great railway system, the Canadian Pacific. I wish therefore to urge the considered opinion of this house with respect to this question, an unbiased opinion. I want to see the question raised above the political issue. I should prefer to see the minister strike out this clause and continue with the board of trustees, who have been in office only since December, 1933. They have been in office just long enough to get the idea of what a railway is, and they are producing results; the reports this year show that the system is improving. If that is so—and we assume it is, according to the reports before us—why change something that is improving a bad condition? Why not continue the board in office for a certain period in order to give the trustees an opportunity to work out their policy? Raise it above political party.

The other evening I read an article from which I should like to quote:

> But what have we done at the instance of this government to solve the problem involved in the net loss of $115,000,000 in the railways last year?

The CHAIRMAN: The hon. member will be good enough to state what the article is from which he is quoting.

Mr. WALSH: I am quoting from a newspaper report of a speech delivered in this house by the Right Hon. R. B. Bennett, leader of the opposition. It appeared in the Montreal Star on May 6, 1936.

Mr. HOWE: Is it in order to read from a newspaper report of a speech delivered in the House of Commons? I am merely asking a question; I do not know.

Mr. BENNETT: It is frequently done but should not be done.

The CHAIRMAN: It is really out of order; I think the leader of the opposition will agree with me.

Mr. BENNETT: Unfortunately you cannot say it is out of order in this particular case when it has been regarded as being in order in the last two or three months. The difficulty is that we have been quoting from newspapers, a practice which is frowned upon in the imperial parliament, being regarded as unsound, but which here we have followed constantly. The hon. member can easily quote from Hansard instead of reading from the newspaper report, for the speech to which he refers was in the debate on this particular bill. That is what he is proposing to read from, so that he is in order inasmuch as he is not quoting from a previous debate—it is all part of the discussion on this bill. Our difficulty however lies in applying the rule to one speaker and one newspaper at one time, whereas we have generally followed another course.

The CHAIRMAN: I may say to the leader of the opposition that the rule was quoted the other day in his absence. It is rule 306 in Beauchesne's Parliamentary Rules and Forms:

> It is not in order to read articles in newspapers, letters or communications emanating from persons outside the house and referring to, or commenting on, or denying anything said by a member or expressing any opinion reflecting upon proceedings within the house.

Sir GEORGE PERLEY: With all due respect, Mr. Chairman, I submit that that rule does not apply in this instance. The hon. member was not quoting from anything said by any person outside this house, nor was he commenting upon or criticizing anything done in the house. He was merely reading from the report of a speech delivered in this house. I suggest that it would be necessary to invoke some other rule; but I may add to what my leader has said in that regard, with respect to the rule about not quoting from articles, that it has been more honoured in the breach than in the observance.

Mr. BENNETT: On the question of order, Mr. Chairman, I would point out that what you have just read is paragraph 306 of Beauchesne's volume, and it is not a rule. Some years ago we made the mistake, in quoting from Beauchesne, of citing paragraphs

as rules. The rules of this house are the standing rules of the house, and parliamentary practice is the practice that has developed under the rules; and Mr. Beauchesne, in this admirable book, quotes Bourinot at page 336 as authority for his summary or précis of the law. Unfortunately however it is not a rule; it is simply a summary of Bourinot's book at page 336. You will recall the time at which that error was made; it was in connection with the question whether or not a member was bound to vote if he remained in the house. Reference was made to what was called a rule but it turned out to be a paragraph not founded upon a rule. As a matter of fact it was then determined that a member might remain in the house and not vote, when the suggestion was made that he was obliged to vote if he remained in the house. I daresay you recall the circumstances, Mr. Chairman. It is easy to see why it was referred to as a rule—I think I did myself refer to it at that particular time as a rule, but my attention was directed to the fact that it was not. I do wish we had a universal rule with respect to the reading of newspaper articles, because there are 245 members in the house, and when someone else, a 246th member, is quoted because he happens to be a particular person, we are likely to get into great difficulties. I once heard a distinguished jurist, a Lord Chancellor, say, when reference was made to Berriedale-Keith's eminent work, "Who is he?" As a matter of fact, quotations from living authors are usually not used in courts of law. There are one or two great exceptions, Benjamin on Sales, and likewise Buckley on Companies. Generally speaking, however, the practice is not sound. If the rule were laid down from the Chair it would expedite the conduct of business. In the meantime the hon. member has Hansard, so that the difficulty is avoided.

Mr. WALSH: May I continue, then, quoting from Hansard—

The CHAIRMAN: I have before me Bourinot's Parliamentary Procedure, at page 336—

Mr. BENNETT: That is what the reference is to.

The CHAIRMAN: I quote:

> Neither is it regular for a member to read a paper which he is asking the house to order to be produced. Nor is it in order to read articles in newspapers, letters or other communications, whether printed or written, emanating from persons outside the house, and referring to, or commenting on, or denying anything said by a member, or expressing any opinion reflecting on proceedings within the house.

[Mr. Bennett.]

I am quite aware that 306 is not a rule, as the leader of the opposition has said, though he did quote it as a rule at one time.

Mr. BENNETT: Not that one.

The CHAIRMAN: It is not very often quoted, but I think there are instances in which it is. I would ask the hon. member for Mount Royal not to continue reading the article.

Mr. WALSH: I am about to read from Hansard.

The CHAIRMAN: The hon. member is not going to quote from Hansard from a previous debate at this session?

Mr. BENNETT: It is the same debate.

Mr. WALSH: It was on the first reading of this bill.

The CHAIRMAN: This year?

Mr. WALSH: Yes, May 5, 1936.

Mr. DUNNING: It is a nice point as to whether the discussion on the first reading was a previous debate. Personally I take the view that the debate on the measure is virtually continuous, but I cannot cite any authority. I think the hon. member is quite in order in quoting from Hansard as he proposes to do.

Mr. BENNETT: Discussion from the time a resolution emerges until the third reading of the bill founded upon it is said, somewhere, to be one debate. I do not know whether it is on this occasion or not.

The CHAIRMAN: The hon. member for Mount Royal (Mr. Walsh) may continue.

Mr. WALSH: I quote from Hansard of May 5, 1936, at page 2525 where the leader of the opposition is reported as saying:

> But what have we done, sir, at the instance of this government, to solve the problem involved in the net loss of $115,000,000 in the railways last year? That is the problem. In view of the protestations and promises made from this side of the house by hon. gentlemen opposite when we were in office, I had expected that some legislation, worthy at least of the name, would be introduced to deal with the problem. But instead of that the major part of the existing legislation is left alone, while there will be substituted seven directors for the three trustees, ultimately, the minister says, largely for the purpose of getting rid of the chairman of the board. Is that the government's conception of its responsibility to the Canadian people in that regard? If it is, let it be known; let it be understood, for this is not something that is the accumulation of years but something that took place last year, 1935. I put that question to the government and to those who support them.

The CHAIRMAN: I do not wish to interrupt the hon. member for Mount Royal, but he has already exceeded his time, and has had credit for the time spent on the point of order.

Mr. WALSH: I am about to finish the quotation:

> They have the majority, they have the power, and I trust they have the inclination. Let them proceed to give effect to their inclination and they will receive the support of those members of the house who are interested in the solution of this problem.

I desire to leave the problem on that high level, the utterance of a statesman who is recognized as such throughout this country, and to ask that the government give the matter consideration in the spirit of that pronouncement.

Mr. J. A. BRADETTE (Cochrane): In speaking on this very important bill, I wish to be brief, recognizing that we expect to complete in short order the remaining work of the session. At the outset I thank the hon. minister for the manner in which he has brought this matter to the attention of the House of Commons and the country as a whole. Certainly no one on either side of the house can accuse him of partisanship in his method of presentation of the bill; he dealt with it in that businesslike way which befits a matter so important to the people of this dominion, and one in which every citizen is greatly interested. It is not my intention to go over ground that has been covered by previous speakers in the presentation of figures regarding the railways of this country. We all know that our railway systems are very important and very expensive. Nevertheless, in dealing with this subject we must keep an open mind, realizing that when the fathers of confederation and those who pioneered in new inventions fostered the development of our railway transportation services, no one dreamed of the changes that have taken place in these latter years and which have to some extent replaced those services. Even members of parliament may sometimes feel a little astonished at this phase of our progress when dealing with certain of the items of the federal administration, for instance, the Post Office Department. Some now are dreaming of the day when our postal service will in the main be conducted by air. No one will criticize this progress and development, for after all we must be on the march if we are to keep abreast of civilization.

But there is one factor we cannot avoid in discussing railway questions in this country, namely, that unlike some sections of the United States or some countries on other continents we shall always need railway facilities, at least during certain times of the year. No one will challenge this statement, that no matter what we may do with our trans-Canada highway, which is going to parallel our present railway system from coast to coast, in the winter months we shall require our railway facilities, not only in the northern sections of Canada but in the southern ones as well. In dealing with this matter, therefore, we must apply our minds to this consideration, that no matter how much we deplore the deficits on the Canadian National Railways and the burden that is thereby laid on the shoulders of every taxpayer of this country, we must deal with the question in a way that will not jeopardize the services to which our people are entitled during every month of the year, and more particularly in the winter. If there is one suggestion I would particularly like to commend to the present government, it is that they should appoint a transportation department, with which it may be found possible for the various provinces to be associated, and with only one head of the transportation system we have in this country, so as to have uniform transportation regulations. There is no evading the fact that we are going to have deficits. Everyone will have been struck with the inroads that have been made into railway business by the bus and truck services of this dominion, and those inroads are going to be deeper and deeper unless we find it possible to put the two systems on an even keel, where we shall have uniform legislation and regulations, and where one will compete with the other with an equal chance of success, and with definite fields of action. I fully understand that this is very dangerous ground. No doubt these questions have been mooted at provincial conferences held in Ottawa. I also readily recognize that for sentimental reasons, if for no others, the various provinces wish to have the full say so far as truck and bus services are concerned. But I believe the situation is so serious, and that fact is so fully appreciated by the provinces, that the time will soon be ripe for the creation of a centralized service, a central department that will look at transportation from all angles and will function along the line of definite activities emanating from the central government.

Speakers on behalf of the opposition would have us believe that politics have been injected into the consideration of this problem and this bill, but I believe implicitly in any new measure which will improve, in my opinion, the position of our railways, and I

surely hold that the Montreal Star is not being fair to the Canadian National railway system or to Canada as a whole when it deals in a biassed way and with far-fetched criticism with the operations of that system. As has been said by a previous speaker, no one will deny that the Canadian National Railway is a wonderful asset to this country. I admit that in certain features of administration it has sinned, and sinned grievously, but surely we shall take note of the mistakes of the past and thereby benefit in future as far as that great system is concerned.

In this discussion frequent reference has been made to the human factor. That is one which no person can wish to ignore, and it seems to me that in the so-called cooperation upon principles of economy which has been applied for the last five years in the Canadian National system, the little fellow, the working man, the one that sweats and toils, has been neglected in a good many cases in contrast with the treatment which has been enjoyed by higher officials. I do not pretend to be a railway man, but when I see a man working on a section of track getting $2.40 a day, while at the same time some high officials of the system are receiving tens of thousands of dollars a year, I can understand the agitation which is going on in some sections of the dominion. More than that, when one sees that only two men are engaged on twelve miles of railway, and have to keep that track in good condition—which I maintain is absolutely impossible—while at the same time high officials of the system are travelling over the country in palatial coaches, enjoying the finest possible service, one may have to admit that it is less important that officials should have these luxuries than that better provision of necessities should be extended to the working man. The human factor has received consideration so far as the higher officials are concerned, but the men working on the sections or in the shops have not for the last five years received from the administration of the Canadian National Railways the consideration to which they were entitled. I believe that talent and experience should receive a fair recompense. On the other hand labour men have to work under all climatic conditions; I have known them to work ten consecutive hours in a great downpour of rain and at the end of the day get $2.40, and I say that is not fair and not conducive to the esprit de corps that should mark such an organization. I have taken up the cudgels for these men in the past and I am going to continue doing so. The minimum wage law should be applied on the Canadian National system. Two section men to twelve miles of main line railway is not sufficient. Some day there may be an accident resulting in heavy loss or grievous bodily harm, and the blame should be put where it properly belongs. I do not want to go into that situation at length, but the Canadian National system should realize the competition they have to meet. I have not yet heard of the president or directors of some bus or truck company having a special bus to travel in over the country. Such companies do not have the administration overhead that prevails in the Canadian National Railways.

There is another factor I wish to mention. Take my own section. A young man doing office work or any railway work there has no chance whatever of advancement. It seems to be a kind of family compact; the bigger positions go to men in the bigger centres. Surely, in the smaller places young men of experience, with years of service, should have opportunities of promotion. But this is never the case. I do not want to criticize the appointments that took place in my own section, but local men who know all the conditions should receive consideration. Nevertheless men from Montreal, or Quebec, or Toronto, or Winnipeg were placed over men in our section who had years of service and seniority.

There is one section of the Canadian National Railways which has never received proper attention from any government. I am absolutely at ease in speaking about that matter because I have done so every session for the last ten years. That section is the transcontinental link of the Canadian National Railways. Sir Wilfrid Laurier had the great dream that some day a major portion of passenger and freight traffic would go over that section. Perhaps now, through lack of maintenance, the road-bed is not too good and the service would not compare with some other services, but the fact remains that that section has never received the attention it deserves. According to the Duff report, on more than eight hundred miles of main line of the Canadian National system the commissioners did not find it possible to spend a single hour during their inquiry. Every one knows that progress in Canada at the present time is northward and westward. Anyone who knows the mining history of this country knows that progress is being made mostly in the northern sections, especially of Ontario and Quebec. What happened in 1931? Without our section of the population ever being consulted the daily train service we had from Montreal and Quebec via Cochrane to Winnipeg was cut off. To-day there are

400,000 people in that area who have been deprived of direct communication with western Canada. Is this fair? It is not. There is only fifteen miles' difference between the route through my section and the routing at present followed by the Canadian National. I am practical enough to realize that it would not be fair to ask the same kind of palatial trains that we had prior to 1931. Often I criticized the luxurious equipment they had. But this is a fact in which every hon. member is directly interested, that there are at present 400,000 Canadian people deprived of direct communication with the west. If I want to travel from my own home town to Winnipeg I have to go 255 miles out of my way to North Bay. It is true there are local trains twice a week, but will anyone travel on a mixed train the schedule of which is so uncertain that he may reach Winnipeg in a week or it may be two? One of the main reasons I am speaking here now is to make an appeal to the Minister of Railways and to the House of Commons to give a proper train service to a pioneer section of the country, a section the population of which is increasing at the rate of 5,000 a month, and is going to continue to increase. In my own riding I have at present 100,000 people; it is part of a riding which was one riding fifteen years ago, and which is now divided into four. This shows the unfair treatment we receive from an institution that is supposed to give us service; it forgets the human factor. I have been told by some high officials of the Canadian National Railways that they cannot make time on our section. I know they cannot, but there is a very good reason, namely that they have neglected the roadbed. I said that there are only two section men to twelve miles of railway. I am begging this committee, not only the minister but every hon. member present, to study the situation. I do not believe in deficits, but at the same time this country owes something to its population. The hon. member for Kootenay East (Mr. Stevens) said that the Canadian National Railways is a wonderful asset. He also mentioned the fact that we are spending tens of millions of dollars for war pensions, and I never heard a word of criticism of that from any section of the house. These are liabilities, contracts, for which the dominion carries a certain responsibility.

It is not my intention to deal with this matter at any greater length now; I hope other opportunities will be given me, either before the department or the management of the Canadian National system, to state my case. I hold that under the new board of directors for which the minister is making provision it should be possible to decrease interest rates on the Canadian National bonds. No one will challenge the statement that when the people invested in those bonds years ago the situation was different from what it is at the present time. If interest rates were reduced fifty per cent that would practically wipe out the deficit. I hope the minister will look into that question. I know it has been given attention by previous administrations.

As far as I am concerned I never had any quarrel with the Canadian Pacific railway; everyone realizes the good it has done this country and the great part it has played in its development, but the same principle should apply, as forcibly or more so, to the Canadian National Railways. A previous speaker mentioned the Duff report. We see from that report how many roads were unloaded on the Canadian National system. In a good many cases they were unloaded by provincial governments, and those amalgamations were compulsorily loaded on the Canadian National Railways. We cannot expect the Canadian National system to carry all these roads. I make this fervent plea to the minister. I have confidence in his ability; I say this sincerely and I am seldom inclined to praise, but since he has been minister all the presentations he has made in the house have been made in a businesslike way, and I have implicit faith that he will be successful in eliminating some of the troubles that at present face our railway system.

I have been elected to the federal parliament to help every section of Canada, and we must face problems in a national way. Parochialism has never been and never will be my weakness. When I say that at the present time we have not the passenger accommodation between east and west to which we are entitled, I am speaking not politically, but in a national way. I am not fighting only for my constituents; I am speaking for 400,000 people in northern Ontario and northern Quebec, and voicing the sentiment, I believe, of every hon. member and citizen in Canada. An improvement and the reestablishment of the above passenger service would be beneficial not only to the section in which I am most interested, but to the whole of Canada.

Mr. H. E. WILTON (Hamilton West): Several years ago I was employed as a railway telegrapher. At that time I worked on what was known as the "7/12/365/40-system, without." That meant seven days a week, twelve hours a day, three hundred and sixty-five days a year and forty

dollars a month without vacation. Due to the improved intelligence of railway officials and to an increased realization of the value of railway telegraphers the situation has been improved. To-day they are in a much better position.

Much has been said in connection with the higher points of railway administration. The hon. member for Kootenay East (Mr. Stevens) referred to the habit of reaching for the moon. I believe that sometimes in the discussion of great and important questions there is a tendency to think of the higher-ups and overlook the ones at the bottom. As the hon. member for Cochrane (Mr. Bradette) stated, the human interest element must enter into the successful operation of a railway company. While that element may seem to be of minor importance, in my view it is of great importance because it may reflect either for or against the standing of a railway company.

May I call the attention of the minister and of the board of railway commissioners, if possible, to the situation existing in connection with a service which is only of minor importance so far as railway administration is concerned, but of greater importance as it affects the public. I refer to the railway depot service given by red caps. Some hon. members may smile; when we refer to people at the bottom it is sometimes easy to smile. I must say, however, that the situation with respect to this particular service does not commend itself to the respect of the public.

Let me illustrate. There are about sixty red caps in the union depot at Toronto, only ten of whom receive wages, and small wages, at that. The other fifty are thrown on to the generosity of the public with the result that a government owned railway is encouraging the vicious system of tipping. In other words these boys—we refer to them as boys, but most of them are young married men, some of whom have families—are forced to make their living by receiving tips from the public. In many cases those young married men are receiving such small amounts of money each day that the city of Toronto through its welfare and relief department must subsidize their receipts so that they may live. It is a sad situation when a government owned railway retains employees who render a first-class service to the public, but at the same time pays so little for that service that the workers have to rely upon municipal assistance. The situation I have described applies in other cities where there are union depots.

There is this further point to be considered: The last speaker mentioned that only two men are used to work a twelve mile section. When I worked for the railway a section was five miles long, and five men worked on it.

[Mr. Wilton.]

I do not know what the situation is in Ontario with respect to the numbers employed on sections, but any person using the sleeping cars between Ottawa and Toronto will readily realize that there are certain spots so rough that one almost needs to be fastened into the berth for fear of rolling out. It is evident that an insufficient number of men are being used to patrol the tracks and to keep them in satisfactory condition.

I have referred to these two human interest points, namely the employment of more men on track work and the placing of red caps on a basis whereby they may live without receiving help from municipalities. The giving of assistance simply places another burden on municipalities already overburdened.

Mr. T. L. CHURCH (Broadview): Mr. Chairman, we are discussing section 2 of the bill which has to do with the definition of the term "trustees." This section stands as the basis for the whole bill. I suggest that the act passed in 1933 known as the Canadian National-Canadian Pacific Act was of a judicial nature, because it was based upon the findings of the Duff commission. Each railway was to appoint an arbitral tribunal, the functions of which were to be judicial. It was never intended that the tribunal should be in politics. The gentlemen who formed the tribunal were to perform certain duties as set forth at page 66 of the Duff report, paragraphs 215, 216, 217, 218 and 219.

Hon. members will notice the provision appearing in paragraph 218 of the Duff report on the functions of this joint tribunal.

> There shall be no appeal to any court in Canada from any decision of the arbitral tribunal on any question of law or fact; except as to a question of law if it is one involving a question of jurisdiction, in which case there should be an appeal to the Supreme Court of Canada, by leave of a judge of that court.

In the present instance the trustees are to be known as directors; in that regard we are becoming more like the Canadian Pacific Railway every day in our "me too" political policy. We should never have moved the head office of the Canadian National Railways from Toronto to Montreal. I have every respect for the Minister of Railways (Mr. Howe). I realize that he is a new minister, but the longer he stays in Ottawa the more he will realize that it is politics, politics, all politics all the time.

May I say that the three gentlemen who served on the board set up by the act of 1933 rendered a good service, one of them without salary, Mr. F. K. Morrow of Toronto, a brilliant young Canadian. They effected

economies, and we have but to look at the railway report and examine the operating ratio set out in the Duff report to realize the good work they have done. They have struck off huge maintenance charges, and I must say that the work of the Bennett board was wonderful and satisfactory. In the present instance we are to substitute for that board of three trustees a board of sevenfold amen board of directors.

The employment commission was selected along political lines, and I must say that that is a step in the wrong direction. The same practice will be followed in the present instance of a sevenfold amen board of directors for three trustees a difference without a distinction. Without any notice in votes and proceedings the minister had a committee appointed, violating every rule of parliament, immediately preceding one of the holidays and without any notice whatever they got away with it. No one knew anything about it. It was not on the order paper; no notice was given. It was the only opportunity we had to discuss this most important question of the national railways, involving such huge deficits that it will be an old man of the sea on the backs of the next generation.

The very object of passing this Bill No. 21 is set out in section 2, which is the gist of the whole bill. All the rest of the clauses are merely subsidiary and are built round section 2. Section 2 deals with the definition of the new trustees, who will be a lot of useless figureheads, and their duties. The duties of the board of trustees which were set out in the statute of 1933 were derived from the Duff commission's report. What were those duties? The board of trustees was to get together regarding the joint use of terminals; running rights and joint use of tracks; control and prohibition in respect of the construction of new lines, and provision of facilities and additional services; the joint use of facilities where this would promote economy or permit the elimination of duplicating or unremunerative services or facilities; abandonment of lines, services or facilities; pooling of any part or parts of freight or passenger traffic; things necessarily incidental to the above enumerated matters.

The very next clause of the Duff commission's report, which was signed by Right Hon. Chief Justice Duff, sets out the jurisdiction of the board of trustees. There is no appeal to any court of law. The Duff commission's report at pages 50 and 51 gives the reasons for the board's recommendations which were incorporated in the statute of 1933, chapter 33. That whole act was built on the Duff report. Now we are asked by Bill No. 21 to turn that act of 1933 upside down founded as it was on fact and destroy all the good work that has been done under the administration of the board of trustees during the last three years. The board of three trustees was an economic, useful and nationally efficient judicial body, and it is to be replaced by a board of seven directors of no experience with different functions and political powers, and the railway is to be run from the political and not the economic aspect. At page 50 of their report the Duff commission gives the operating ratios of the Canadian National and the Canadian Pacific, from which I will quote a few figures, as follows, to show the necessity of running the road outside the small realm of politics from the commercial aspect. This railway will be an old man of the sea on the backs of our poor taxpayers for twenty-five to fifty years. This table shows it:

Operating Ratios

Year:	Canadian National per cent	Canadian Pacific per cent
1923..	91·8	81·0
1924..	92·5	80·5
1925..	86·7	77·3
1930..	91·4	78·4
1931..	99·8	80·3

The Duff commisison gave these reasons above why the new board of trustees which it recommended should be freed from political and public pressure. They called in the presidents of the two railways, Sir Edward Beatty and Sir Henry Thornton, and got their views on this subject, and the commission would not have recommended a board of trustees had it not been for the evidence that was given by the president of the Canadian National Railways and of the Canadian Pacific Railway on political influence and its baneful effects which is cited on page 51 of the Duff report. Sir Henry Thornton said:

> The leaders of all political parties and the people of Canada as a whole are a unit in their desire to prevent political invasion of the Canadian National Railway.

That was his very first statement. The report goes on to say that the president of the Canadian Pacific Railway appeared to be more concerned over the activities of what he termed "politically-minded" executives of the publicly owned railway than he was over straight political pressure for definite ends. Sir Edward Beatty said:

> We talk a great deal about political interference being damaging to railway operations, and we know that that is true, generally speaking. But when we say it we seem to

think the only political influence is that exercised by a government, or a member of government, or a member of parliament. To my mind the worst kind comes from the political attitude of men in publicly-owned institutions. Possibly they are not conscious of it, but they become politically-minded; their policies and actions have a political tinge, and that, from my standpoint, is more serious as representing the attitude of the corporation than the isolated act of a member of parliament who tries to get a man employed.

Years ago the ability of privately-owned railway companies to withstand political pressure was somewhat limited. To-day it is nothing like it was, because we can say "no" to that kind of pressure. But the politics that develop inside an organization because it is publicly-owned, and not privately-owned, is a serious thing.

We are going to upset all the good work that the board of trustees, appointed in pursuance of the Duff report, has done. Liberal newspapers, such as the Toronto Globe, for instance, are taking a great interest in this question of public ownership. I am for public ownership, but I am not out for the kind of public ownership that we see in the Canadian National Railways. There never was and never will be public ownership in the Canadian National Railways because the present system is but the leavings of a lot of privately owned roads, and it is bankrupting the country. The Toronto Globe takes very strong ground on the method, as proposed in this bill, of selecting the railway directors, and it has a great deal to say in praise of the three trustees who are to be removed for this "sevenfold amen" directorate, and particularly in praise of Mr. F. K. Morrow, for what he has done in eliminating what has been termed this reckless and criminal waste of public funds.

We find that the Drayton-Acworth commission in 1917 made parallel recommendations to those made by the Duff commission, namely, that there should be a joint arbitral tribunal working not from any political aspect but solely from the commercial aspect. In the early days of public ownership in your constituency, Mr. Chairman, this very same issue came up, whether there should be political influence in the public ownership of heat, light and power in the hydro development. The Drayton-Acworth report is founded upon the parallel principle of that hydro system that we find in the Duff commission's report, of a publicly owned utility being operated not from a political standpoint but commercially. That is what the Duff and Drayton commission in 1917 recommended should obtain in connection with the board of trustees that was appointed to operate this public utility. The board of three trustees, from 1933 to 1936, has not had a chance in the two or three years of its existence to show what it could do, and I am sorry to see this change being made. Mistakes have been made in the past, and they are well known to parliament. Parliament has practically no control over the Canadian National Railways. If you ask the Minister of Railways, a new minister, a question about the Canadian National Railways, he replies that he cannot say anything about it because it is a matter for the railway.

It was always intended that any member of parliament could attend the committee on railways and shipping, and ask questions, but members have not yet received the reports of the committee except Nos. 1 to 6. This Bill No. 21, which is now before us, is nothing but a political bill, and the Canadian National Railways will not have a chance under the board of directors which the bill proposes to appoint. The minister should give some evidence as to whom the government is going to appoint. The newspapers seem to know ahead who the seven directors are going to be. All is politics and the games of the ins and outs, that is all Bill No. 21 is. We all remember the board which had control under the Liberal administration. We remember the conditions under which officials did not even have to put in vouchers for expenditures. We remember how $350,000 was spent for advertising and editorials in newspapers to boost the president and certain directors. We remember how branch lines were built to the sun, to the moon and to the stars. We remember the Cook's tour of a small standing army of officials that travelled all over Europe. Evidence of this disgraceful expenditure is to be found in the 1932-33, 600-page book of the select committee on railways and shipping, and bills from the different hotels throughout Europe. All this was done at the expense of the people of Canada and these officials were exempted from ever putting in any vouchers for these hundreds of thousands of dollars of corrupt and dishonest expenses as set out in the committee's reports.

Are we going back to the conditions which existed in those days? Are we going to build more golf courses, hotels, useless branch lines, and a thousand other things and have deficits all along the line? Are we going back to the building of branch lines, referred to in the Duff report? We have 44,000 miles of single track railway with a population of only nine or ten millions. Our railway mileage equals that of France, Germany and the United Kingdom, with total populations of 47,000,000, 46,000,000 and 45,000,000. Expenditures on branch lines in Saskatchewan amounted to $30,000,000; in Manitoba the

total expenditure was $9,862,000; in British Columbia, $5,210,000, and in Alberta, $8,600,000 These branch lines were constructed over the head of parliament in an absurd way with useless duplication and waste. All this money was spent by the old board whom Bill No. 21 now reestablishes, and the old order is back on us. Whenever we asked for information we were told that we could not get it. The province of Ontario and Quebec, where 80 per cent of our cash revenues come from, got little or nothing under the political management to which the Drayton and Duff reports referred. This is to be found in the Duff report commencing at page 50. That report suggests that a non-political board should be appointed.

The central provinces have to pay the deficits. Only a small percentage of the necessary money will come from the workers in the other provinces. Central Canada has to make up these deficits through income and sales taxes and other taxes of that kind. Yesterday the Prime Minister (Mr. Mackenzie King) referred to the rights of the majority, but this is the first time I ever knew of a majority having any rights in Canada. The taxpayers of Ontario and Quebec pay eighty per cent of the taxes. The Prime Minister said that he had a mandate from the people, but he never received a mandate to change the management of this railway. The head office was moved from Toronto to Montreal, and it should be moved back to Toronto, the home of public ownership. The national railways should be given a chance to rid itself of the grafters in its make-up and management and organization. A large residence in the city of Montreal was bought for the former president. These new trustees most likely will come from St. James street too, and I should like to know if new houses will be bought for the new president and his sevenfold amen crew of directors.

These new trustees will have their hands tied under section 2. This section is an antithesis to the recommendations of the Duff report. As I say, I have great respect for the minister. I knew him years ago when he was a very likeable, able and capable civil engineer of good repute. Under this bill, neither he nor any other living man will be able to rid this railway of political influence in its administration, that type of influence which has been a curse since confederation in this country. There will be no freedom under this bill. There is no longer any freedom in this parliament, in the press, the pulpit or the universities in this country. There is no freedom I say in the press in this country as its members refuse to have anything to do with reporting the proceedings of this house except what the government cares to have the union press publish. There is no freedom in the pulpit and there is no freedom in our legislatures. We are going back to where we were before the days of responsible government.

Hundreds of millions of dollars were spent without the authority of parliament. I can remember one time when I wanted certain information from the board of directors and the minister told me that he had nothing to do with the matter. He refused to give me a detailed statement of $400,000 which had been spent on paid editorials in the newspapers of this dominion in an effort to boom the president of the Canadian National Railways. Money was spent over the head of this parliament and when we asked for information, the minister told us that he had nothing to do with the matter. If the hydro, that great public enterprise in the province of Ontario, in which tens of millions of the people's money has been invested, had been conducted in the same way as this railway was conducted, that enterprise would have been bankrupt and the province would have been bankrupt. We are going back to the dark days which existed when I first came into this house.

I give a great deal of credit to the leader of the opposition (Mr. Bennett) and to that other faithful follower of his, the former lovable member for Muskoka, Mr. McGibbon. The latter is a very sick man to-day, the press say, nearly at death's door, but he did a great national work in connection with this railway as a real public ownership man. The people of Canada owe him a great debt of gratitude for the way in which he explored and disclosed the rotten state of affairs that existed in the administration of this railway under the old board of directors. He performed a duty to the people of this country. The Duff report says that this old board acted only in an advisory capacity. They loafed round their offices in Montreal and did nothing. They appeared before the committees here and they sat up in the galleries while the debates were going on, and smoked cigars. They had a good time all over Canada.

I can remember when I tried to start my national coal supply policy in 1923 and to get this railway to adopt a proper national policy in connection with the carriage of coal from the maritime provinces and the western provinces to central Canada. The former board of trustees were absolutely opposed to this, Sir Henry Thornton said I wanted a lunch counter system of freight rates for coal and steel and iron, yet under a system brought about by the former government along these

lines of my coal bill of 1923 to 1930, over 2,800,000 tons of coal were moved economically last year to central Canada and the head of the lakes. This movement has been of great benefit to the maritime provnces and Alberta. Yet the old political crowd in the Canadian National Railways ridiculed it, although it is law to-day.

The government might as well appoint seven directors of the Canadian Pacific Railway to operate the Canadian National system, for they know more about the system than members of parliament do and will know all that the new seven under Bill 21 know. When we asked for information from the old board, under the political administration, we could not get it; a member of parliament could not find out anything about the Canadian National Railways. But the head office of the Canadian Pacific Railway knew everything that was going on. That was proved by evidence given here in 1932 before the railway committee, evidence covering nearly four or five hundred pages in the 1932 report on railways and shipping. Do we want to go back to that state of affairs? Yes, and Bill 21 brings us back to the old big I days of 1923 to 1930.

I have never faltered in my support of public ownership, but we have never had public ownership in the National railways, only a name. The present situation has been advertised all over the United States as an evidence of the failure of public ownership, but as I say we have never had public ownership. If the government want to hand over the whole system to private interests, then they are doing the right thing in appointing seven directors. We are simply imitating the Canadian Pacific in referring to the trustees as directors. These directors, I assume, will have private cars and will travel round the country. King Solomon in all his glory was not arrayed like the former president and those under him from 1923-1930. There was never anything like it except in the United States. The sections that constitute the backbone of this bill are political in their implications. In Cleveland they have the headquarters of a four billion dollar railway like this under Mr. Van Sweringein comprising twenty corporations, the whole system having been built up on credit, and we all know what revelations have been made regarding that system in Washington into Wall Street, all the errors that have crept into it, political interference, and so on. One has only to read the report of proceedings in the United States senate to see what has been done over there, and we are imitating them.

[Mr. Church.]

Where does the taxpayer come in? We sit here as members of parliament and we have no more to say about the railway department than has the man in the moon. Over the head of parliament a committee was appointed. I attended one or two sessions to see what was going on; thinking a member of parliament might reasonably ask for a copy of the report in the committee of railways and shipping, I applied for one, and a gentleman named Thompson of the Canadian National Railways, who was one of the old regime chiefs of staff and splendour, refused to let me have it. Well, I do not want any favours; I know enough about the way in which the railway has been administered.

I contend that the present government has no mandate from the Canadian people to return to the old state of affairs in connection with the national railways. It was not the government's election platform that returned them to power, for they had a different platform in every province. The reason they were returned to power was not the reason given by the Prime Minister yesterday; it was as a fact the deep resentment which the people of the world had felt against all governments then in power the world over, a resentment which they shared with people throughout the world against all governments. And I submit that the people of Canada removed from office a government which had received cold storage of justice and regard from the electorate. If the government insists on our going back to the old condition of things, at any rate let them not call it public ownership; let them call it Canadian Pacific ownership, because that is all it has ever been. Under Sir Henry Thornton the management was one of the most politically-minded the world has ever seen, and one of the most inefficient and useless in Canada.

Hon. CHARLES MARCIL (Bonaventure): I have not the time to discuss the broad issue of the Canadian National Railways; everyone agrees as to its importance. I would, however, crave the indulgence of the committee while I read a resolution adopted at a meeting of the Bonaventure county council held in New Carlisle, Quebec, on March 9, 1932. This resolution will indicate the feeling of the people of that district with respect to the way in which the Gaspé railway has been administered under the present regime, and the hope which they cherish that a change will be made under the new system which is about to be inaugurated. I could take up a good deal of the time of the committee covering the whole history of the railway, but in this resolution I find a

concise statement of the facts. The resolution reads:

Whereas the federal government has purchased and taken over the railway known as the Gaspé branch lines and has made said branch lines a part of the Canadian National Railways; and

Whereas since acquiring said branch lines, the railway management has undertaken to remove from Gaspé, New Carlisle and Matapedia, all repair shops and terminal operations, and to establish said repair shops and terminal operations in the town of Campbellton, in the province of New Brunswick, to the great detriment of Gaspé, New Carlisle and Matapedia, and to the people in general in the counties of Gaspé and Bonaventure, and especially to those whose means of livelihood have been taken away by the removal of said repair shops and terminals; and

Whereas the reasons given by the railway management for these changes are economy and efficiency; and

Whereas after several meetings between the management and interested parties, the reasons given by the management were not substantiated but rather were shown to be without foundation; and

Whereas a meeting was held in Montreal, on May 15, 1931, where Sir Henry Thornton, president of the Canadian National Railways, gave definite assurance to a representative delegation along with federal members of parliament for the province of Quebec that these changes would not be made; and

Whereas four months after this assurance was given the terminal at Matapedia was closed without previous notice and terminal operations transferred to Campbellton, N.B., with a gradual removal of all repair shops and other works from New Carlisle and Gaspé to Campbellton, N.B.;

Therefore be it resolved that we, mayors from every municipality in the county of Bonaventure composing the county council, protest against these changes for the following reasons:

1st. That removal of repair shops and terminals do not make for efficiency or economy but rather for less efficiency and certainly greater cost in operations;

2nd. That removal of these repair shops and terminals from the province of Quebec to the province of New Brunswick is a serious infringement of the rights of this province, which has made valuable contributions in both lands and money for the construction of these lines, with the just expectation that all reasonable benefits obtained in the operation of said lines should be for the people of this province;

3rd. That the removal of these works and terminals is a direct violation of the tacit understanding and promise arrived at with Sir Henry Thornton, and shows a serious disregard for the rights of the people in the counties of Gaspé and Bonaventure, and disrespect for the chosen representatives of the people of this province with whom said understanding was arrived at;

Therefore be it further resolved that we, the members of this county council for the county of Bonaventure, in regular session at New Carlisle, and representing the divers interests in every municipality throughout the county, place ourselves on record as being opposed to the removal from this county and province of the railway repair shops at New Carlisle and terminal operations at Matapedia or anything else the removal of which would be detrimental to our communities, county and province, and do hereby urge upon the railway management the necessity of reestablishing as soon as possible all works and terminal operations that have been removed;

And be it further resolved that a copy of this resolution be sent to: The Honourable the Prime Minister, the Minister of Railways, Sir Henry Thornton, Honourable Doctor E. Paquet, Lucien Moraud, K.C., Henri Larue, M.P., and Mr. Beaudry Leman and Hon. Charles Marcil, M.P. of Bonaventure county, and E. A. D. Morgan, K.C.

Mr. Morgan was the Conservative candidate in 1930. Nothing has been done since the passing of this resolution except that the western terminus of Matapedia has been removed from the place where it has been located for forty years into the province of New Brunswick, so that the railway has to go thirteen miles backwards to reach Campbellton, to the great dissatisfaction of the community. I congratulate the Minister of Railways on bringing about this change, so that that part of the province of Quebec, one of the oldest parts of Canada, may obtain that fair treatment to which it is entitled.

Mr. A. A. HEAPS (Winnipeg North): I have listened with care and attention to what the hon. member for Bonaventure (Mr. Marcil) has just said. If I have gathered correctly what is contained in that memorandum, I think it is a very poor reason indeed for any changes to be made. The railways cannot be efficiently administered in a national sense if local considerations are always to have preference; you will have what may be called a patchwork railway across the whole dominion. I realize the hardships, speaking in a local sense, that may accrue to some part of the country when a transfer is made of certain shops from one place to another. But the question where those shops should be located is not a matter for local determination; it must always be one of which the directors or the board of trustees and the administrative officials should be practically the sole judges. I feel sorry in one way for the position in which the hon. member for Bonaventure and certain of his constituents find themselves, but that in itself is not a condemnation of what has been done either by the existing board of trustees or by the previous management of the Canadian National Railways. It is quite conceivable that from time to time, due to adjustments which must be made in the administration of the railways, hardships will be inflicted upon certain communities. From that point

of view every member of the house, I think, feels a certain sense of regret and commiseration for those so affected, but they may have to suffer in the interest of the general benefit accruing to the railway system as a whole. What the hon. member for Bonaventure has said is true regarding not only the Canadian National system but the privately owned railways, and that condition will continue to arise from time to time when changes are necessary to bring about a fairly efficient management of the railroads of Canada.

It appears to me that in the course of discussion this afternoon we have been going, somewhat like the song, round and round. On this clause we have discussed virtually the whole railway situation as it affects the country at this time. Remarks of a general nature have been made with regard to how the railway should be run, the kind of equipment it should have, and so on. I believe that every one of the problems raised on the floor of the house this afternoon has also been raised from time to time in the committee which has been studying the railway question. I do not think this parliament or this committee as a whole is more competent in that regard than is the management of the two railroads or, specifically, of the Canadian National Railways. We have listened also to a great deal of talk about politics. That is quite the usual thing in this chamber when we discuss railways. I remember very well just a few years ago, when the former government took action which resulted in the dismissal of the late Sir Henry Thornton, and when the new set-up of the railways was made, we had the cry of political interference with the Canadian National Railways. To-day, with the situation reversed, we have it again. I do not believe that in the proposed new set-up, about which I am not in the least enthusiastic, we shall have any more political interference than we have had during the last five or six years. Last evening some fairly harsh things were said, particularly by the hon. member for St. Lawrence-St. George (Mr. Cahan), predicting political interference with the national railways as a result of the proposed new scheme. I do not share in that regard the fears of my hon. friend, but I take some exception to the government's action, and I do so on the ground I indicated last night when I spoke on this question for a minute or two.

When the right hon. Prime Minister (Mr. Mackenzie King) discussed this clause of the bill he confused two aspects of the question, the first being its political significance, and the second, the personnel. To my mind the two are entirely separate. I quite agree with the Prime Minister in his statement that the section contained in the act which this bill seeks to amend did convey to the existing board of trustees a power greater perhaps, than they should have had, because in case there was dissatisfaction in this house with the activities of the board it would have been a very difficult thing to remove them from office. It may be that far more powers were given to them than could be justified, or were contained in previous acts of parliament. On the other hand, the extent of the powers conferred by the act has really nothing to do with the personnel of the commission, and the objection I take at this time is to the very dangerous principle, which may become a bad precedent for future years, that whenever we have a change in the political complexion of parliament we are to have, or are likely to have, a new board of trustees. I very strongly object to that. As has been pointed out, I believe by the hon. member for Mount Royal (Mr. Walsh), there is a great deal of dissatisfaction among the employees of the railway at the action this parliament is taking. Similar dissatisfaction was expressed when, in 1933, a similar bill was before the house. Now, three years later, we hear the same rumblings from the employees of the Canadian National system because of the changes that are being introduced in this house. I see, Mr. Chairman, that it is six o'clock.

The CHAIRMAN: I think the hon. member has about half a minute more.

Mr. HEAPS: Mr. Chairman, you have become so exacting in looking at the clock that I think, if you will now give another look at it, you will probably say that it is six o'clock.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. HEAPS: At half a minute to six o'clock when I asked for the recess I was discussing certain aspects of this question. I never knew that half a minute was quite so valuable. I know it is valuable when you have to catch a train; I know also many a half hour has gone without much serious work being done in this chamber. However I want to discuss one or two aspects of the clause at present before the committee. I hope that when the appointments to the directorate

are made by the government, they will obtain the very best men, irrespective of previous political convictions. It has, perhaps, been a weakness in former appointments that the political relationship of the appointees was a factor in making the selection. I hope on this occasion the only thing that will be taken into consideration will be the fitness of the men for the very responsible positions they will assume. I also ask that there be appointed from among the railway workers some man who has a practical knowledge of the railway men's side of the situation. I would prefer that the railway men themselves should have an opportunity of nominating either one man or a slate of three or four from which the government might make the appointment.

That brings me to the other question, which I suggested yesterday evening. If the government follows the practice of previous governments in choosing the men, it is quite likely that if at the next election there is a change of government the men now appointed to the responsible position of directors of the national railway system will be supplanted. I think that should be obviated. When a man has served a term as director or trustee he has gained experience which ought to be of value in the performance of his duty. If such a person has given good service it is a pity that the value of that experience should be lost. As the government insist on obtaining control of the Canadian National Railway system they should have adopted the same policy in this matter that they are following in connection with the Bank of Canada. To gain control of the bank directorate they are acquiring fifty-one per cent of the shares. It might have been a good precedent if in this case the government had nominated four new directors to be added to the three already occupying the position. However, as the government have thought otherwise, and the resignations of the chairman and board of trustees have been requested, I assume it is the intention of the government to appoint seven new men. I should like to hear from the minister his opinion of the suggestion I made last night, that there should be some agreement between the leaders of the different groups in this house as to the men to compose the new board of directors, so that there would be at least some assurance of permanency to them once they are appointed. I make that suggestion in all seriousness. There is nothing new in it; it has been adopted in many other spheres of public activity in this country, and there is no good reason why it should not be followed on this occasion. I do not say that the nominations should be made from the floor of this chamber, but I would like to have the leaders or representatives of the various groups get together and see if they could not agree on seven suitable men to direct the affairs of the Canadian National Railways. That, I think, would be far preferable to the government having to assume the whole responsibility for the appointments. If the appointments were made in that manner we should be likely to get a better type of men for the position, as they would have some assurance of permanency.

During the afternoon some allusions were made to the matter of pensions or retiring allowances for the men who, through coordination of services, might lose their positions. The same question was raised in this house in 1933 when the act now being amended was before us. The former government declined at that time to accede to that request. I am glad to see that on this occasion there are members of the Conservative party who favour such a proposal. When we come to discuss section 4 of the present bill I intend to move the same amendment as I did three years ago, asking for some form of compensation to be awarded to employees who lose their positions as a result of cooperation between the railways. I hope that when that time comes the proposals I make will receive the same sympathetic consideration by hon. members who spoke this afternoon. Good reason has already been given why such a proposal should receive sympathetic consideration. I think when the Minister of Railways (Mr. Howe) was before the railway committee on Tuesday morning, he said that when the present chairman of the board of trustees was asked to resign provision was to be made for a retiring allowance to him. If that can be done for the chairman of the board of trustees there is no reason why similar action should not be taken in regard to men who suffer the loss of their employment as a result of the present legislation. In the United States an agreement has recently been reached between the railways and the employees whereby those who lose their employment as a result of coordination of services in that country receive compensation. That was a voluntary arrangement entered into between the unions and the managements of the roads. But that voluntary arrangement was brought about by the fact that in the United States congress legislation was pending which would make such compensation compulsory for the men who would lose their positions as a result of a process of amalgamation of services. So I

hope that when the time comes in this chamber for us to discuss the matter, both the government and the house will be sympathetic towards such a proposal, and that compensation will be provided for the men who lose their positions as a result of legislation such as that which we are now considering. There is a very good reason why we should do this. The men who may be affected by the legislation will lose their jobs because of an act of parliament. From the very nature of the legislation we must assume a certain responsibility for those men who might lose their jobs as a result of our legislative action. Personally I would oppose any legislation which had not within it certain provisions that would provide for the men under the contingencies I have mentioned.

At this time I should like the minister to state whether the government would be agreeable to a proposal to the effect that the board of directors of the Canadian National Railways would be jointly appointed or agreed to by the various groups in the house. If that were done it would create a favourable impression not only on the board appointed but among people throughout the dominion.

Mr. HOWE: In reply to the hon. member's question may I say that the government will make the appointments and will accept full responsibility for so doing. In British parliamentary institutions it is an established practice that the government must take responsibility for its actions. I cannot think who would take the responsibility if three groups undertook to share it. It does not seem to me that such action would be fair to the people of Canada. I assure the hon. member that when appointments are made they will be made by the government.

As to compensation for dislocation may I say that in the present circumstances we find an extraordinary situation. On the one hand we are taking the railways from the government. We say that the government must not have anything to do with them in any shape or form, and must turn them over to trustees to operate. I understand that attitude perfectly. Since I have held office I have taken that attitude. Yet the same people who take that position come to the government and say: You must make agreements between the management and the men. Why? Eighteen months ago I attended a luncheon in Toronto at which the president of the Canadian Pacific Railway expounded the principle that compensation payments should be made to men displaced. At that time he was talking about unification, and spoke of that factor as an aid to such unification. Two or three days ago we went into committee and heard the statement of the chairman of the board of trustees of the Canadian National Railways, when he suddenly discovered the reason he had not made progress in two and a half years of cooperation was that no provision had been made for taking care of the men displaced.

Mr. STEWART: The minister is not justified in saying that that was the reason given by the chairman for not making progress. He said that they had made substantial progress, but he threw that out as a suggestion.

Mr. HOWE: Why did he not have such provision made? Who was to do it, if it was not the chairman of the board of trustees? He is the man vested with supreme authority over the railroad. This agreement has been made in the United States, how? It has been made not by legislation, but by agreement between the managements and the men. Every phase of relations between managements and men has been worked out by committees of the two. That is the proper way to do this. In a measure of this kind, which sets up a management of railways to operate independently of the government, why attempt to make the government responsible for the negotiation of labour agreements between the railways and the men? That is not consistent with the purpose behind the legislation.

Mr. HEAPS: May I answer the minister briefly as to why the government should interfere in a question of this kind. By the very nature of this legislation we are interfering with the two railways. I say that through the legislation we are going to compel cooperation, and when you have a certain amount of cooperation of services of the two railways, as a result of such legislation we automatically displace men who have given long years of service to the railways. In other words, as a result of the legislative action of this body men will lose their position.

In regard to the position in the United States, it was the government of that country which practically compelled the railway companies to negotiate an agreement with the men, and the threat was held over the heads of those companies that unless an agreement was arrived at a bill would be passed whereby such compensation would be made compulsory. Had there been no legislation introduced into congress it is quite likely that today there would be no voluntary agreement between the railways and the employees. Those are the simple facts. If the government is not prepared to insert in the bill a clause along the lines I have indicated, would it not

do the same thing as was done in the United States, namely compel the railways and the employees to come together and by voluntary agreement provide such compensation as might be determined by a board.

Mr. HOWE: I have tried to sort out the ideas of hon. members, and I should like to ask the hon. member who has just spoken if, under the present trustees set-up, or under the new set-up, it would be a proper function of government to interfere between the management and the men. In other words, should we tell the management what to do with their men? I would like to know that.

Mr. HEAPS: We are doing it, as a result of this legislation.

Mr. DUNNING: No, no.

Mr. HOWE: No; the legislation does not change the cooperative clause, in any way. That was passed in 1933, and is still in the statute. This enacts only the clause which has to do with the set-up of the management.

Mr. HEAPS: Quite right. This is practically the act of 1933, and in 1933—

Mr. HOWE: No; it is nothing of the kind. It is a bill amending the measure of 1933 in certain particulars.

Mr. HEAPS: Yes, quite right. May I say to the Minister of Railways that in 1933 we moved an amendment to the bill along those lines. I notice the Minister of National Defence shakes his head in disapproval of what I am saying.

Mr. MACKENZIE (Vancouver): Hear, hear.

Mr. HEAPS: He did not speak in that way in 1933 when he sat on this side of the house.

Mr. MACKENZIE (Vancouver): I am just reading what I said.

Mr. HEAPS: The minister should read Hansard.

Mr. MACKENZIE (Vancouver): I am reading it now.

Mr. HEAPS: Of 1933?

Mr. MACKENZIE (Vancouver): I have it before me.

Mr. HEAPS: I suggest that the minister should read Hansard of April 7, 1933, and see what he said at that time.

Mr. MACKENZIE (Vancouver): The same thing; quote it.

Mr. HEAPS: I say—

Mr. MACKENZIE (Vancouver): Would the hon. member please quote it?

Mr. HEAPS: At that time the minister was speaking to a point of order, and dealt with an amendment before the house. He spoke in favour of the amendment.

Mr. MACKENZIE (Vancouver): Preserving the order of the house.

Mr. HEAPS: But when it came to a vote, he voted for the amendment being put.

Mr. MACKENZIE (Vancouver): To allow discussion; that is all.

Mr. HEAPS: We know what that means; it is more or less of a subterfuge.

Mr. MACKENZIE (Vancouver): Order.

Mr. HEAPS: I should not have used that term.

Mr. MACKENZIE (Vancouver): On a point of order. The hon. member should not impute his own particular qualities to other members.

Mr. HEAPS: He was using that as a means of giving his real views to the house.

Mr. DUNNING: That is out of order.

The CHAIRMAN: Does the hon. member withdraw?

Mr. HEAPS: I withdraw the first statement; I think the second one is quite in order. I was saying that at that time a good deal of sympathy was expressed by hon. members of the Liberal party, as it has been expressed to-day on both sides of the house, in favour of compensation for the men affected. I am not asking for anything new. It is only to give compensation to the men who will be affected. What is wrong with the principle? The only thing which I find the minister states is wrong with it is that we cannot compel an agreement between the railway company and its employees. We may not be able to compel it, but we can put such a clause in the legislation and make it effective. We have compensation for workmen who are injured in industry, and why should not men be compensated when they lose their positions by an act of parliament, for that is really what is happening? The act of 1933 was an act to provide for cooperation between the two railways, and if I remember aright—and I hope the minister will tell me if I am wrong—when he introduced the present bill he said that one of the reasons for the changes proposed was that there had not been sufficient cooperation between the two railways.

Mr. HOWE: The hon. member asked me to correct him if he were wrong, and I shall be glad to do so. I said nothing of the kind.

Mr. HEAPS: Then I apologize to the minister, and I shall probably look up Hansard to see what he did say, I do not want to do him any injustice. I was saying that no new principle is involved in what I propose. These men are to lose their positions as a result of legislation put on the statute books of this country, and I think the least that parliament can do in a case of that kind is to see that the men are reasonably compensated for the positions they are about to lose.

Mr. WOODSWORTH: A question has arisen with regard to the agreement recently secured by the railway people in the United States. I hold in my hand a Labour paper, entitled Labour, under date of May 26, in which the agreement is given in full. I do not want to burden the committee by reading any lengthy extracts, but I notice that the agreement conforms to the statement of my colleague (Mr. Heaps). I quote from the article:

> Senator Burton K. Wheeler of Montana, and Congressman "Bob" Crosser of Ohio, who were ready to push railroad workers' protective legislation through congress if no agreement had been reached, emphatically expressed their satisfaction over the signing of the pact.
>
> President Roosevelt beamed with delight when the tired, but happy, railroad labour chieftains filed into the White House along with the carriers' committee, to report that the pact had been signed.

Then is given a brief summary of the agreement.

> Carriers are required to give ninety days' written notice to employees who will be affected by consolidations, and within thirty days after the notice conferences must be held between representatives of the men and the management. Machinery is also set up to handle any disputes regarding the displacement of employees.
>
> No employees' wages will be reduced if, as the result of a consolidation, he is placed on a job paying a lower rate.
>
> Displaced employees will be paid coordination allowances—

Mr. HOWE: I would raise the point of order, Mr. Chairman, that this has nothing to do with the section under discussion.

The CHAIRMAN: The point of order raised by the minister is whether the article which the hon. member is reading has anything to do with the item under discussion—

[Mr. Heaps.]

Mr. WOODSWORTH: Yes, it has, most decidedly. This is an agreement recently secured in the United States.

The CHAIRMAN: Order. The committee is still on clause 2, dealing with the definition of trustees, and I do not see that the article the hon. member is reading has any bearing on clause 2.

Mr. WOODSWORTH: Mr. Chairman, the discussion on this point has gone on for some time. My colleague was speaking on this question just a few minutes ago, and it has been discussed backwards and forwards. There has been a general discussion on this clause relative to the reorganization of the board, and I respectfully submit that I am in order in referring to this arrangement that has recently been secured in the United States, and I hope that I may be permitted to read a paragraph or so.

The CHAIRMAN: I think the hon. member would perhaps not be very much out of order if he would make a reference to it rather than read the whole article.

Mr. WOODSWORTH: The reference has already been made, Mr. Chairman, and it was in order to substantiate a statement made by my colleague that I wanted to quote a paragraph or so from this paper, which summarizes the arrangement made in the United States.

Mr. BENNETT: On the point of order, Mr. Chairman, surely the hon. member is within the rules in view of the discussion which has taken place in this chamber in the last three hours, and it would be most unjust, I think, to limit him in view of the extent to which this discussion has gone. As you will recall, Mr. Chairman, on this clause we are discussing the general principle of the legislation; it has been discussed from every angle by almost every member of the committee who has spoken, and to limit the discussion now would seem to be unfair. I do not think, Mr. Chairman, that you quite caught the words which the hon. member was using because there was a noise at the moment. What he said was that he proposed to read from the article to remove any doubt as to the nature of the arrangement which had been made in another country, and if he is promoting a particular view I think it would be quite within the general rules of discussion in this house for him to do so, in order to make his reference exact. If one refers to the speeches made the other day and the extracts made from books on central

banks one can readily understand what I mean. This business of quoting from articles and papers and books has reached a point in the house as a whole where it seems to me to be quite unfair to endeavour to limit it in committee. I say that, Mr. Chairman, with deference, because I realize that we desire to limit the quotations which are made, but in view of the wide extent of the present discussion I think surely the hon. member is in order.

Mr. MACKENZIE (Vancouver): I understood that the hon. member for Winnipeg North (Mr. Heaps) intended to move a specific amendment embodying his views.

Mr. HEAPS: To clause 4, where I think it would be more applicable.

Mr. MACKENZIE (Vancouver): Then surely, Mr. Chairman, the discussion of the hon. member for Winnipeg North Centre (Mr. Woodsworth) would come more appropriately on clause 4 than on the present section.

Mr. WOODSWORTH: My colleague was allowed to introduce the question, and the discussion has covered a very wide range. My colleague emphasized a point that had been made by a Liberal member, and I am just seeking to give a brief résumé of what actually took place in the United States. It is only two or three paragraphs, and, as the leader of the opposition has stated, is quite in keeping with the discussion which has taken place. I cannot see that I should be suddenly choked off at this stage of the discussion.

Mr. HOWE: Mr. Chairman, perhaps I should explain why I raised the point of order. The previous discussion had something to do with management, which is what was under discussion. My hon. friend's remarks have to do with legislation in another country, which has nothing to do with management so far as I can see.

Mr. WOODSWORTH: It is not, strictly speaking, legislation; it is an arrangement under which certain agreements were arrived at between the employees and the railway companies.

The CHAIRMAN: If the hon. member will permit me, paragraph 306 of Beauchesne's Parliamentary Rules and Forms, page 101, which was referred to this afternoon, states:

> It is not in order to read articles in newspapers, letters or communications emanating from persons outside the house and referring to, or commenting on, or denying anything said by a member—

And so on. It is the first part of the paragraph to which I direct attention. I want to say this to the hon. member who has the floor. I have no desire to curb any discussion with regard to this bill; that is not my intention. I think a very wide latitude has been allowed to members of this committee speaking this afternoon on the bill. Railway matters were gone into quite thoroughly, and I think most hon. members of the committee, on both government and opposition benches, who spoke this afternoon were out of order if the rules were enforced strictly. I have no desire that that should be done and I ask the hon. member for Winnipeg North Centre to be as brief as possible and curtail his remarks as much as he can.

Mr. BENNETT: On the point of order, Mr. Chairman. I should like to direct your attention to a slight error into which you fell a moment ago. You will observe that the word "and" is used. Paragraph 306 reads:

> It is not in order to read articles in newspapers, letters or communications emanating from persons outside the house and referring to, or commenting on, or denying anything said by a member or expressing any opinion reflecting on proceedings within the house.

You, sir, read it as though it were divided into two sections. It is not. This error has been made before; the conjunction "and" is used. There must be a communication emanating from persons outside the house and it must refer to, or comment, on, or deny something said by a member. This point of order does not fall within that rule.

The CHAIRMAN: The right hon. leader of the opposition is correct. The other part of the rule does not bear on this point of order; it is only the first part. It was to that part of the paragraph I was referring.

Mr. BENNETT: It cannot be separated. The conjunction "and" joins two things; it is not an alernative. That is the point to which I was directing your attention.

The CHAIRMAN: I ask the hon. member for Winnipeg North Centre to endeavour to keep within the rules of the house and not to read the whole article in the paper.

Mr. WOODSWORTH: I am not reading the whole article.

Mr. LAPOINTE (Quebec East): On the point of order, Mr. Chairman. I am not pressing it, but I should like to remind hon. members who were in the last parliament that we were always prevented by the Deputy

Speaker from reading any article in a newspaper. My right hon. friend unfortunately sided with the Deputy Speaker of that period and I was many times a victim of the ruling.

Some hon. MEMBERS: Hear, hear.

Mr. BENNETT: I hope this manifestation of applause is not indicative of the state of mind that it would seem to indicate is possessed by those who are guilty of it. May I remind the hon. member that he was not in the house this afternoon. If he had been he would have heard the discussion which took place. I have always contended that the reading of newspaper articles in the house is an unsound exercise of privilege by hon. members.

Mr. LAPOINTE (Quebec East): I heard that before.

Mr. BENNETT: But the house has adopted the other rule. During the last five years extracts from every paper in the world were read continuously from this side of the house.

Mr. LAPOINTE (Quebec East): We were prevented.

Mr. BENNETT: I can recall vividly one extract read by the hon. member who now has the floor. That was from a leading Canadian journal and I recall it vividly. That would have fallen within the rule which was enforced by previous speakers, namely, a statement by someone outside the house reflecting upon someone within the house.

Mr. LAPOINTE (Quebec East): Any newspaper article.

Mr. BENNETT: I was unable to carry that view. That is my view still, and I told the chairman so this afternoon. This paragraph 306 is not an alternative. There must be two things. First, there must be a reading from an article and, second, it must refer adversely to someone in the house or deny some statement made. That is the matter under discussion and it also came up this afternoon. It is not conducive to the conduct of the house according to the rules if we depart continuously from the line of action that has been laid down. In the early stages of this session I directed attention to this fact, that the house has continuously violated the rule and permitted extracts to be read from newspapers and the views of persons other than hon. members to be referred to in this chamber. I have accepted that as the established rule. I pointed out this afternoon that as we have accepted that as the rule which is to govern, we must treat everyone with the same measure of consideration. When the hon. member for Winnipeg North Centre was stopped from reading, I pointed out to the Chairman that however much we might agree with him, and had in times past endeavoured to promote that view, since the beginning of this session we had followed another view.

Mr. LAPOINTE (Quebec East): We are more lenient than you were.

Mr. BENNETT: You are more careless of the rules that govern the conduct of the business of the house. That is the proper way to put it, but it is not my duty to see that the rules are enforced. I endeavour from my place as a member, in the position which I occupy, to see that everyone receives the same consideration. I am bound to say that you, Mr. Chairman, afforded the widest latitude this afternoon to every hon. member to go into every detailed phase of this railway problem. The hon. member now having the floor (Mr. Woodsworth) was reading an extract from a paper published in the United States to indicate how they had dealt with the problem and to remove doubts as to the correctness of a summary given by the preceding speaker. He was stopped from reading this extract and it was then I intervened, not for the purpose of questioning the observations made by you, sir, but for the purpose of pointing out that in the hurried reading of the paragraph you had overlooked the conjunction "and" and had treated the paragraph as being an alternative rather than in the sense in which it is used

Mr. MACKENZIE (Vancouver): I do not think that was the point of order raised. The hon. member for Winnipeg North (Mr. Heaps) referred to the question of compensation and informed the committee that when we reached clause 4 he intended to raise that question specifically. The hon. member for Winnipeg North Centre (Mr. Woodsworth) now seeks to continue a discussion on a question which his colleague said he was going to submit to the committee when clause 4 was reached. I submit that it is out of order for the hon. member to proceed under clause 2, but he would be quite in order under clause 4.

Mr. WOODSWORTH: Are we on the point of order? If we are, I should like to say that there have been two points of order raised. The first is as to the discussion, whether or not I am in order in introducing the question of compensation. I may say that the minister made certain statements with regard to the situation in the United States. I did not think these statements were altogether fair and I was seeking to answer them. This question had already been taken up in the committee. As the leader of the opposition (Mr. Bennett) has said, hitherto there has been a wide open discussion upon this bill. The Chairman him-

self has said that he considers that the greatest part of the discussion this afternoon was out of order. Personally, I object to discussion being allowed to go on which the Chairman himself considers to be out of order and then when I get up to speak find that I am ruled out of order on the same kind of discussion that has been regarded as being in order. That is one point.

The other point has already been referred to by the leader of the opposition. Under our rules, the reading from a newspaper is out of order if the article expresses an opinion on a matter at issue. I am not reading from an article that expresses an opinion; I was simply attempting to read a paragraph which gives a summary of an agreement that has been recently arrived at in the United States. This paragraph expresses no opinion; it simply gives the facts in the case. I was doing this to illustrate my point. This matter has been discussed already on the floor of this committee, but hitherto I have not had the opportunity of speaking. I claim I am quite in order.

The CHAIRMAN: In order to clarify the whole situation, let me say that I consider the point of order raised by the Minister of National Defence (Mr. Mackenzie) to be well taken. The hon. member for Winnipeg North Centre (Mr. Woodsworth) was confining his remarks mainly to the question of compensation. It is true that the minister referred to compensation, but he did so in answering a question put by the hon. member for Winnipeg North (Mr. Heaps). The hon. member intimated that he was going to move an amendment when we reached clause 4. This amendment would have reference to compensation, and there is nothing about compensation in clause 2. Therefore I rule on the point of order raised by the Minister of National Defence. May I say to the hon. member who has the floor that if he wants to talk about compensation he will have to wait until we reach clause 4.

Mr. WOODSWORTH: I am talking of compensation only as it is related to the reorganization scheme.

The CHAIRMAN: I have given my ruling.

Mr. WOODSWORTH: I appeal against your ruling, Mr. Chairman. I think we have reached the stage where some of us, if we are to be choked off in this fashion, might simply go home. I appeal against your ruling.

The CHAIRMAN: I have no desire to "choke off" any hon. member.

Mr. WOODSWORTH: The record speaks for itself.

The CHAIRMAN: I have given my ruling.

Mr. WOODSWORTH: And I have appealed against your ruling.

Mr. Speaker having resumed the chair.

Mr. SPEAKER: In the course of discussion on clause 2 of the bill, the hon. member for Winnipeg North Centre (Mr. Woodsworth) began to speak on the question of compensation, which is dealt with in clause 4. The Chairman ruled that the discussion was out of order and the question now is whether the ruling of the Chair shall be sustained.

Mr. WOODSWORTH: Is that statement correct?

Mr. BENNETT: No.

Mr. LAWSON: The statement of the ruling is not correct.

Mr. SPEAKER: It is the statement as submitted to me.

Mr. DUNNING: It is not correct for the reason that I understood you, Mr. Speaker, to read that the question of compensation is dealt with in clause 4 of the bill. I have just read clause 4 and I can see there nothing in the nature of compensation mentioned in the reference to you.

Mr. SPEAKER: The Chairman ruled that the question could not be discussed under clause 2. The question now is whether the ruling of the Chair shall be sustained. Those in favour of the ruling of the Chair being sustained will say aye.

Some hon. MEMBERS: Aye.

Mr. SPEAKER: Those opposed to the ruling will say nay.

Some hon. MEMBERS: Nay.

Mr. SPEAKER: I declare the ruling of the Chairman confirmed.

Mr. WOODSWORTH: On division.

And the house having resumed in committee,

Mr. WOODSWORTH: If I am in order in speaking, I wish to suggest that when the minister introduced this legislation he stated very clearly the main reason for which the 1933 legislation was to be amended. He said:

> Mr. Speaker, in bringing down this measure I feel I am sponsoring a most important and necessary piece of legislation. It is common knowledge that the three directors to whom the direction of the railways was entrusted as a result of the 1933 act have made no real progress toward the improvement of our railway situation. To date they have failed to

achieve any substantial cooperative economies, to secure which was the principal object of their appointment and the outstanding feature of the 1933 legislation. Not only have they failed to secure any substantial results to date, but on their own published statements, the prospect of future results from cooperative measures, plans and arrangements is not bright. Nor have they been able to reduce to any great extent Canadian National operating costs, due to the fact that that avenue had been so thoroughly explored by the previous boards of directors.

Here, then, we have a statement from the minister as to the underlying reason for the legislation which is before us. The old board had not been able to make any substantial progress in securing economies under a co-operative scheme. This board, if we make the new set-up, will no doubt be expected to travel a little bit faster in the way of co-operation and the securing of economies under these cooperative schemes. As we in this corner pointed out when the 1933 legislation was introduced, the wage bill occupies a very prominent place in the expenditures of the railways, and if we are to economize through cooperation the chief economies, or at any rate some of the main economies, must result from the cutting down of the wage bill. Another would come through the abandonment of some of the branch lines which are to-day serving the public. We tried at that time to establish the principle that the interests of the public and the welfare of the employees of the road should have prior consideration, should take precedence over the interests of the bondholders. For it will be remembered that the present leader of the opposition, then Prime Minister, said that in reality the road was owned not by the people of Canada but by the bondholders; that the road to-day was almost, as it were, in the hands of the receivers, some such phrase as that.

The point which my colleague was trying to emphasize a few minutes ago is that if employees of the railroads are to be turned off to effect economies under the new set-up they may suffer a great deal of hardship. We are trying to insist that those who in consequence of this change will suffer loss shall be recompensed. I think that is a reasonable proposal, and one that should be advanced at this stage of the bill. The principle of compensation has been recognized in other spheres of business. The state has interfered in a great many ways between employer and employee, seeking to safeguard the interests of the employed; and what I was trying to point out was that even in a country, namely the United States, where perhaps we think lower standards prevail, this principle has been recognized. That is all I want to urge at this stage. I am not advocating any particular methods by which that principle might be put into effect. In the United States it was done through an agreement. In this country, as my colleague has shown, the necessity for some protection of the employees has resulted directly from legislation introduced into this parliament. The minister, when my colleague made that statement, objected to it. He pointed out that we were not altering a great many things in the act of 1933. That is true. But the act of 1933 was brought in specifically to secure certain economies. Those economies could be obtained only as wages were cut down or as certain employees were laid off. Under those circumstances we tried to introduce the principle of compensation. The situation has now changed to this extent, that the board now being set up is replacing the old board for the very purpose of more effectively securing the economies which, the minister states, the old board failed to achieve. For this reason, since the government seems to be intent on economies, we believe it is all the more necessary that the proper claims of employees should be recognized.

One of the railroads is a government concern. Surely all along we have recognized certain special responsibilities of parliament towards the Canadian National Railways. We have paid the deficits of that railway, and we have done so in order to help the bondholders. Some of us take the position that, if it is necessary for this parliament to come to the aid of the bondholders, it is surely just as necessary that it should come to the help of the railway employees, more especially as the legislation is put on the statute books to help the bondholders. Should provision for compensation be put on the statute books? Well, if we are to provide certain safeguards for bondholders there is no reason why we should not, at the same time and in the same instrument, provide for the interests of the employees. That is the reason I introduced the matter a little while ago. I pointed out that in the United States the principle of compensation was now very clearly recognized. If it had not been arrived at through voluntary agreement between the railways and the employees undoubtedly legislation would have been introduced. But the minister must admit that the situation in the United States is vastly different from that in Canada. In the United States the railroads were privately owned, and there had been no drastic legislation enforcing anything in the form of cooperation or consolidation. In this country one at least of the roads is a government road, for which we have very heavy

responsibilities, and it is the action of this government itself that is leading to a measure of cooperation or consolidation. I think, then, we are quite right in urging upon the minister the necessity of incorporating in the bill provisions of this kind. No such provisions are now contained in it. I can quite conceive that, on any particular clause of the bill where we attempted to introduce anything of this kind, the Chairman would again rule us out of order. That is the one reason why we wanted to introduce it when we were discussing the whole set-up. I would ask the minister again, as my colleague has done, whether he can give any assurance to this committee that he will take into serious consideration the inclusion in this legislation of some sort of compensation clause which will ensure that, if in the process of carrying out these principles of so-called "cooperation" employees are dismissed or are forced to take lower positions, their interests will be safeguarded. I would urge the minister to give us some assurance that he will include in this bill a provision of that kind.

The CHAIRMAN: Section 2 carried.

Mr. WOODSWORTH: Has the minister no answer to that request? He might at least show us the courtesy of saying that he refuses to consider it.

The CHAIRMAN: Section 2 is carried. Section 3, Part I.

Mr. FINN: Mr. Chairman—

The CHAIRMAN: We are now at section 3.

Mr. HEAPS: The hon. member was on his feet.

The CHAIRMAN: Section 3.

Mr. FINN: I took my seat in order that the hon. member for Winnipeg North Centre (Mr. Woodsworth) should not be interrupted by me; and in the meantime I have not had an opportunity. Subject to your ruling, Mr. Chairman, I was going to ask a question of the chair, and it is this: It seems to me—

The CHAIRMAN: Order. The hon. member for Halifax (Mr. Finn), I think, seems not to have heard what I said. I said that section 2 was carried, and he was quite in order to discuss section 3.

Mr. FINN: Yes, but, Mr. Chairman, I said that I was on my feet before the Chairman made the ruling that carried section 2. I have no disposition to prolong or extend the debate in connection with this bill. It is a most important bill, one that affects every part of Canada. It affects particularly the maritime provinces, and it seems to me, from the ruling of the Chairman as to all hon. gentlemen who spoke on both sides of the house this afternoon and this evening, one does not just know how far he is permitted to go in the discussion of the general principles involved in this measure, or whether one is absolutely tied down as a finality to the section under consideration, namely section 2. Surely within the confines of this bill there must be—

The CHAIRMAN: Order. I must draw to the attention of the hon. member for Halifax that he is under a misapprehension if he says that the committee is on section 2. Section 2 is carried, and we are now on section 3.

Some hon. MEMBERS: No.

Some hon. MEMBERS: Yes.

Mr. BENNETT: Section 3; it is broader than section 2.

Mr. MACKENZIE (Vancouver): Much broader.

Mr. DUNNING: You have plenty of room under section 3.

Mr. BENNETT: Section 3 is broader than section 2.

Mr. R. E. FINN (Halifax): My hon. friend the Minister of Finance tells me there is plenty of room under section 3; I hope there is. I have not had a chance to look at it. When I do I shall know better whether he is speaking as a layman or as one of the learned profession. This bill, it seems to me, is a desirable measure. If one goes back over all the legislation that has been brought down in this house by Liberal governments or Conservative governments, including the late government led by the present leader of the opposition (Mr. Bennett), it will be seen that they were all in accord on the fact that this railway belongs to the Canadian people and that it is in the interests of Canada that there should be a board of directors on which the various provinces would have direct representation, and which, independent of hon. members of this house, would look after the interests of the various provinces and of the dominion as a whole. If that policy was good and was believed in and lived up to; if that was the policy of the Right Hon. Sir Robert Borden when he was Prime Minister; if it was right when the Right Hon. Arthur Meighen was Prime Minister, who enunciated that policy when he was in opposition, I cannot see why the legislation of 1933 which is now being repealed was brought down in this house by the late prime minister. I had not an opportunity of hearing the reasons given by the present leader of the opposition for the legis-

lation of that day, but by it three gentlemen, called trustees for whom I have great respect, were given charge of 25,000 miles of railway in this country, including the Canadian government railways and the Intercolonial railway which under section 145 of the British North America Act belongs to the crown. The Intercolonial railway by one stroke of the pen was taken from the people of the maritime provinces and placed under a board of management on which the people of the maritime provinces had no representation and were practically not consulted. I was astounded to learn in the railway committee that in the last annual statement brought down by the present board of trustees they showed a deficit of $5,265,373 on the eastern lines, a deficit of $360,334 on the Prince Edward Island car ferry and terminal, and a deficit of $41,791,000 on the system. During the time I had the honour of sitting in parliament from 1922 to 1925, it was arranged after representation to the late Sir Henry Thornton and the board, that there would be regions established, and regions were established. Members from Nova Scotia, New Brunswick and Prince Edward Island represented to Sir Henry Thornton and the board of directors, on which sat the then Deputy Minister of Railways, the reasons why we in the east should have an Atlantic division. That Atlantic region was set up, but we were given only the brain and the body; its legs were cut off; the region stopped at Rivière du Loup instead of continuing on to Montreal, which was the western terminus of the Intercolonial railway. In the statutes to-day the provision is that the Intercolonial railway consists of the line from Halifax through to Ste. Rosalie or Diamond junction.

From 1867 for forty-three years we had "arbitraries" on that road, to use the terms of the Minister of Inland Revenue of a former government. He called them, in relation to income tax, "arbitraries," why? Because they were not rates based upon any scientific system of railway rates but rates made in order to permit us to get into the market of central Canada and take our place industrially in this dominion. That was the reason the Atlantic division was set up. But that Atlantic division was a disappointment; it is a disappointment to-day, and we insist that that Atlantic region shall extend from Halifax to Montreal. Leave it as the late Hon. Mr. Blair made it and Hon. Mr. Emmerson left it, a road that we were proud of, started in the early days of confederation and pushing on towards the great centres that developed rapidly in central Canada, as compared with us in the maritime provinces with a small territory and a country closed against us to the south by a high tariff and where so many of our people went to live. We started out with a great disadvantage; we are under that disadvantage to-day, and unless something is done to remove it I say with all sincerity that the consequences may be serious. I may not live to see them; I expect my life is not going to be so long, but other men will see what will happen unless the government afford us some relief. I speak in criticism of the government of my right hon. friend the leader of the opposition, and I think we may well bury the differences that may have existed. At this session of parliament we may well set ourselves to the task of righting the wrong that has been done, and we should attempt to place the maritime provinces in a position in relation to the central provinces of Ontario and Quebec as favourable as that in which the western provinces are to the centre of the dominion. All hon. members know the Drummond county railway was leased by the Intercolonial under the authority of the parliament of Canada and that afterwards it was purchased. In time we saw the trains leaving the city of Halifax and travelling through to Montreal. Later we saw the shadow of a great wrong coming down upon us, and the train was cut in two at Rivière du Loup. The feet were taken off the head and body, and the train crews had to sleep in cars at Rivière du Loup, so as to pick up the train at that point returning to Halifax. They did not go through to Montreal, as they had done formerly.

We in the maritime provinces have some rights. I stated once before in this chamber, and I repeat to-night that we were the hewers of wood and the drawers of water. The men who made Canada what it is to-day came from the east because there was no west in their day. If the brains of the east made Canada what it is, surely we are entitled to some consideration. Our little province by the sounding sea, the province with a magnificent maritime frontage and the harbour with which God and nature endowed us, should be given what it deserves, what is its right. If, when we entered confederation, we gave all these advantages to round out and to make Canada the nation she is, surely at this late date we are not to be told that we cannot participate in her development from the province of Quebec through to the great Pacific ocean. Surely we in the maritime provinces are not gradually to recede as does the tide and die of ennui; surely we are to be given our proper place in the dominion, and surely industries in the maritimes which could compete with those in the central and prairie

provinces, but are prevented from so doing by excessive freight rates and indifference to transportation needs, should be permitted to exist.

I say to the leader of the opposition that I never before in my life read a statute which within its four corners was so completely imperialistic, and I do not use the word in a sense of empire, but in a sense of might. Napoleon said that military genius was the thing which ruled the world. The statutes of 1933 made provision for the appointment of three trustees who would have supreme control over 25,000 miles of railway. They would be responsible to parliament and to the Minister of Railways only in so far as the making of reports and voting of moneys for capital expenditures were concerned. Beyond that they would sit on their thrones, but to-day those thrones are tottering. They were placed in a position even higher than that of the chief justice and judges of the Supreme Court of Canada, our final court of appeal, who can be removed only through the passing of an address by both houses of parliament. Our judges are placed in that high position because we want to have them removed from the man on the street. They are placed in that high position because they have to deal not only with property but with the lives of individuals governed by the laws of Canada. Therefore they should not feel that they are under the control of the people or of parliament.

Such conditions, however, do not apply to the board of trustees, and when the leader of the opposition placed them in a position equal to that occupied by the supreme court judges, I strongly suggest that he was going too far. The people of Canada who are paying through the nose for these 25,000 miles of railway have no right to speak or to whisper into the ears of the management of the national lines to-day. I do not believe in the patronage system as it existed in the early days, and I think we have developed to a point where such a system in its entirety could not exist. When men are placed in public positions, mind their own business and do their duty they should be protected. I have always taken that attitude, and I take it here to-night.

I must say, however, that I am in favour of the repeal of the 1933 legislation for the reasons I have indicated. In giving my opinion I do not have to appeal to the judgment of the Prime Minister, or to that of the Minister of Railways and Canals or to that of the Bennett government who were responsible for the legislation. I ask the leader of the opposition only to read the reasons given by Sir Robert Borden and those which were given by the Right Hon. Arthur Meighen when prime minister to the effect that under no organization other than a board of directors representative of the whole of Canada would it be possible to maintain a railway system in the interests of the people as a whole.

Some of the wrongs that have been done by the act of 1933 cannot be righted. When we are talking about amalgamation between the Canadian Pacific Railway Company and the Canadian National Railways, I would ask Sir Edward Beatty and his board of directors what action they took in connection with the Crowsnest Pass Rate Act of 1897, and why the rate applied only as far as Mégantic in the province of Quebec and was not extended to the port of Saint John, which was the eastern terminus of the then Canadian Pacific railway which was then being operated from Vancouver to that port. This rate, if fixed to Saint John, would be met by the Canadian National Railways over their line to the port of Halifax and both ports would then come into their own in eastern ports.

If amalgamation is in the air, it will stay in the air. It will never come down to mother earth because there is no honest, sincere intention—I am not speaking now as to personal integrity—of doing anything at all to help the people of the maritime provinces on the part of the Canadian Pacific Railway, but rather they wish to help themselves. They took advantage of the fact that as Megantic was the last point in eastern Canadian territory in the province of Quebec, before running across the state of Maine, they would not have to give the through rate which the Crowsnest pass agreement required. The railway as it existed and was operated in 1897—and they were operating in 1897 from Vancouver to Saint John—cut us off at Megantic, and they will as occasion requires cut us off at any other point. These great corporations have received much at the hands of Canada. A few millions of people have undertaken tremendous financial obligations, and in the words of the Chief Justice of the Supreme Court of Canada in 1925, Sir Lyman Duff: This question was one that should be considered by itself on application to the court because it was not one of the questions for presentation to the supreme court at that time and therefore they were unable to pass upon it. But in the statutes to-day there is a provision sufficiently large.

There are 470 million bushels of wheat grown in our western country, and I would ask how many hundred millions of bushels of that wheat come through to the maritime ports in winter, either to Saint John or to

Halifax. It goes to Montreal and Quebec and is taken down the mighty St. Lawrence, and then when providence closes that great river by ice, where do these millions of bushels go? They go to United States ports, to be handled by the labourers and stevedores and agents in those ports, while the people who have spent almost their life-blood in order to survive and keep Canada together have to sit back and see their eastern gateways receiving nothing, practically doing nothing, and the port of Saint John would not be receiving what it is to-day if it were not for the fact that it is what you might call the half-time servant of a half-time corporation, the Canadian Pacific Railway, in this country.

Look back over what Canada has given the Canadian Pacific Railway, what wealth of money and wealth of soil; compare that with what the Canadian Pacific Railway is giving us, and then consider whether or not a few hundred thousand dollars thrown at the people of the maritime provinces is sufficient. It is like giving a milk bottle to a baby to keep it from crying when people are around and do not want to hear the noise, but when they go away the milk bottle is taken away and the baby can cry as long as it likes. We are not babies in the maritime provinces. We do not cry. We stand on our own ground, equal in status in Nova Scotia with the people of every other province of Canada, equal in status as completely and as securely as is Canada in the commonwealth of nations, under the act that my right hon. friend recommended in England be placed on the statute books there, the statute of Westminster, which makes all dominions of the empire equal in status. When we in Canada get that idea of the smaller eastern provinces having their rightful place and their proper share in the production and distribution of the products of this dominion, then we shall begin to feel that we are coming into our own, and tardy though it may be it is not yet too late.

I wish to congratulate the Prime Minister, the Minister of Railways, and the government on the step they have taken in this legislation. In the province in which I had the honour to be a candidate of the party supporting the right hon. the Prime Minister, one of the issues was the taking away of the power given to the board of trustees under chapter 33 of the statutes of 1933, the Canadian National-Canadian Pacific Act, and putting it back where it rightfully belongs, in a board of directors to be appointed by the governor in council, which exists through the authority of the people.

My right hon. friend the Prime Minister was a bit too modest while speaking yesterday afternoon. In that great city of Toronto from where my hon. friend, the ex-mayor of Toronto, comes who spoke this afternoon (Mr. Church), where, it seems, there is neither liberty of thought nor liberty of action nor liberty in religion, no liberty perhaps in anything at all, the present Prime Minister, leader of the Liberal party, during the election campaign made this statement: "I desire the people of Canada to know that if I come into power—and I ask for a majority sufficient to give me a mandate to meet the senate which is overwhelmingly Conservative, so that they dare not touch legislation passed by the House of Commons of Canada through the people's will—I propose to repeal the 1933 act and go back to the system that we had before." That voice was heard clearly from one end of Canada to the other, and what was the answer? The answer is in this chamber to-night; it is in the representation behind the Prime Minister in this chamber to-night, the greatest representation ever given to a public man in Canada since Canada became a confederation in 1867. If my right hon. friend the leader of the opposition feels that he is being criticized inferentially through the repeal of the 1933 legislation, it is the will of the people as spoken at the polls as clearly as the voice of the right hon. gentleman or of the Prime Minister is heard in this house when they speak on questions of importance and on matters involving the future prosperity of this country.

Let me say further, Mr. Chairman, that before the railway committee I asked a question or two. I said: I notice that in your annual statement you have "eastern lines." There are not any. I asked: Is that the Atlantic division or region? The answer was, no. I said, " What does it include?" They told me that it included the road through to Ste Rosalie, outside Montreal and two pieces of railway in Quebec, one 180 miles long and the other 110 miles. I was told that that together with what is known as the Intercolonial railway makes up what they call the eastern lines on which they say there was $5,265,373.20 of a deficit. I asked if they would give me—this was on the order of the chairman of the committee, the hon. member for Rimouski (Sir Eugène Fiset)—the receipts and expenditures on the Atlantic division as it existed to-day. Mr. Fairweather, who is in charge of the finances and economics of the road, said that it would cost too much to get that statement ready to let the people of the maritimes and of this country know how much it was costing to run the Atlantic division and how much was

being received in return. I want to be fair to Mr. Fairweather, to the president, Mr. Hungerford, and to the board of directors, but the fact remains that when the hon. member for Winnipeg North (Mr. Heaps) asked a question with reference to the deficit of some $383,000 on the Prince Edward Island ferry, in the twinkling of an eye, not waiting for the last trump or the last trumpet, they had the number of cars carried, the number of passengers carried and the cost of operating the nine miles of railway in Prince Edward Island. But they had no information to give the committee or parliament as to the cost of operating the Atlantic division, or how much of that deficit of over five million dollars belonged to the Atlantic region and how much belonged to what is known as the eastern lines of the Canadian National Railways.

In answer to an order of the chairman of the committee, Mr. Fairweather addressed to me a letter which speaks for itself. If an hon. member of this house is not entitled to information upon the order of a chairman of the committee so that he may deal intelligently with the question involved, then responsible government is gone. This is the first reason why the board of trustees should go. These officials have done as they pleased and they give just what information they want to give. You cannot find out what salaries they receive as it is shown in a lump sum. They are like certain other people; they go aside and they divide the loaves and the fishes. This is the letter I received. It is on the letter head of the Canadian National Railways, Bureau of Economics, Montreal, Quebec. It is dated May 8, 1936, and is addressed to me. This letter reads:

I did not have the opportunity of seeing you before leaving Ottawa. I recalled having promised to prepare a statement—

The CHAIRMAN: I do not like to interdupt the hon. member, but he has spoken forty minutes.

Mr. FINN: I am sorry my forty minutes are up, but I am glad there are other sections.

Hon. C. H. CAHAN (St. Lawrence-St. George): Mr. Chairman, I was hoping the Prime Minister (Mr. Mackenzie King) would be in the chamber to-night. In connection with an answer which he made to me yesterday afternoon, I have gone into the record more carefully. The right hon. gentleman was referring to 1933 when section 7 of the existing act, which it is proposed to repeal, was under discussion. He stated:

I think it was stated very plainly that if that clause did carry, every effort would be made to see that the House of Commons, which was the representative of the people as a whole, would not have its hands tied with respect to the control of any industrial activity for which it might be held responsible.

I have looked very carefully through the debates. I may have overlooked something but I cannot find anything which fully substantiates that remark of the Prime Minister But I should like to call attention to something that I did find. I refer hon. members to page 4583 of the Hansard of May 4, 1933. At that time the leader of the opposition of that day, the present Prime Minister, proposed that certain words in section 7 of the bill then under discussion should be struck out. This section reads:

No trustee shall be removed from office, nor suffer any reduction in salary, during the term for which he is appointed, unless for assigned cause and on address of the Senate and House of Commons of Canada.

The record shows that the present Prime Minister was then proposing to strike out from this section the words, "and on address of the Senate and House of Commons of Canada." The section would then have read:

No trustee shall be removed from office, nor suffer any reduction in salary, during the term for which he is appointed, unless for assigned cause.

In moving that amendment the right hon. gentleman said:

—if at any time a Liberal administration should be returned to power and I had anything to do with it, my last desire would be to remove any trustees appointed by the present government provided they were performing their duties impartially, fairly and well.

In reply to that statement, the then Prime Minister, the present leader of the opposition (Mr. Bennett), is reported on page 4585 of Hansard as follows:

When we say that good cause must be assigned for their removal or dismissal I am glad to hear the right hon. gentleman say that he thinks that is fair.

Mr. Mackenzie King: I agree with that entirely.

I was intending to call the attention of the Prime Minister to those remarks. At that time he gave what was practically a pledge to the House of Commons that no trustees would be removed except for cause assigned. That statement "for cause assigned" has a very clear and specific meaning. If that pledge is to be carried out in its entirety, as I think it should be, the present trustees should not be removed except for cause assigned, at least for cause assigned to this House of Commons or to a committee of this House of Commons, so that the trustees who are about to be removed might have

ample opportunity to vindicate their position. I regretted very much, on reading the report of the standing committee on railways and shipping, which is now on the table of the house and therefore may be referred to by members, to learn that before that committee full opportunity was not given to its members to elicit the actual facts with regard to the proposed removal of the trustees, which was then under consideration.

With regard to the report made by Mr. Fullerton in reply to certain statements which have been made in the house by the Minister of Railways (Mr. Howe)—I believe it was on the second reading of this bill—Mr. Fullerton said:

> I wish to say most emphatically that we have exerted every effort to vindicate the hopes of the commission, and to add with some pride that, having regard to the brief time so far elapsed, we have achieved a substantial measure of success. So far as I have ever heard, there has not even been an allegation that the board of trustees has been influenced in the slightest degree by any political consideration at any time. The board has acted at all times, or endeavoured to act, as business men of broad and far-reaching responsibilities would act.
>
> When we entered into office there had already been some years of the depression, and already great and needed economies had been put into effect, but under the management of the trustees these economies, in spite of obvious difficulties, were augmented, and to-day, when all the factors affecting the railway are taken into consideration, it is my confident claim that the railway is more economically operated, that its efficiency as a transportation system is greater, and that it is better equipped, from the viewpoint of prospective profit, to deal with business expansion than it ever was before. The proof of these claims will be found in the public records of the company.

I have been reading from page 216 of the minutes of proceedings and evidence before the standing committee on railways and shipping. I wish to do full justice to the Minister of Railways, for before the committee he stated very clearly, as reported at page 228:

> I am willing to grant all that Judge Fullerton says about economies. I think the road has been carefully operated....

And so on. It seems to me under the circumstances that the pledge—because I think it was a pledge—made by the present Prime Minister when the original bill was under discussion, that none of these trustees would be removed from office by any government with which he was connected, unless for cause assigned, demands that before this bill finally passes there should be an opportunity for this committee of the House of Commons and for the House of Commons as a whole to ascertain definitely in what respect these trustees have been delinquent in regard to the duties imposed upon them; otherwise they should not be removed. This house should be fully informed. Mr. Fullerton declared that in no case had any suggestion been made of any partisan action on their part, and I think that is entirely in accordance with the facts. He also stated that in dealing with the administration the commission had always sought what they believed to be the promotion of the best interests of the railway and of the public service as a whole. I think, therefore, that this house is entitled not only to have a cause assigned but to have full access to the evidence on which any complaint against these commissioners is based, so that the house itself, irrespective of any action that may be taken in another place, can fully and fairly consider whether these commissioners have been so delinquent in the administration of their office as to be subject to summary removal, as is proposed in this bill.

Right Hon. R. B. BENNETT (Leader of the Opposition): I desire to add only one or two words to what has been said by the hon. member for St. Lawrence-St. George. I would point out first that it is now quite clear, from the statements made by the Minister of Railways, that this legislation is introduced into this house for the purpose of dispensing with the services of the present trustees. In his initial statement the minister made that fairly clear. If that statement is supplemented by the statements which he made in the committee, the evidence now being tabled in this house, it is quite clear that this measure is attributable to the fact that the trustees did not resign, as suggested.

The second point to which I desire to direct attention is that the minister aparently discussed with the chairman the conditions under which he might resign. Either the minister misunderstood the chairman or the chairman misunderstood him, for I assure him there was no discussion as to the chairman being appointed to any office under the late government in the event of his terminating his services. He took his superannuation allowance; before he took over the duties of chairman the order in council was passed by which he became a superannuated judge, and the question of appointing him to any position on the bench was never discussed as a possibility, although it is just possible there may have been some laughing reference to the fact that he was giving up his position in the railway commission to the uncertainties of what might transpire in the event of there being a change of government. But no discussion ever took place looking towards his

appointment to the bench, my personal view being that a superannuated judge was not eligible for reappointment to the bench, having regard to the custom and practice under the constitution.

Mr. LAPOINTE (Quebec East): Was he appointed a judge under the old law prior to 1920?

Mr. BENNETT: Yes.

Mr. LAPOINTE (Quebec East): He had a right to superannuation after fifteen years.

Mr. BENNETT: Yes, quite so. Now, I do not think the minister discussed this with his law officers or he would realize the implications of any discussion of the kind to which reference was made in the testimony adduced before the select committee. It is a well known fact that the decisions of the courts in that regard are very, very striking. In Britain a public office is a public trust. The holder of that office cannot agree to terms under which he will accept resignation and have any claim in consequence of that contract vindicated or made good in any court of justice. I looked up roughly, in view of the statement made by the minister, one or two decisions. One of them was the case of a gentleman who possessed an office of importance in a dockyard. His friend suggested to him that he should accept his superannuation and retire on the usual pension, and in that case the friend would succeed him and allow him a certain annual share of the profits of the office. This agreement was carried out up to the point of there being a superannuation and an appointment, but after the friend received the appointment he was not disposed to pay the money. Thereupon the former officer brought his action, but the court held that he could not succeed; that an action could not be maintained on an agreement such as that, because a public office was a public trust, and that it was against public policy for any such action as that to be taken. Now, Judge Fullerton is an eminent judge and a very able lawyer, and I assume he knows the law far better than I do. But when I read the statement made by the minister in the committee I realized that possibly he had not consulted his law officers or he would have been advised as to what the position is. That is the second point to which I desire to direct attention.

I am not going to amplify the third point, because it has been so fully dealt with by my hon. friend (Mr. Cahan) who has just spoken. He has gone with care over the records of Hansard. It will be observed that there was common ground between the then opposition and the government that these trustees should be appointed for long terms and that the office would be vacated only for cause assigned. "Cause assigned," as the hon. member who has just spoken points out, is a cause given and stated by the person exercising the dismissing power. But that is not sufficient. Those of us who as students of our constitution recall the earliest cases to which attention was directed remember that an eminent judge in one of the colonies got into financial difficulties and was unable to pay his obligations. He gave promissory notes, which were very frequently renewed, and as a matter of fact, when he was sued on his notes, there was difficulty in connection with the carrying on of the proceedings in his court. Thereupon he was dismissed. My hon. friend from Cape Breton North-Victoria (Mr. Cameron) remembers the case of Graham v. Laffitte. The privy council held that Graham was properly dismissed in so far as there was ample cause to justify his dismissal, but that the dismissal was illegal, and he recovered. He succeeded in his action, why? Because he had not had an opportunity to be heard. When a man is appointed a judge for life his position is terminable only on address of both houses of parliament. That, at least, is the method adopted. He must have an opportunity to be heard. He must meet the assigned cause, and, meeting the assigned cause, he must be in a position to give his answer. If the answer is adequate, the cause is not sufficient; if the answer is inadequate, then of course the power is properly exercised. In this case, to my surprise, in view of the discussion which took place in this house at the very inception of this legislation, when I stated that I thought the chairman should have a chance to be heard and that that chance would come only when the committee met, I find the chairman taking the view that he should not be heard at all. Finally, however, it was arranged that he should make a statement. He made a statement in writing. Thereupon the minister of the day made the observation to which my friend from St. Lawrence-St. George (Mr. Cahan) has referred. On that statement, clearly, the chairman could not be dismissed. In other words, he has stated how he discharged his duties, and the minister has indicated that he has accepted that statement. The other two were not afforded an opportunity to be heard in the sense—

Mr. HOWE: They refused.

Mr. BENNETT: Allow me to finish—in the sense of having charges alleged or causes assigned to which they could direct an answer. It is a fundamental principle that where office is held for a term which is terminable only for cause assigned, there must be the formal

proceedings for which the law provides if there is the termination of that employment by the employer. And as I have pointed out, the law goes so far as to provide that, a public office being a public trust, it is not competent to negotiate legally with that person for what sums of money he will accept the termination of his employment, but that matter must be dealt with under another branch of law.

That establishes clearly, and without any question, I think, that by this legislation an attempt is being made to railroad the trustees out of their office by an enactment which is certainly at variance with the fixed principles upon which the legislatures have heretofore proceeded. In the Reilly case it was held, following an old decision, that those who hold office, civil or military, under the crown, hold office during pleasure, and the crown may terminate their employment, but there were special circumstances referred to in the case, which came up from Australia and has been frequently cited since, to the effect that if a contractual relation exists between the parties then the power to terminate at pleasure is gone. Here not only had we the contractual relation established, for a term of years, but we had the then leader of the opposition making a statement, which the then leader of the government said he regarded as a fair statement, indicating that the good faith and the high honour of parliament, at least as represented by the House of Commons, had been pledged to that course of action being pursued, namely assigned cause, which involves the opportunity of being heard, which in turn involves the cause being mentioned, for it must be assigned against him. And it is no good to deal in innuendoes, or in insinuations, or in inferences; you must deal with direct statements which constitute assigned cause in order that the action shall be taken.

So we have here, Mr. Chairman, a situation that I regard as one to which the law officers of the crown should direct very careful consideration and attention. The basis of this legislation fails. Its foundation has been destroyed by the minister in his first statement and in the statement he subsequently made in the committee, and, based upon our conception of British fair play, we are indebted for its application to this case to the pertinacity of my colleague the member for Leeds (Mr. Stewart), who succeeded in overcoming the attitude of the chairman and others that he should not be heard, and who deprecated the discussions that did take place. Therefore this must be regarded as the position: By common consent the trustees could be removed only for cause assigned; no cause has been assigned, and to the extent that there has been any discussion that discussion resulted in the alleged cause being held by the representative of the employers to be wholly inadequate. That is the position. On that state of affairs we are asked to repeal the legislation that appointed the trustees; we are asked to terminate their office without any suggestion of compensation; we are asked, without cause assigned, without an opportunity being given them to be heard, against their will to terminate their employment and dismiss them from the service of the country. Stripped of incidentals that is the case. I cannot add to the strength of what has been said by my colleague the hon. member for St. Lawrence-St. George, but I hesitate to believe that a Canadian parliament is to set up this precedent. I hesitate to believe that when there was a consensus of opinion between the then leader of the opposition, now the Prime Minister (Mr. Mackenzie King), and the then leader of the government who now stands here, as to the fairness of the attitude taken in the legislation, this parliament is to create such a precedent.

I quite understand the argument made yesterday by the Prime Minister as to the senate not being concerned. But the answer to it is one that perhaps does not suggest itself to the layman at first; it is this, that when we say that a man shall be removed from office on an address of parliament, that means both houses of parliament, because parliament does not consist of the House of Commons; it consists of the House of Commons and the Senate and the crown in parliament assembled. That is the reason our legislation runs in the terms that it does. The senate is introduced into the legislation by name because the senate house of parliament is a constituent house of parliament, this being the commons house of parliament, and the two houses together make up the parliament of Canada. That is why the legislation is drawn in the terms in which it is. The argument that was made by the Prime Minister respecting the right of the senate to deal with matters affecting taxation is, of course, rather an old argument and is based upon the sound principle, by analogy, that the House of Lords in Great Britain has not the right to deal with matters affecting taxation and revenues, money bills as it is put. But the late Senator Ross was of the opinion, after a careful review of the authorities, that that power was possessed by the Senate of Canada. That is not a matter which need

concern us at the moment; it is sufficient for my purpose to point out that the reason reference is made to the senate in the section which is to be repealed is that the senate is a constituent house of the parliament of Canada, and that reference is generally made to addresses being made by both houses of parliament rather than by one.

So far as this legislation being conceived as a Tory plan, if hon. members read again the words of the Prime Minister to which the hon. member for St. Lawrence-St. George referred, I think they will realize that at that time the Prime Minister did not so consider the legislation. Although many things were said about it, and will continue to be, the fact is that in that instance there was apparently a common understanding. I said that I thought the statement he made was a fair one, and I repeat that I think it was a fair one.

The question of minorities and majorities was raised. Of course changes of government have always brought about difficulties. Where those who formerly sat in opposition are in office and those who were in office are in opposition, there is a tendency on the part of the new government to try to make good the position they took in opposition. But there have been exceptions to that rule. The law and the custom of the constitution are predicated upon an entirely different conception of the situation. If hon. members read the parliamentary history of Great Britain they will find successive governments under Mr. Gladstone continuing to maintain legislation which was passed by their Conservative predecessors. It will be recalled that with respect to reform measures, to the corn laws, to much other legislation, notably the unemployment insurance act in recent times, new governments have maintained the legislation of their predecessors. Frequently they have made changes and additions for the purpose of making it more in accordance with their conception of its usefulness, but they have maintained it. Here we have an illustration of a situation that has grown up markedly since my hon. friends assumed office. Men were appointed to positions for a period of five years. Then they were told that they held office during pleasure, and were dismissed. Of course I would say that that question may have to be settled ultimately by a court. The judgment in the Reilly case makes it quite clear that if the court should find that there is a contract, then the rule with respect to service to the crown, whether military or civil, being service during pleasure would not prevail; the ordinary rule of contractual liability on the part of those who without cause terminate an agreement of service or of hiring would prevail, and damages would be recoverable. In the Reilly case the court took the view that as the man could no longer offer himself for the discharge of his duties because the office no longer existed, he could not recover damages, and they avoided determining the question whether or not a contract existed.

I submit to this committee that, by the course the government propose to follow, we shall be creating a very dangerous precedent. It is a course of legislation which is at variance with all our precedents, and is in my judgment wholly unworthy of this house or of the government of the day. I mention it only in this sense because, when I read the statement made by the chairman of the trustee board, Judge Fullerton, and the statement made by the minister, added to what he said on a previous occasion, I realized that this is what has sometimes been described in the courts as mere brute force. It is a case of abolishing a position for the purpose of getting rid of the present incumbents. I submit that is not a proper course to follow and cannot but be injurious to the well-being of this country.

One word more upon the other questions discussed this afternoon. I am wholly in accord with the minister if he says that in his judgment as the new minister it is desirable to remove the veto power of the chairman. I am not going to quarrel with that, if the minister says that he considers it desirable in his interest to have that veto power done away with. It was inserted in the act because the commission thought it desirable that it should be there. The question of continuity, the question of permanency, the question of creating a policy and outlining a policy—all these are matters with which the commission dealt, and I have referred to them in previous statements to the house. I shall not weary the committee by making further reference to them, more than to say that they constitute the causes which led up to the recommendations for the legislation.

Without going into the matter in detail may I say that if the minister, especially one who has accepted great responsibility, thought it desirable to improve or make more workable some condition, or to bring about a more direct relationship between the government and the commission, I could quite understand his introducing such legislation. But when the avowed design of the legislation is to get rid of three men who occupy positions as trustees, and to substitute for them men called directors, with all the difficulties to which the commission has pointed out directors are subject, I suggest that this is not a proper course to take. I

say that, when I remember what directors have brought upon us in almost all parts of the country, whether it be in connection with the Vermont Central, with the Grand Trunk Western, with steamships or with some part of the country. No matter whether it was in Montreal or elsewhere, we had difficulties come to us by reason of the appointment and operations of directors. The reason was obvious, wholly obvious. I have heard nothing from the minister to indicate that those reasons will not continue. On the contrary, our old friend, one of the venerable and venerated members of this house (Mr. Marcil) only this afternoon read a petition in which he pointed out that in the interests of efficiency and economy certain changes were made with respect to railway workshops at a point where repairs were carried on. "In the interests of economy and efficiency" were the words used. A change was made from one point to another, namely from point A to point B, in other words to Campbellton rather than elsewhere. Just imagine the pressure that will be heaped up against these directors! This is a fair warning. Can the directors resist the power of 170 odd members of parliament? If the minister means what his words would seem to indicate, he is not going to have anything to do with the operation of the railways; that is going to be done by the president and directors. I may say that if an examination were conducted on cause assigned I have no doubt the minister would discover many things he ought to know, because inevitably where you have a combination of both systems there are difficulties. The late Sir Henry Thornton found difficulties but he brought them into a harmonious whole. Now and then we find the assertion of this or that right on the part of the old road or one of the other roads, and the difficulty of creating harmonious operation of the system is very, very great.

In his statement Mr. Fullerton referred to that difficulty. But when there is a great depression and a lessening of traffic and revenue, with a consequent laying off of men, the human factor enters into the problem, and the consideration of that human factor involves many questions to which references have been made to-day. The essential point it seems to me we cannot get away from is that the very feature contained in the address made this afternoon in connection with the acquisition of branch lines, and other properties, in a constituency represented by a member on the government side of the house represents an effort which must and will be made to secure a recognition of local communities for local purposes as against efficiency and economy, which were the grounds put forward by the late Sir Henry Thornton as the reasons for actions which were taken. That condition is going to be intensified one hundredfold. It will be intensified one hundredfold, under a board of directors.

The whole purpose of the Duff commission was to create a body just the opposite of a directorate. Why? Because this was a publicly owned property in connection with which the House of Commons had undertaken to represent the shareholders, and a property which, as I pointed out, if the ordinary rules of law were to prevail, would have been in the hands of receivers long since, and would have been operated for the benefit of those who held the securities. In order that we might avoid that, trustees were appointed. They were free from political consideration, and Judge Fullerton has accentuated that point in the statement he made. Others have done the same thing.

I know about all the complaints; I know about the complaints made. I know it was complained that these men would not take a political outlook. Do I not know, sir, the extent to which the late government suffered? Do I not know about the appeals that were made? Do I not know about the votes that were lost? Do I not know about the successful effort made to create poisoned ideas and views in the minds of Canadian National employees? Have I forgotten? I have not. I have not forgotten the propaganda and the efforts that were made. Are we to return to that? If we are not, then all I can say is that the minister must either yield or leave; no alternative is left, because of the very action that has been taken ever since the trustees took office.

In the very nature of things we must be sincere, whether we like it or not. In connection with this matter we must be sincere. and I cannot but think that hon. members of the committee must realize that the substitution of directors for trustees will bring about an inevitable recurrence of the difficulties to which reference has been made, and which were accentuated this afternoon by the observations of the hon. member for Bonaventure, when he indicated his position.

The statement of the summary of the Duff commission made by Judge Fullerton is so ample that I think not even the hardest cynic could object to its fairness. This is the last opportunity afforded in committee to raise our voices against the repeal of a statute which entrusted to a body of three trustees the administration of the greatest property the Canadian people own. If the minister is dissatisfied with the trustees I have no doubt methods could be devised by which they could

be replaced. To do it in this indirect manner is bad enough, but when for the trustees he substitutes directors, the very persons against whom the Duff commission reported, those persons because of whom the red line of extravagance was running through the whole operation of the system, then I say that he has invited the very criticism which has been made in this committee, namely that the action is taken for the purpose of restoring those days, with all the sad effects they have had upon the Canadian taxpayer.

That is the reason—I know it is too late—why I appeal to the minister to think carefully; I appeal to the Minister of Justice, too, to consider the precedent we are establishing with respect to the disposition of the trustees, realizing that a public office is a public trust. The approach which was made to the matter was unfortunate; I do not blame the Minister of Railways for that, because he is not a lawyer. But it is quite obvious that had he had brought to his attention the decisions of the courts with respect to the position in which Judge Fullerton would have placed himself had he yielded to any suggestions that he be provided with this or that office, with this or that position or with a sum of money, unless it be a sum placed in the estimates, the minister would run counter to this. He would have had regard for that great line of decisions which, strange as it may sound, began as far back as 1551, when a statute was passed in Great Britain. It has brought about other statutes and decisions since that time, and that is the reason why in Great Britain they could not possibly submit to parliament a measure such as this. It would fill British legislators with a sense of horror to have submitted to them a statute that proposed, without conferring an opportunity to answer to an assigned cause, to wipe out trustees in the method which is being followed in this bill.

I can only make this final suggestion—it will do no good, of course—as to the desirability of the government reconsidering the matter from the other angle which apparently they had not thought of at all until the statements made by Judge Fullerton and by the minister appeared. But now that they do appear, it seems to me that we have in the printed word reasons which should influence this committee, and the government first of all, to hesitate to ask the members to follow a course, pursue a policy, and create a precedent which is without parallel, so far as I know, in the whole British empire, and which does violence to every settled and established rule dealing with the relations between the crown and its servants. For while Judge Fullerton and the trustees were paid by the railway company, they were appointed by the crown in the exercise of the power conferred by parliament, and when a contract such as that is made by the crown with its servants, to suggest that those servants should be treated in this way is, I say, doing violence to every established precedent. But worse than that, it creates a sense of unfairness and of injustice which, while it might meet with temporary cheers and approval, cannot in any sense be divested of its real quality if sufficient examination and analysis are given to the statute under which that power is to be exercised.

This section repeals the existing law. The government, I can readily understand, desire to make modifications and changes in this law as they have in other statutes, but so far as the general principle is concerned I hope that on reconsideration, and especially in view of what has taken place in the committee, the government will realize the desirability of not departing from known pathways of conduct and will not endeavour to establish a precedent that, in my judgment, will react some day or another, I do not know when, upon the heads of those who are responsible for it.

Section agreed to.

On section 3—Part I.

Mr. MACKENZIE (Vancouver): I have an amendment, Mr. Chairman, to section 3, as follows:

That all the words after the word "council" in the third line on page six of the bill down to and including the word "approve" in the sixth line, on page six of the bill, be struck out.

Mr. BENNETT: These are separate sections, Mr. Chairman?

Mr. HOWE: I might explain that. Section 3 says:

Part I of the said acts is repealed and the following substituted therefor.

It so happens that the first paragraph of part I of the said act that is amended is paragraph 4, and all the succeeding paragraphs up to and including paragraph 15 on page 7 of the bill are part of section 3 of this bill. There are only five sections to this bill. Section 3 is on the first page, and section 4 is on the eighth page of the bill.

Mr. BENNETT: I was going to suggest to the minister, although of course it is not for me to say, that these paragraphs 4, 5, 6, 7, 8, and so on down to 15, should have been designated by different figures because they

are not sections; they are really paragraphs, and might be designated a, b, c, and so on. The section is 3, but these paragraphs 4, 5, 6, and so forth appear in the bill as if they were separate sections.

Mr. HOWE: Yes, and I thought it well to direct attention to that. I think we should certainly consider section 3 paragraph by paragraph, because in the act they will be separate sections.

Mr. CAHAN: The minister has stated it exactly. This section 3 repeals a whole part, consisting of several sections of the existing act.

Mr. HOWE: Quite so.

Mr. CAHAN: The proper way, I submit, to have done it would have been to repeal the old act section by section and substitute the new sections. This may have the same effect, but in consolidating the act later for office purposes these paragraphs 4, 5, 6, and so forth, must appear as sections of the new act.

Mr. HOWE: My hon. friend is quite correct. We could have repealed it paragraph by paragraph, but the draftsmen have in fact repealed all of part I.

Mr. BENNETT: That is clear, and the following are substituted therefor. The question is how they shall be numbered.

Mr. CAHAN: Of course, we have been discussing section 3 of the bill. Section 3 is practically the whole bill, and therefore we were entitled to roam from Dan to Beersheba.

Mr. HOWE: The discussion took place on section 2.

Mr. CAHAN: Yes, perhaps so. Now the minister proposes that we shall proceed with what are to be the new sections of part I, and that we proceed section by section. Is that the intention?

Mr. HOWE: Yes.

Mr. CAHAN: I think there is no objection to that.

Mr. HOWE: The amendment is to section 3.

Mr. BENNETT: But it is with reference to page 6.

Mr. STEVENS: Could we have the amendment read again, Mr. Chairman?

The CHAIRMAN: The committee is on paragraph 4 of clause 3, appearing on page 2 of the bill.

[Mr. Bennett.]

On section 3, paragraph 4—Board of directors.

Mr. STEWART: I submit at least, Mr. Chairman, that we might have the marginal note read.

The CHAIRMAN: The marginal note reads, "Board of directors."

Paragraph 4 agreed to.

On section 3, paragraph 5—Remuneration of directors.

Mr. BENNETT: Has the minister any statement to make as to the salaries it is proposed to pay the directors?

Mr. HOWE: I do not know that that has been considered. We propose to put this pretty much on the basis of national service, and not attempt to pay the class of men we hope to get for the actual time they spend. But I suppose quite a small sum, perhaps three or four thousand dollars.

Mr. HEAPS: Does the minister think he can get competent railway directors for three or four thousand dollars?

Mr. HOWE: I think we can get men of the right type, anxious to do national service, who will put service above the actual remuneration.

Mr. BENNETT: Does the minister think it would be possible to get that type of man able to divorce himself from his own business to the extent of being able to meet with the board of directors once a week for the purpose of doing railway business?

Mr. HOWE: I feel that we can. When I said three or four thousand dollars, I would not like to be tied to that, for it might be five or six thousand dollars; I would say not more than six thousand dollars, but that is a situation we have to meet when we come to discuss it with the men we hope to get. I do not think any man that we might hope to get will discuss salary until after he has decided whether or not he will accept the position.

Mr. FINN: The board of directors as suggested by the minister is to consist of seven members?

Mr. HOWE: Yes.

Mr. FINN: One of whom will be the chairman?

Mr. HOWE: Quite.

Mr. FINN: In the appointment of these directors is it the intention to carry out the principle and appoint a board of directors representative of the different parts of

Canada? I do not know whether the government has definitely made up its mind in this connection and if the minister cannot answer me to-night, I shall be quite satisfied to have his answer later before the bill is finally dealt with.

Mr. HOWE: We shall decide what directors we shall get when the bill passes.

Mr. FINN: I must take issue with the minister. There is a principle involved in this change. A few moments ago I referred to the remarks of the Right Hon. Arthur Meighen and the reasons he gave for appointing such a board of directors. He contended that politics would be removed and the board would be representative of the different parts of Canada; that they would know the local conditions and needs, the same as a doctor does when he visits the bedside of a patient. I am speaking only for my own province of Nova Scotia and hon. gentlemen who represent Prince Edward Island and New Brunswick can speak for themselves. I should like to know if this board of directors is to be representative of all the provinces of Canada. The minister now tells me that a statement will be made after the bill is passed and the stable door is locked. I think this committee is entitled to this information. We should know the type of man to be selected and whether territorial limits will be taken into consideration in the appointments.

The CHAIRMAN: Shall paragraph 5 carry?

Mr. FINN: I think I am entitled to an answer from the minister, and if I am not to get one, I should like him to say so. I want to be fair, but I shall not, without uttering my protest, permit legislation, whether it be introduced by the government or otherwise, to pass that might be subversive to the best interests of the province which I have the honour to represent. I think, before this legislation leaves the committee, every hon. member present is entitled to receive the information he desires.

Mr. HOWE: I want to give my hon. friend the fullest possible information, but I thought I made it quite clear that the government have not gone as far with the selection of directors as my hon. friend seems to think. They hope to get six men and a chairman who will be of the greatest value to the property. I can assure my hon. friend that when the time comes the considerations he mentions will be weighed very carefully, but surely he should not ask me at this time as to the policy of the government with reference to these directors who have not been definitely chosen.

Mr. FINN: Perhaps the minister has misunderstood me. I did not ask him who the directors were to be; I asked him whether in the selection of these directors the question of territorial limits would be considered.

Mr. HOWE: I can assure my hon. friend that territorial considerations will be carefully weighed when the time comes.

Mr. BENNETT: Will they weigh enough?

Paragraph 5 agreed to.

On section 3, paragraph 6—Tenure.

Mr. STEVENS: How does the minister propose to assure these directors that they will have continuity of office. Three of the original directors are to be appointed for three years; two are to be appointed for two years, and two for one year; then the succeeding directors are to be appointed for periods of three years. The present board of trustees were assured by statute of a term of five years. They have been in office a little more than two years and now they are being simply legislated out; the statute means nothing. What confidence can be placed in this statutory assurance of three year appointments?

Mr. HOWE: I may say that I do not consider that of the highest importance since the men who will be chosen will be selected because they feel they can make a contribution to their country. I believe that should there be a change of government and it is intimated to these men that they have not the confidence of the government, they will retire promptly. I would expect that men of the calibre we hope to get would do that, and I would be disappointed if they did not. In the meantime, they are to be appointed for three years, and one-third of the board retires each year. In other words, the board of directors faces its shareholders every three years just as is the case in many private corporations. I think that is a very proper thing and I would not care to do anything to tie the hands of the next parliament from reorganizing this board as they see fit.

Mr. STEVENS: I am referring to this revision to the old system. It means that these directors are being appointed for the term of office of the existing government; that is the effect of the minister's observations. In other words, we are declaring to the country that in so far as the Canadian National Railways are concerned, its policy of operation, its policy of administration must be attuned to the policy of the government that happens to be in office. I think it is important that this fact should be recognized in passing this

legislation. In my opinion, it is possible to change that. Would the minister consider the suggestion of having these directors appointed by parliament itself, thus ensuring at least before any change is made, a full discussion by parliament acting as shareholders of the railway? For if the theory just expounded by the minister is to be the doctrine which will govern us, it really means that we are creating a partisan board of directors; that is what it amounts to. Altogether apart from what is in the minister's mind at the moment, this legislation as such will amount to a partisan appointment of directors. The minister has emphasized twice already, I believe, in the last few minutes, his hope of getting men who will serve the country and accept this office as a national service. That is fine, and I shall not, in anticipation, cast reflections upon these gentlemen; I have no doubt that very worthy gentlemen will be chosen. But the point is that behind it all we are adopting a system which will grow into and be perpetuated as a partisan administration of the railways. That is exactly what was intended to be overcome by means of the trustee system. I confess that when the legislation was first brought down, after the Duff commission had reported, for the appointment of trustees, I considered that that phase of the matter required a great deal of thought if its value was to be appreciated. But having seen it put into operation I have come to the conclusion that it was sound, not only as a method of getting away from the partisan element which inevitably creeps in, but in addition to that for the reason that the trustee system clothed the administration of the railways with authority in connection with dealing with the competing railway, which I think is impossible in connection with a board of directors. Well, I will not say impossible—that is going too far—but it could not be done with the same efficiency by a board of directors as by a board of trustees. In my opinion the minister should give this paragraph further consideration.

I would suggest that parliament might well consider now, if we are going to depart from the system of trustees, whether or not the directors should be appointed by parliament itself. That is a thought which has been in my mind many times in the past when this subject of the national railways has been before parliament. I have long had the view that it might be advisable—that is, when the railway was under a board of directors—that parliament might at some period of the session sit as shareholders of the railway. We might constitute the house in committee of the whole as a meeting of shareholders for the purpose of appointing directors, receiving the annual statement and dispatching business of that kind. Parliament as a committee of the whole might sit as shareholders of the railway.

Mr. DUNNING: There is no provision anywhere for parliament sitting as a committee of the whole.

Mr. STEVENS: No, but there is no reason why parliament should not pass legislation for the introduction of that system.

Mr. DUNNING: I do not think it could constitutionally. Parliament is composed of two bodies functioning separately, each within its own orbit.

Mr. STEVENS: There is no reason in the world, however, why parliament could not pass a statute. I am not saying that my idea is the wisest; I am merely offering it as an opinion. There is no reason why parliament should not pass a statute providing that in so far as the national railways are concerned an annual meeting might be held which would be attended by all the elected members of parliament as representing the people, who are the owners of the property. As the company operates to-day, or as it will operate under this bill, it will be administered by a board of directors, and the only body above the board of directors will be the executive, namely, the cabinet or the government of the country. As a matter of fact, every citizen or taxpayer in Canada is a shareholder of the railway, but it is obvious that you could not have a meeting representing the shareholders as an ordinary shareholders' meeting is held. We could, however, enlarge the number by constituting parliament itself as representing the shareholders for the purpose of appointing directors and performing other limited duties. About three years ago, in 1933, we passed a statute which provided that the trustees should be appointed for a term of five years. They have been in office for something like two or two and a half years, and now by legislation we are removing them without any cause assigned. There has been no complaint; there cannot be any reasonable complaint sufficient to warrant their removal. We are declaring in this bill that the directors shall hold office for three years. But there is no guarantee whatever that these directors will hold their office for three years.

Mr. BAKER: Why not say for the duration of this parliament?

Mr. STEVENS: That would be a much more frank way of putting it, because that is what it means. For hon. gentlemen at present on the government benches cannot now take an action that nullifies the action of parliament three years ago and say: We are so much superior to those who preceded us that any action we may take will stand and these directors will remain in office for the full term of three years. The government must expect that, once having established this precedent in connection with the national railways, other governments will be inclined to follow in their footsteps, and they would have abundant excuse for doing so. Personally I should like to see in this bill something repudiating the idea of interference with these appointees, once appointed, except for dereliction of duty or incapacity or untrustworthiness or something of that sort. That is the only reason why a man should be removed. I offer these suggestions for what they are worth.

Mr. BENNETT: We are providing in this measure that the governor in council shall be a shareholder of the company for all purposes under the railway act. The hon. member for Kootenay East (Mr. Stevens) has referred to members of parliament, the senate and the commons, voting as shareholders. It is quite competent for us to pass a statute to that effect. I at one time had a plan by which all the members of the local legislatures and of parliament, the senate and the commons, should cast a ballot for the election of the directors of this road, and should be authorized by parliament to act as shareholders for that purpose.

Mr. DUNNING: I should be interested to know the reason my right hon. friend abandoned the idea, to see whether it is the same reason that actuated me in abandoning a similar plan.

Mr. BENNETT: I abandoned it because it did not appeal to those to whom I suggested it. I am going to be perfectly frank about the matter, because the minister was very frank this afternoon about his speech. I might say that the plan did not seem to win commendation from anybody.

Mr. DUNNING: I had the same experience.

Mr. BENNETT: That is a fair statement of the situation. On the other hand the hon. member for Broadview (Mr. Church) has put his finger upon it. What this government says is this: "We found a man who had a right to a job for five years, who was given that job by an act of the parliament of Canada; we wiped it out, and we are going to make the appointment for three years"—which makes it a joke. Why not say, "shall hold office during the lifetime of the present government," or "unless they change their mind," or "as long as their present state of mind continues?" Having said that there is no value to a written contract; that an act of parliament is a worthless scrap of paper, why not be consistent and put it in the statute? That is the position. The minister should be consistent about it. He has declared that a former act of parliament is a piece of waste paper. That act gave one man a position for five years, and others for a less time; one expires in December next. Why not say in this section, "They shall hold office as long as we think they should, and no longer," "we" meaning the present government? That would be better than coming down to this parliament and repudiating a statute. It would be much better to indulge in an act of acquiescence rather than in an act of repudiation, and simply to say, "We acquiesce in the position which we have taken and are going to embody in this statute a provision that hereafter no man may be appointed for three, four, five, six, eight, or ten years—that doesn't mean anything to us—but, so long as we feel he is satisfactory to us." It sounds so much better than to go through all these formalities about equity and fair dealing and doing justice and loving mercy, and the other clause that I shall leave unsaid. Why not do what I suggest? I am very serious about it. Having repudiated all these provisions of last year in the section, why not now say, "We will save parliament trouble by saying that the term shall be three years or such time as to the governor in council may seem satisfactory?" In other words, as long as the pressure from without is sufficient to enable them to discharge their duties to the satisfaction of the members of the House of Commons who sit to the right of the Speaker, it is all right. I suggest seriously to the government that they should put that on the statute book.

Mr. HOWE: I may say, Mr. Chairman, that in 1933 for the first time legislation was passed which attempted to tie the hands of an incoming government beyond peradventure, by making a change of personnel possible only by means of a joint address of the Senate and the House of Commons. The present government is not perpetuating that method.

Mr. CAHAN: This bill can pass only with the consent of both houses of parliament.

Mr. BENNETT: Hear, hear.

Mr. CAHAN: You are in no worse position now than you would be under any circumstances in which you wish to repeal an act constituting the national railway board. You must now go to the other house and secure their consent to the bill which is at present before the committee. There can be no legislative measure without the consent, direct or indirect, of both houses of parliament, and when it is suggested that the address should be concurred in by the Senate and the House of Commons, that is the form provided by the rules of this house for every address which is to receive the approval of parliament for any purpose whatsoever.

Mr. BENNETT: Petitions have to go to both houses.

Mr. NEILL: Would the minister allow me to ask a question regarding a paragraph that has already passed? Paragraph 5 of section 3 provides that the directors shall not be entitled to receive any other recompense of emolument from the Canadian National Railways or any company of which they form a part. Would it not be a good idea to provide that they should not receive any recompense or other emolument from any other railway company?

Mr. HOWE: I think the hon. member can leave it to the good judgment of the government not to appoint directors or employees of other railway companies.

Mr. NEILL: I do not mean directors or employees; I mean people who are under an obligation, possibly pensioners, or who are closely allied with them by way of having large business dealings with them and things like that. If it is desirable that they should be absolutely clear from the Canadian National Railways, it is ten times more so that they should have no connection, direct or indirect, open or concealed, with any other railway.

Mr. BENNETT: Will this be paid by the railway or by the crown?

Mr. HOWE: By the railway. The purpose of paragraph 5 is merely to provide that they will not get two or three emoluments from serving on different boards of the railways, of which there are so many boards. They are to be paid one fee by the railways.

Mr. STEWART: The minister persists in stating or insinuating or suggesting that the object behind the fixing of the period of office of the trusteees was a political one; that it was done for the purpose of tying the hands of a succeeding government.

Mr. HOWE: So it was.

[Mr. Cahan.]

Mr. BENNETT: The minister was not in the house at the time.

Mr. STEWART: I ask the minister to read the report of the Duff commission and to study the reason why that commission recommended the appointment of a board of trustees and recommended also that it be given permanence.

Mr. BENNETT: And the length of time.

Mr. STEWART: And the length of time.

Mr. HOWE: Did my hon. friends opposite adopt the length of time?

Mr. STEWART: I do not know that we adopted the report in every detail. There were reasons given by the commission why trustees should be appointed and the desirability of their having a secure tenure of office, in order that one of the troubles which was referred to in the report might not occur again.

The CHAIRMAN: Order. Eleven o'clock.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Friday, June 5, 1936

The house met at three o'clock.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 85, to incorporate Domestic Finance Corporation.—Mr. Beaubien (for Mr. Chevrier, Ottawa East).

Bill No. 86, to incorporate Atlantic Loan and Finance Corporation.—Mr. Martin.

Bill No. 87, to incorporate United Credit Association.—Mr. Jacobs (for Mr. Factor).

PUBLIC SERVICE

SICK LEAVE FOR TEMPORARY EMPLOYEES

On the orders of the day:

Mr. A. W. NEILL (Comox-Alberni): Mr. Speaker, on March 24, about two months ago, the Secretary of State (Mr. Rinfret) was kind enough to say that in a short time he hoped to be able to report favourably on the passage of an order in council granting sick leave to government servants who, although not qualified as employees under the civil service commission, had been many years in the government service but who, upon losing a half day's time, are docked for it.

Hon. FERNAND RINFRET (Secretary of State): The hon. member raised the point

previously in the session. I regret to report that it may not be possible to do exactly what the hon. member has mentioned, but we are now considering whether or not we might substitute an alternative provision which would partly meet the views he has expressed.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR ADMINISTRATION BY BOARD OF DIRECTORS APPOINTED BY GOVERNOR IN COUNCIL

The house resumed from Thursday, June 4, consideration in committee of Bill No. 21, to amend the Canadian National-Canadian Pacific Act, 1933.—Mr. Howe.—Mr. Sanderson in the chair.

On section 3, paragraph 6—Tenure.

Mr. STEWART: When the house adjourned last night I was discusing with the minister a certain provision of this bill, and calling attention to the fact that he had at different times in the course of the discussion stated that the object of the previous government in appointing trustees for a fixed term was to tie the hands of a succeeding government, and when I made that statement the minister replied, "So it was," as will be found at page 3422 of Hansard. Then I said:

I ask the minister to read the report of the Duff commission and to study the reason why that commission recommended the appointment of a board of trustees and recommended also that it be given permanence.

At the time I did not have before me the report of the Duff commission, and I now call the minister's attention to clause 204 of that report, which says in part:

One of the trustees should be named as chairman at the date of his appointment with tenure of office seven years.

The minister surely does not think that away back behind the report of this commission the government set out with or was able to impose upon that commission a desire to tie the hands of its successor. In answer to the request of the minister as to why the recommendation of the Duff commission as to the length of tenure of office was not followed, I said I was not sure. The appointment of the chairman was made for a term of five years instead of seven, again disclosing an absence of all desire on the part of the previous government to tie the hands of a succeeding government for any particular period of time. The report of the commission discloses certain conditions with which the minister is familiar, political interference in the management of the road and extravagance in its management, all of which is specifically set out in the report, and has been referred to at different times in this debate.

I really think, Mr. Chairman, that the minister ought to withdraw the statement that it was the intention of the government to tie the hands of its successor, when the fact is that an honest and sincere effort was made to carry out the recommendation of this very important, impartial and capable commission, and that was all that was behind the appointment of the board of trustees. I would ask the minister if he still persists in the statement that the object of the government was to tie the hands of its successors.

Mr. HOWE: I am sorry to have to differ from my hon. friend. I do not think I can withdraw my statement. It seems to me that when the term of office was being considered and a change was being made from the recommendation of the Duff report, it could have been for a term within the life of the parliament then sitting. I think that would have been wiser. That is all I have to say about it.

Mr. BENNETT: It is quite obvious that the term was to preserve continuity, for one of the trustees was to leave office next fall, another next year, and in two years more the chairman would retire; but it was thought that seven years was too long, and so the term was made five years. In the debate which took place it was quite clear that the whole bill was framed on the Duff report, and for the minister to suggest improper motives is not only contravening the rules of the house but is not in accordance with the facts. The term of office was lessened for the very purpose of meeting unfair criticism that the hands of the next parliament were being tied by the then parliament. When a grant was being given to the federal commission of this city I argued that we should not go beyond the life of a particular parliament, but the Prime Minister took the other view.

Public interest is not always synonymous with pure partyism. It does not mean that, and if it is impossible for hon. gentlemen opposite to conceive of other people having an honest desire to carry into effect the report of the Duff commission, merely because they want now to remove the trustees who were promised a certain term of office, they have no right to attribute improper motives to those who sincerely endeavoured to give effect to the recommendations of the commission appointed, not at the instance of any one railway, but at the instance of both, because both railways thought it desirable in the public interest that such a report should be made.

Paragraph agreed to.

On section 3, paragraph 7—Provincial companies reincorporated.

Mr. CAHAN: May I ask if the minister would be so kind as to give us a clear statement as to the differences between the powers of the board of directors as proposed under this bill and the powers of the trustees created by the act of 1933? I have puzzled my brain over it but I cannot see very much difference between the powers of the directors as stated in these sections and the powers of the trustees as they were created by the act of 1933.

Mr. HOWE: I thought my hon. friend saw a very decided difference, because he claimed that one made for an improvement all round and the other led to unlimited graft and corruption.

Mr. CAHAN: I still adhere to that opinion.

Mr. HOWE: There is a difference, and I will try to explain it. First there is no difference in this principle, that the management of the internal affairs of the Canadian National Railways is now vested in the hands of the trustees, and under this bill will be vested in the hands of the board of directors. But at the present time those powers are vested in one man, who must agree to every action that is taken respecting the internal affairs of the Canadian National Railways—one man in charge of a property far-flung from coast to coast, and of the magnitude of the Canadian National Railways. In addition, that one man is operating some eight departments of the railway directly. In other words, he is not only running all the affairs of the railway personally but he is acting as the manager of eight departments of the railway. He has two co-trustees, neither of whom can carry out anything that is suggested unless the chairman agrees, and always one must agree with the chairman to make a particular act effective. That is the present set-up.

Under the new set-up we have a chairman. He is one member of the board of directors, and he will have six other directors with him of the type described in the Duff commission's report, if it is possible to get them—and I am satisfied that it is—men of experience in financial matters and with a background in the industrial life of Canada which will permit them to make an important contribution to the affairs of the railway. We have in this case a full time chairman as was the case with the board of trustees. The chairman of the board of trustees was assisted by two part time directors; in this case, by six. When the seven sit around the table each will have an equal vote in deciding any matter of policy coming before the board. That is the main difference.

There is no difference so far as outside control goes. The present board of trustees have

[Mr. Bennett.]

to go to the government with respect to certain matters in which the government and railroad are so interlocked that it is impossible for one to act without the other. The new board will be in the same position, and the contact will be between a practical railway man as chairman and the Minister of Railways. The contact at present is between the chairman of the board of trustees, who is not a railroad man at all, and who must necessarily bring an adviser with him. Present discussions between the Minister of Railways and any practical railway man is conducted through a third party, who has no first hand knowledge of most matters under discussion but who must convey the views of the practical railway man to the government. Those are the main differences, and I think they are very important.

Mr. CAHAN: But what supervision will the Minister of Railways have over the proceedings of the directors? I do not think, simply because the chairman of trustees had supervision over several departments of the railway, that that is altogether a crime, as the extravagance and emphasis of the language of the minister would seem to indicate. When the new Department of Transport is set up I assume the hon. gentleman will preside over it. He will then have the supervision and direction of several departments or branches. If the employees in that new department are to be appointed outside of the civil service, he will have a direct voice in the appointment of more persons than any previous minister has had in the history of Canada. If he considers himself qualified for the supervision of so many branches, I cannot understand why he should think the chairman of trustees is so absolutely disqualified. He has admitted himself that he has been unable to find any serious error of act or judgment which could be charged against the present board of trustees or the chairman of the board. The hon. gentleman has put himself out of court by admitting that he can find no real cause for criticism.

He has suggested that Mr. Fullerton is disqualified because he was not trained as a railway man. I call the attention of the hon. gentleman to the fact that he himself is not a railway man. The other great competing railroad is in charge of a gentleman of high qualifications and large experience, but he was not originally a railway man. I could take the minister to many of the leading corporations in the United States where the great executive heads are not trained in the mechanical operations which are carried on by the particular corporation

over which they preside. A gentleman with whom I have been intimate since his youth is the executive head of the General Electric Company of the United States. He is merely a lawyer; he never was a railway man or a manufacturer. It is quite possible for a man who is not a railway man to act as chairman of the board of trustees and supervise and direct affairs in such a manner as to preserve and maintain the best interests of the public service over which he is placed. Are the members of this new board of directors to be railway men? Are they to be selected because of their railroading experience?

Except in one instance, the hon. gentleman has not been able to indicate any difference between the powers and responsibilities of these directors and the powers and responsibilities of the trustees. The chairman of the board of trustees had to have the concurrence of one of the other two trustees, and the other two could not carry out matters of policy except with the consent of the chairman. The so-called departments over which the chairman had supervision were not departments connected with the actual running and operation of the railway system. The more I think of this the more I am driven to the conclusion that the purport of the bill is to change by statute a board of trustees into a board of directors, the appointment to which will rest with the hon. gentleman and depend upon his recommendation and selection. I am driven to the conclusion that the whole purpose of the bill is to obtain for the minister political control over the management, maintenance and operation of every department of the railway.

Mr. HOWE: Mr. Chairman, the hon. member referred to supervision by the chairman over certain departments. The fact is that the chairman is operating manager of seven or eight departments, in addition to running the whole show as chairman. I want to make that clear, because there is a slight difference. The hon. gentleman said that my department would be the largest in Canada, but I ask him to compare it with the Canadian National Railways. When this new department is formed there will be some 5,000 employees in it, but there are over 75,000 in the Canadian National Railways. I will be in charge of property valued at only one-twenty-fifth or one-thirtieth the value of the property of the Canadian National Railways. I admit I have a very difficult task; it is perhaps an open question whether too much work will not be connected with this department, but the hon. member was comparing two totally dissimilar things. It might be true to say that the chairman, not being a qualified railway man, has a task somewhat beyond his capacity, and that I, not being a qualified railway man, have a task somewhat beyond mine, but it would not be for the same reason.

I think we had better straighten out the question as to what this government is trying to do. The impression has been created that we are passing this bill to dismiss three trustees.

Mr. BENNETT: That is what you said.

Mr. HOWE: We are passing this legislation to get a better set-up for the Canadian National Railway. When I first took office I talked with the trustees individually and each told me that the present set-up is bad. I talked with my predecessor in office, and he said it was bad. I heard the views of other people who had had close experience with the situation, and they felt it was impossible. Just how far should the personality of the chairman be allowed to intrude into this matter? I think it has gone rather a long way. A few days ago in the committee on railways and shipping the hon. member for Leeds (Mr. Stewart) demanded that the chairman be given the privilege of making a statement. Objection was raised because this bill was not before the committee, but I took the view that I should like to see the chairman have his day in court if he so desired. I saw nothing behind it at all; I thought it was only fair that he should be given this opportunity. He came before the committee and made his statement. I thought it was a very fair statement, and I made some rather flattering remarks about it. But what happened? A beautiful document—I understand it has been published both in English and in French—is being flooded over the country, being a reprint of the chairman's statement.

Mr. CAHAN: What statement is that?

Mr. HOWE: The statement made by Mr. Fullerton before the committee, which statement was out of order.

Mr. BENNETT: It was not out of order; it was very much in order.

Mr. HOWE: I question to what extent a member of parliament was justified in pressing a thing like that if he knew how it was going to to used. After all, this bill is before parliament and I think it can be considered on the basis of statements made in parliament, rather than on the basis of statements made outside and broadcast throughout the

country. That is all I care to say. We believe that in the interests of the railway a change should be made.

If there should be any hardship imposed upon the chairman by this change, I am quite prepared to see that he does not suffer financially. There is nothing personal in the relations existing between the chairman and myself. The chairman happens to be involved in this change, and I am sorry. I did my best to see that his personality would not be involved when the time for reorganization came, but the fact remains that I believe it is necessary in the interests of the railway to change this system of management. That is the view of the government. Why pound away on the individuality of a man who happens to be chairman of the board?

Mr. CAHAN: The hon. gentleman has disclosed one matter which I think is of the utmost importance and should receive the consideration of this committee. If the hon. gentleman received gossip from this man or that man, from some of the officials of his department, to the effect that the present administration was not competent and was not effective, why in the world has he not brought that evidence before a committee of this house where the house would be able to cross-examine witnesses and ascertain the import and accuracy of the statements made? I tell the hon. gentleman, I think it is a gross error of judgment on his part that he should attempt to dominate the will of parliament and to secure the passage—

Some hon. MEMBERS: Oh, oh.

Mr. CAHAN: —yes, to dominate the will of parliament—I use the word parliament—as expressed in the statute of 1933, without giving the real source of his information, but by retailing a lot of gossip which has come to his ears.

Some hon. MEMBERS: Oh, oh.

Mr. CAHAN: That is exactly what it is. He had not the courage—

Some hon. MEMBERS: Order.

Mr. CAHAN: He had not the courage when he stood in that committee—

Some hon. MEMBERS: Order.

Mr. CAHAN: —to call in question a single statement which had been made in the report of the trustees which was then under consideration. He has simply shrugged his shoulders and said, in effect, that he had to admit that there had been an economical and careful administration. He was not able to indicate a single default on the part of the trustees. Treatment of this kind is, I think, unprecedented in the history of government in this country; and it is unprecedented in parliamentary affairs that a minister should rely on a bit of gossip, without producing any evidence in support of it, as the ground for asking parliament to repeal an act which received the consent of a majority of both houses of parliament so recently as 1933.

Mr. DUNNING: It is rather difficult to ascertain the cause of so much heat on the part of my hon. friend. It appeared that my hon. friend accused the Minister of Railways of attempting to dominate parliament, and when we try to discover what parliament we find it was the last parliament. That is the whole point. The last parliament was supreme so long as it was in office—

Mr. MACKENZIE (Vancouver): And still tries to be.

Mr. DUNNING: This parliament is now supreme. The Minister of Railways and the government of the day are responsible to this parliament and to the people of this country in precisely the same manner as their predecessors were to that parliament and to the people of Canada. We are exercising our judgment on this problem with the same motives, I hope, as those which actuated our predecessors in exercising their judgment upon it.

Mr. BENNETT: According to the Minister of Railways they are pretty bad.

Mr. DUNNING: I am trying to credit my hon. friend with higher motives than the hon. member for St. Lawrence-St. George (Mr. Cahan) attributed to the Minister of Railways a little while ago.

Mr. BENNETT: The motives were attributed by the Minister of Railways.

Some hon. MEMBERS: Oh, oh.

Mr. BENNETT: This noise won't pass the bill.

Mr. DUNNING: On no occasion in my hearing did the Minister of Railways refer to his views on this matter as being predicated on gossip.

Mr. BENNETT: But he did attribute motives.

Mr. DUNNING: I heard no attributing of motives.

Mr. CAHAN: He referred to reports that had been made to him orally. What is that but gossip?

Mr. DUNNING: He sought the advice of responsible men, and Hansard will show that he considered the views of his predecessor

in office with respect to the matter. It is not possible for the head of a great business to determine in the manner of a court of trial the qualifications for executive positions of those conducting that business. Matters of judgment cannot be dealt with by question and answer in the manner in which a lawyer would conduct a trial. The head of a great organization must make up his mind, with respect to the executive capacity of those charged with responsibility, by a variety of methods; and I suggest that what the minister said this afternoon with regard to the confirmation of his own view was not petty gossip but the kind of thing which one would expect a man taking over such responsibilities to pay attention to. The whole point is that with the best of motives, and without attributing any to our predecessors, we believe that we have a mandate from the people of Canada to change the system which the previous administration put into effect.

Mr. BENNETT: Forty-six per cent of the votes.

Mr. DUNNING: Well, as to the percentage of votes, my hon. friend is a constitutionalist; I have not heard of him as an advocate of proportional representation. Why talk about the percentage of the votes? He was quite satisfied with a majority of the members in the last parliament.

Mr. BENNETT: He is yet.

Mr. DUNNING: Why not this one?

Mr. BENNETT: He is quite satisfied with it yet.

Mr. DUNNING: I believe my hon. friend is; I am quite sure he would be. So are we.

Mr. STEWART: The Minister of Finance has just referred to the questioning of motives, and I do not think he could have been in the house when I read a statement which the Minister of Railways made last night in answer to one that I had made. I said:

> The minister persists in stating or insinuating or suggesting that the object behind the fixing of the period of office of the trustees was a political one; that it was done for the purpose of tying the hands of a succeeding government.

The reply of the minister was:

> So it was.

Now is not that a questioning of motives?

Mr. BENNETT: I should say so.

Mr. STEWART: This comes from the Minister of Railways and it comes after long consideration, and is repeated; this is the second or third time he has made that statement. I ask the Minister of Finance, who is questioning motives? I referred to the record and showed that the recommendations of the Duff commission embodied the appointment of a board of trustees for a longer period of office than the one for which they were appointed. Surely therefore that destroys entirely the contention, oft repeated in this house by the Minister of Railways, that the motive of the former government was to tie the hands of a succeeding government. I asked the minister to withdraw it but he declined to do so. So he reaffirms it. The record is against him. Not only is the record against him on that, but it is against him on other matters he has stated to-day. He says that the chairman of the board of trustees took over the charge of operating departments of the road.

Mr. HOWE: Operating the several departments.

Mr. STEWART: The minister said operating departments. I think Hansard will prove that. What does the chairman of the board of trustees say about this in his statement? He refers on page 218 of the proceedings of the railways and shipping committee—

An hon. MEMBER: Which was out of order.

Mr. STEWART: It was perfectly in order. When in the world did it become out of order for the chairman of any organization in charge of the national railways to make a statement in explanation of his conduct or in justification of it? Whenever did it become out of order? It never has been, and, I hope, never will be. However, here is what the chairman said:

> I now turn to the departments which came under my direct management. Section 10 of the 1933 act provides:—
>
> "The trustees shall appoint, on terms to be fixed by them, and with the titular rank of president, a person other than one of themselves to execute and perform, under and in consultation with them, the powers, authorities and duties of chief operating officer of national railways, as such powers, authorities and duties shall be from time to time defined by by-law or resolution of the trustees and committed for execution and performance. The president shall report and be responsible to the trustees and to them alone."

That is in a statute passed by this parliament. The chairman continues:

> It is my view that the person who fills this position has a task requiring not only high technical skill, but demanding his full time and attention. On January 31, 1934, the trustees appointed Mr. S. J. Hungerford as chief operating officer. In arranging the division of departments between the president and myself I took over those departments which were not connected with the actual operation of the railway. Those connected with the operation of the railway proper were assigned to the president, and I have never at any time interfered in their operation,

although I recognize that the ultimate responsibility for the efficiency of those operations rests with the board. The working out of this arrangement has been harmonious and I have never heard of any complaint from any railway officer.

Mr. HOWE: May I ask whether my hon. friend agrees that these departments—the legal, the accounting, the publicity and so on—have no relation to the operating of the railway?

Mr. STEWART: He does not say that.

Mr. HOWE: Read it again.

Mr. STEWART: He says that these assignments were made with the approval of the operating officer, Mr. Hungerford—

Mr. HOWE: Ridiculous.

Mr. STEWART: They were made after consultation with and obtaining the approval of the chief operating officer.

Mr. HOWE: My hon. friend agrees with that statement entirely? That is his statement, is it?

Mr. STEWART: I will make my own statement, and the minister can agree with it or not. To proceed a little further, there was no questioning of the chairman of the board as to his statement. If there was any doubt about the accuracy of it, the opportunity was there. I desired to ask him a few questions upon it, but it was ruled out of order. Now the minister says that this is a personal matter on the part of the opposition, arising from personal interest in the chairman of the board of trustees. I say that such is not the case. We are more concerned with the successful operation and the efficiency of the Canadian National Railways than we are in any person or any number of persons, but we do contend that the chairman of the board should have had an opportunity of answering any charges that were made against him, that the charges, if there were any, should have been preferred under the statute, and he should have had an opportunity of answering them.

The minister refers to certain changes, and declares that the chairman of the board of trustees had too much power. Again I point out to him that all that is needed is an amendment of the existing act. It is not necessary to destroy the present set-up of the board of trustees, based on the recommendation of the Duff commission. The duties of the trustees might be enlarged, varied or otherwise changed by amendment of the existing statute. But that is not what the minister wants. That is not what his government wants. They simply want to wipe out this organization that was established as the result of an investigation instituted in an honest and sincere endeavour to place the Canadian National Railways on a sound basis, to put its administration above political interference; and the minister, although he has on record the warning of this commission, the finding that such practice was disastrous to the Canadian National Railways, now openly avows that he is going to return to it. That is all there is in this legislation.

Mr. HOWE: Just one word on that. There is something else this government wants. As long as this government is responsible for the Canadian National Railways and its operation it wants a management at the head that is loyal to this government. Now I can tell the hon. gentleman what he very well knows, that since this government took office the chairman of the railway has spent more time in Ottawa in the offices of members of the late government than he has in the offices of the present government.

Mr. STEWART: Mr. Chairman, the Minister of Railways is making a charge. At last he has come out into the open and made a charge against the chairman of the board of trustees. I know the minister has a sense of British fair play, and the chairman ought to have an opportunity of answering that before this bill passes.

Mr. BENNETT: The statement made by the minister that the chairman has been frequenting the offices of the members of the late government is not true as far as I am concerned. I have had no discussion with him, except that I just met him casually on a Sunday, and I have had no talk with him other than on that one occasion. I have not seen him, nor has he called upon me. It may interest the Minister of Railways to know that I believe he has not called on any members of the late government, and that his sole purpose so far as we could see, judging from the attitude which was taken by him, was to obtain the good opinion of the present minister.

The minister has made a very serious charge. It would not occur to hon. gentleman behind him that it was at all serious—I should not expect it would; it would be very odd if it did. But the issue is a serious one. To hon. gentlemen behind the minister I simply say, do not for a single minute think you are assisting the passage of this measure by the attitude you are adopting this afternoon. We understand what our duties are, and we propose to discharge them. It may take the rest of the summer to get to the bottom of this matter, but we shall get to the bottom of it. The minister has charged the chairman with disloyalty to the government and with frequenting the offices of members of the late

administration. Of the late administration there are present the former Secretary of State, my right hon. friend Sir George Perley, the former Minister of Public Works, and myself. The former Minister of National Revenue is absent, and the minister without portfolio, and the Minister of National Defence is here to-day. Those who are present can speak for themselves.

An hon. MEMBER: Ex-ministers.

Mr. BENNETT: They can each speak for themselves so far as that is concerned. But a charge such as that should not be permitted, merely by the cheers of a tyrannous majority, to be regarded as correct. I challenge it.

An hon. MEMBER: Another Mussolini.

Mr. BENNETT: The minister has said that the former Minister of Railways had reflected upon the statute and the set-up. I should like further evidence of that statement. The minister may have made observations respecting the chairman, but in common with those who sit with me I should like to know what Doctor Manion said with respect to this measure. If conversations are thus to be retailed, not in the committee where the chairman could be heard, but in the house, and therefore in his absence, and are to be treated as evidence upon which to frame policies, then I recommend that the Minister of Railways should take an elementary course in the conduct of parliamentary procedure.

Some hon. MEMBERS: Oh, oh.

Mr. BENNETT: That is what I recommend to him. Judge Fullerton is to be removed from his office. He has had an honourable career at the bar. He was a judge and was highly regarded; at least the Minister of Railways has said so. He was chairman of the Board of Railway Commissioners for Canada. For over two years he has held the high and responsible position of chairman of the board of trustees of the Canadian National Railways. But, though it was pointed out during the debate in the committee that that would be his only opportunity to be heard, it required great effort on the part of my colleague from Leeds to secure for Judge Fullerton the opportunity of presenting his statement. It may amaze this committee to know that the former Minister of Public Works had not held any conversation with Judge Fullerton of any kind, form or description with reference to the matter, and when in the committee it was suggested that he might consult him with respect to the matter it will be recalled what the chairman said. It was because we on this side of the house believe that it is an elementary rule, under this form of government, that when a man is being removed from office by statute he should have an opportunity to be heard, that we took the course we did. The section provides:

No trustee shall be removed from office, nor suffer any reduction in salary, during the term for which he is appointed, unless for assigned cause and on address of the Senate and House of Commons of Canada.

Mr. MACKENZIE (Vancouver): Was that done with regard to the federal appeal court?

Mr. BENNETT: Yes. Provision was made for them.

Mr. MACKENZIE (Vancouver): They were not heard before the positions were abolished.

Mr. BENNETT: Those positions were abolished by law, but there was no such provision as this in the statute, namely "for assigned cause."

Mr. MACKENZIE (Vancouver): There was a definite contract for a term of years.

Mr. BENNETT: The privy council may not have known, but it said not, distinctly and positively, in the Reilly case, and they based their judgment upon one fact only, that the office had been abolished, which parliament can always do. But there was no provision such as there is here, for assigned cause. That is not a matter of form; that is a matter that comes distinctly within the provisions of the statute having to do with the appointment of judges.

The position is this, Mr. Chairman, that with much difficulty Judge Fullerton was permitted to present a statement. Then when an effort was made to examine upon it the chairman called it out of order, and the government supporters immediately raised the question as to its being in order, as the record shows. That was the issue. Surely there is an elementary rule that when the house is investigating the annual accounts and the operation of the company and the chairman is delivering his last statement, he has a right to make a statement. The minister himself says he attended upon him soon after his appointment as minister for the purpose of securing his resignation, but we are leaving all that out for the moment.

This afternoon the minister has said that this government must have a board that is loyal to the government, and that the chairman was not loyal to the government for he spent more time in Ottawa in the offices of members of the former government than in the offices of members of the present administration. I can only speak for myself,

but I say he has never been in my office, as far as I know; at least I have not seen him in my office, since I have been here. I saw him once in the hotel during the time he was in Ottawa, and that is all; that, I should say, was for a few moments only. That is the position. I believe he was present at a public dinner which I attended, and I shook hands with him on that occasion. That is the only time I have seen Judge Fullerton to speak to him since the last election, at a public dinner or dinners, once or twice, and I saw him at the hotel. Those have been the only occasions. I desire to make that perfectly clear, and I am not sure that I saw him at more than one dinner. I did see him at the dinner of the Commercial Travellers' Association in Montreal, but I cannot recollect whether or not he was present at another dinner. My colleagues who are here can speak for themselves, and the hon. member for York South, who is not here, will be able to speak for himself at another time.

So far as the circulation of the statement made by Judge Fullerton is concerned, I had not the slightest idea that it was being circulated until the minister said so. I do not know what is meant by that, but presumably it is a public document and might be sent anywhere. The minister says it is being sent broadcast throughout the country. I do not know to whom or why or by whom, except that it is a report made by the chairman of the board who is being legislated out of office. as to the manner in which he has discharged his duties. That is all. I think the minister must realize that, after all, the fact that he is minister does not warrant his making attacks upon a public official when that official is not afforded an opportunity to defend himself. Then when he does attempt to present a defence he is told that he is out of order, and by every means within their power the supporters of the administration endeavour to prevent him from defending himself by making a statement. The minister makes a statement and there the matter ends; the chairman says, "This must be out of order, the bill not having been referred to this committee." That surely is not necessary to enable the operations of the system to be discussed. That is the whole purpose of setting up the committee, and certainly this was one of the most important matters to be considered, the conduct and operation of the road by the board during the period the chairman has been in office, which office, of course, he still holds.

[Mr. Bennett.]

Mr. STEWART: I think I should be the first to assure the Minister of Railways that since the defeat of the former government I have never spoken, written to or communicated with Judge Fullerton in any way, until I saw him in the special committee appointed to investigate the affairs of the Canadian National Railways. Not only that: I did not speak to him there on the matter of the investigation. Members of the committee will recall the surprise that Mr. Fullerton expressed when I suggested that he should make a statement. He said it had not been conveyed to him that he would be expected to do so, which was perfectly true. I say that I had not spoken to him before I saw him in the special committee. I do not think I have spoken to him since his appointment, certainly not since the defeat of the government. In that committee it was suggested that the method by which he should reply to the statements made by the minister in this house, which reflected on his administration, was through the press, if you please; that he should take advantage of the press to reply to the statements of the Minister of Railways which I called to his attention.

Mr. HOWE: Would you read that statement, please?

Mr. STEWART: What statement?

Mr. HOWE: The statement you say somebody made, as to replying through the press.

Mr. STEWART: I say the chairman made that statement, that he might reply through the press.

Sir EUGENE FISET: I think you had better peruse the evidence and the proceedings. You will find nothing like that said by me.

Mr. STEWART: I think it is in the records, and if I had a little time I believe I could turn it up. However, I objected to that at the time. I asked since when it was right that the head of the Canadian National Railways should have to defend himself through the press.

Sir EUGENE FISET: Mr. Chairman, I rise to a point of order. I think the hon. gentleman had better peruse the proceedings of the committee; I do not think he will find any word of mine that advised Judge Fullerton that his only recourse was through the public press. I never made such a statement.

Mr. STEWART: That is my recollection, and it is very clear. We will just have to take a little time to look through the records,

and if I am wrong I will gladly withdraw any statements I have made. In any case that is my recollection. I do not know just who did say it, whether it was the chairman or somebody else, but as I have said, according to my recollection it was the chairman.

Well, that is the situation as far as I am concerned with the chairman of the board of trustees. As I have said, I am not interested in him personally at all; all I am interested in is the proper and efficient management of the affairs of the Canadian National Railways.

Sir GEORGE PERLEY: I should like to say that I never had any conversation with Mr. Fullerton since the election last fall. I saw him one day in the Rideau club, but we did nothing but pass the time of day. I shook hands with him on that occasion.

Mr. CAHAN: I can say I have not had any conversation with Mr. Fullerton since his appointment in Ottawa. I cannot recollect having a single word of conversation with him since his appointment to office. I believe on one occasion about a year ago some complaint was made to me as Secretary of State in connection with a certain widow who thought she had a claim for damages. I enclosed her letter and sent it to Judge Fullerton as the head of the Canadian National Railways, acting in a purely formal manner. Outside of that I have had no communication with him, orally or in writing. On the same day—at least I believe it was the same day—to which the right hon. member for Argenteuil referred, I came out of the dining room of the club, and nodded my head to him as he passed by, but not a word was spoken between us. I am glad that the matter has been brought up because it indicates the sort of perversion of justice which is being committed in dealing with the chairman of the board of trustees, through pure gossip.

Some hon. MEMBERS: Next, next.

Mr. STIRLING: As one of those to whom the minister has referred it is incumbent upon me to say that I have had no communications at all with Judge Fullerton. It would be more to the point if the minister would be good enough to amplify and substantiate his statement.

Paragraph 7 agreed to.

On section 3, paragraph 8—On appointment of directors, direction and control vested in board of directors.

Mr. BENNETT: The minister will observe that in subparagraph 3 of paragraph 8 a substantial change is made. May I point out that subparagraph 2 of paragraph 7 creates a situation of some difficulty, and one to which the law officers of the crown might give their attention. However, in view of the observations which have been made I shall not do more than direct the attention of the minister to it.

Mr. DUNNING: It is a reenactment.

Mr. BENNETT: Part of it is, but there is some little change as between the two.

Mr. DUNNING: It is not amended.

Mr. BENNETT: Section 7 is new, eliminating that part which deals with the removal of the trustees from office. Then, subparagraph 3 of section 8 is corollary to part of section 7. It reads:

> 3. At the same time, by the same force and without more, the directors and the chairman of the board of directors shall become and be respectively the directors and the chairman of the board of directors in the place and stead of and in succession to the directors or trustees and the chairman of the board of directors or of the trustees of every other company in Canada comprised in National railways and they may and shall, thereafter, subject to the provisions of this act, have and exercise with relation to such companies, respectively, the like powers—

And so on. I think some questions might arise there. Then we come to the proviso which states:

> ... such directors shall elect from among themselves the number of directors which they are entitled to elect to the board of directors of such company.

The difference between the old act and the new to which the minister did not refer is the method to be adopted for the purpose of electing or selecting a temporary chairman in the absence of the chairman, for cause or reason. The government is carrying out its view that the governor in council shall do it. The exchequer court was to do it, under certain circumstances. The minister did not refer to that point, but he will remember it. That provision is wiped out, and it has a material bearing on other sections which follow. If, however, the principle is to be maintained as the minister suggested it, there is no point in discussing the matter beyond pointing out these differences, and whether or not it is competent to effect the purpose mentioned in paragraph 8 by the method indicated. I am not going to express an opinion upon it, but I think there is some doubt.

Paragraph 8 agreed to.

On section 3, paragraph 9—Approval of governor in council instead of shareholders.

Mr. BENNETT: Paragraph 9 makes the shareholders of the company the governor in council and the governor in council the shareholders of the company for all purposes that

may require the consent of the shareholders. That is, where under any statute, including the railway act or the railway commission act, it is necessary for the consent of shareholders to be given, the governor in council acts as such shareholders. That of course is a wide extension of the powers which have heretofore been exercised in that regard. I suppose yesterday when dealing with this matter the minister intended to point out what successive ministers have pointed out, namely that here we have a system which, if it were a private one, would be in the hands of receivers. There can be no argument as to their having defaulted in payment of interest on their securities, and under those circumstances a receiver would be appointed by the courts and the lines would be operated by the receivers. It is conceivable that a possible difficulty might arise. For instance, Canadian Northern British Columbia bonds are guaranteed by the province of British Columbia. If we did not pay interest on those bonds, the province of British Columbia could not do it. The same is true with respect to Alberta, Saskatchewan and Manitoba. The same is also true in connection with the Halifax and Southwestern railway in Nova Scotia. These facts have a pertinent bearing upon the whole situation. I have expressed and do now express surprise that the minister is not dealing with that phase of it. It was that which influenced the commission in support of the judgment which I read when I spoke in the debate on second reading. If this were a private enterprise it would be operated by receivers, and they would issue receivers' certificates which they would sell for the purpose of obtaining fresh capital, in the meantime not paying any interest upon the securities, but rather accumulating against the day of reorganization. Under those circumstances the trustees were appointed, and those trustees to which the minister referred yesterday, because of the financial position of the railways, occupied a very special position. To substitute directors must have the effect to which attention has so often been directed in this chamber, and which I shall not deal with at this time.

Now we come to the finding of fresh capital. The old act provided that that principle should be maintained and that the government would find fresh capital. Why? Because the property being in the condition in which it is, fresh capital must be found or it will not be found at all. For it they obtained receivers' certificates in the form of securities of the railway itself. That is, I assume the securities of the railways are being accumulated from one security payment, one promise to pay. The commission recommended that instead of issuing securities of the railways guaranteed by the government, thereafter the security should be issued by the government and the money loaned by the government to the railways. So that part of the debt that has been accumulated over the last five years, I think something like twenty per cent of the whole, is Canadian National debt. Under preceding administrations that was not so; the debt was the debt of the Canadian National, guaranteed by the country, and the securities were securities sold by the railway company. The change was for one purpose, to effect economy, and to bring home to the people the realities of the situation. It was believed by the Duff commission, and especially by those who had to do with the financial side of the railway, that if parliament had from year to year to find the money and make it a direct charge against the people themselves they would be more interested in the enterprise; the principle of the enterprise that was unable to meet its fixed charges would be maintained right through the whole administrative process, namely, trustees, capital provided by the government, not at the will of the trustees but at the will of the government, and if they did not think the case made out by the trustees was sufficient they would not, as investors would not in the case of a company in the hands of a receiver, advance the money for capital expenditures. But the deficit, and that is where the whole point comes in, would have to be paid by the people. Why? Because default in the payment of interest on a guaranteed security has the same effect upon the credit of this country as failure to pay interest on its direct obligations. That is what differentiates this whole enterprise from an ordinary enterprise that is failing to pay its fixed charges. If it were not for that, the situation would be very simple; but once we put our guarantee behind all these securities we must pay them or default, and if we default our credit is gone, alike with respect to direct and indirect obligations.

Now we have said that where the assent of the shareholders is required, and it will be recalled that for purposes of borrowing the consent of the shareholders is sometimes required to be expressed in a given way, that shall be done by the governor in council. I suppose that is the easiest and simplest way in which the matter can be done, but it involves the acceptance of a very strange principle by those who formerly so vigorously opposed such powers being conferred upon

the governor in council. The real difficulty we have always had in this and other countries is to know who will represent the shareholders in a publicly owned enterprise. Yesterday the Minister of Finance was stating he had some plans in his mind as to how to select the directors. I have gone over the matter on several occasions in various ways, hoping to bring a sense of responsibility more directly home to the people, but we have not done it.

The government of the country cannot say that it represents the shareholders, because the shareholders are all the people in all the provinces, and of all shades of political opinion. It may well be that the heaviest shareholders, being those who pay the largest taxes, by reason of conditions, may not be interested in any political party at all. Under these circumstances the powers conferred are very great, but I suppose the answer the minister will give is that this is the simplest way in which to deal with it. It is always simple, I suppose; but I used to be told in this house in days gone by that to confer powers of this kind upon the executive was a departure from the well established rules of constitutional government. Be that as it may, what we are doing here is to say that wherever under the provisions of the railway act or any other statute approval by the shareholders has to be given under the law, and there are numerous cases once you take away the trustees, in all such cases "with respect to any company to which the next preceding section applies, such approval, sanction or confirmation may be given by the governor in council." That means all the subsidiaries, 139 in number, because it will be found in the letter that was signed by Mr. Liddy that the Canadian National comprises 139 companies, as stated in evidence; the Canadian Pacific conducts its own affiliated operations through approximately the same number of companies, and in the case of all these 139 subsidiaries the shareholders will find themselves in the position of votes being given by the governor in council exercising shareholders' rights, and they are not all of them companies of which we are the complete owners. But we are providing that all these affiliated companies shall be represented by the governor in council regardless of whether they have provincial or federal incorporation. I question the legality of it, to start with, and in the second place I think it is an unprecedented exercise of executive authority. It confers on the governor in council power to represent shareholders in provincial companies, whether the shareholders are in complete control of the road or not. For instance, the Central Vermont Railway is a road in which the Canadian National has a very large interest. We were told at one time we would not incur any responsibility in the rehabilitation of that system. What happened was that it issued its securities, which were put in the treasury of the Canadian National, and then this country guaranteed the bonds of the Canadian National Railway which were sold on the markets of the world and provided the money. So we have a vital interest in that system. The Canadian National, I understand, has a substantial holding in that road. The Central Vermont would probably not come within the operation of this section because it does not run into Canada, but there is a road that crosses the boundary and runs partly into Canada as a continuous line, namely, the Grand Trunk Western, which crosses via the St. Clair tunnel under the river, running on the rails of the tunnel company, the tunnel company being a separate company, with part of the tunnel in the United States and part of it in Canada. All these are matters of such importance that it is a very serious matter to declare that regardless of every other consideration the governor in council shall represent the shareholders of all these companies whenever approval has to be given, or in the language of the section:

> Whenever under the provisions of the Railway Act or any other statute or law the approval, sanction or confirmation by shareholders is required with respect to any company to which the next preceding section applies,—

That is, any one of the affiliated companies.

> —such approval, sanction or confirmation may be given by the governor in council.

This bill declares that the present officers are relieved of their duties and the new directors shall be the directors of the enterprise, and it is provided in the preceding section that:

> The National Act and all statutes, charters, letters patent and orders in council of Canada which relate to any of such companies in Canada shall, in so far as they may be inconsistent with the provisions of this section, be read in the light hereof and be construed so as to conform herewith.

Not only is this an extraordinary power, but I greatly fear it is a wholly illegal power applied to some at least of the companies in question.

Mr. HOWE: The wording of this is exactly the same as the language of the Canadian National Railway Act of 1919.

Mr. BENNETT: But there is a difference in the preceding section.

Mr. HOWE: Under the trustees no approval of the shareholders was required. In other words, the trustees acted entirely independently of the shareholders, but now we are returning the power of the shareholders, to be exercised by the governor in council, on the theory that we are not operating the road as a bankrupt concern. Whether it is or not, we are operating it as a going concern, and we believe that where the approval of the shareholders is required it can best be expressed by the governor in council, who are the elected representatives of the shareholders. This does not apply to subsidiaries within the United States. As far as subsidiaries within Canada are concerned, it will be noticed that another section incorporates them as dominion companies.

Mr. BENNETT: That is what I had reference to. Read alone the preceding section might not be important, but when this section and later sections are read with it, they certainly confer wider powers than we have ever undertaken to confer in this country. Paragraph 9 reads:

> Whenever under the provisions of the Railway Act or any other statute or law the approval, sanction or confirmation by shareholders is required with respect to any company to which the next preceding section applies, such approval, sanction or confirmation may be given by the governor in council.

What we have done is to take the provincial companies and make them into federal incorporations willy-nilly. Then we have said that the new directors shall become directors of those companies willy-nilly. Then we have said that if there are more than seven, a certain method is to be followed for the purpose of selecting them. Then we say that any statute, charter, lease or whatever it may be that is inconsistent with the provisions of the section, shall be read in the light thereof and be construed so as to conform therewith. That in itself is a tremendous exercise of power. In the main, that power was conferred by the act we are amending, but in that case the trustees represented the shareholders as well as the security holders. That was the whole basis of the report made by the commission, and it was for that very reason that they went so carefully into the financial set-up of the enterprise. The minute we earn enough money to pay the interest on the securities, it is quite clear that the statute would be amended, but as long as the conditions exist to which reference has been made, there will be a situation entirely different from the one the minister contemplates.

What he now says is that they are going to treat this company as a company which is meeting the obligations of its fixed charges from year to year. Treating it as such, the governor in council becomes a shareholder, not only for the purposes of the company but for the purposes of the subsidiaries as well. That is an entirely different thing from what prevailed in the case of the trustees. They represented the shareholders. As the minister knows, in an ordinary legal proceeding receivers are officers of the court, and the trustees were officers of the high court of parliament. The shareholders have no longer anything to say when receivers are appointed, and will not have anything to say until the system is reorganized and they once more come into the authority of their position. What we are doing by this legislation is to say that the company no longer occupies that position, whereas we are to deal with legislation at this very session which indicates that we shall have to raise from $35,000,000 to $40,000,000 to pay the interest upon the securities. There is a contradiction between the two. The one is logical and consistent, the other is illogical and inconsistent; the one is contradictory and the other is self-explanatory. That is the real truth about it. I direct attention to it, but I know there is no likelihood of its being changed.

Mr. CAHAN: I have sent for a copy of the act which contains as a schedule a list of the subsidiaries of the Canadian National Railways. My memory is that a number of the subsidiary companies mentioned in that schedule are provincial incorporations.

Mr. HOWE: That is right.

Mr. FINN: Mr. Chairman, I have listened to the remarks of the leader of the opposition (Mr. Bennett) and it seems to me that the statements that have been made during the second reading of this bill were made by hon. gentlemen opposite in an effort to show that the Canadian National Railways is not worth a cent to this country which is burdened down with debt. An effort has been made to show a conflict between the act of 1919, the act incorporating the various companies that go to make up the Canadian National system, the trustee act of 1933 and the present bill as introduced by the Minister of Railways and Canals (Mr. Howe). I desire to state as emphatically as I can that if there is connected with the Canadian National railway system any piece of road which is not paying—I refer particularly to the Canadian Northern—it was placed in the system by whom? Was it by the present Prime Minister (Mr. Mackenzie King)? Was it by his late lamented leader, Right Hon. Sir Wilfrid Laurier? No, it was by a fellow Nova Scotian, the Right Hon. Sir Robert Laird Borden. He took over the Canadian Northern to save

the Bank of Commerce. He gave them $40,000,000 for the Canadian Northern and then appointed a commission to find out the amount of the equity of redemption of Mackenzie and Mann. This royal commission found they were entitled to receive $10,000,000. At the very inception of this system the country was saddled with a piece of railway which should have been put up for sale under the hammer. This was a private corporation and it should have been sold for what it was worth to any one who desired to buy it.

The leader of the opposition referred to the Halifax and Southwestern Railway. As the hon. member for St. Lawrence-St. George (Mr. Cahan) has just indicated, that railroad was built under a provincial charter. The province paid subsidies of $3,400 per mile. This railroad was taken into the Canadian National system. I cannot lay my hand upon it at the moment, but the previous government, I believe in 1932, stated that the Intercolonial Railway should consist of those roads in Nova Scotia which belonged to Mackenzie and Mann and that the Halifax and Southwestern should become part of the Intercolonial system, as it was known up to the time it was handed over under the legislation of Sir Robert Laird Borden. Under the legislation of 1919, which came into effect in 1922, the Grand Trunk in the United States and in Canada became part of the Canadian National Railway. The Intercolonial, which was owned by the government as trustees for the people and which was built as a term of confederation, as covered by section 145 of the British North America Act, was also brought into the system.

The leader of the opposition, the former Secretary of State (Mr. Cahan), who came from Nova Scotia and now lives in Montreal, and other hon. gentlemen opposite, have testified that they had no relationship with Mr. Fullerton or the other directors. One by one they have come and told us that: I met him in the rotunda of the hotel and I bowed to him, but that was all. I suppose if he stays long enough they will be able to turn things over in their minds and discover whether or not he winked at them. The leader of the opposition, and the gentlemen who support him in this house are doing everything they can to frustrate the policies of this government and of the people with respect to the operation of the Canadian National system, and when you begin to raise doubts in the minds of the people that the securities that are outstanding are securities that may not be worth the paper they are written on, notwithstanding that the railways to-day are owned by the people and have the people behind them, it is just another evidence of the campaign of propaganda that started somewhere in the city of Montreal and has been pursued every week, in leaflet and in pamphlet, in reference to the management and the condition of the system. And that has been carried on—I ask hon. gentlemen opposite to refute this—for no other purpose than to hand over the Canadian National system to Sir Edward Beatty and the Canadian Pacific Railway.

Let us have a clear understanding of this matter. I speak not only as a member of this house but as one who has had some experience in the public life of the country and of his own province, and I say this afternoon that my whole life as a public man has been devoted to the best interests of the people and of their future. As I said in the house last night, I may not live long—I do not expect to—but I think it is the first duty of every hon. gentleman, including the leader of the opposition, with the power and knowledge that he possesses, to support the will of the people and to assist rather than oppose the government in the tremendous task which they have to perform with respect to our national railways. If the government of Sir Wilfrid Laurier had taken over the system the responsibility would be upon this side of the house to-day; if the present Prime Minister had taken it over, the responsibility would be his. But when I look opposite I see sitting there to-day hon. gentlemen who were in this house when that legislation was passed in the days of Sir Robert Laird Borden and of the Right Hon. Arthur Meighen. I wonder whether my hon. friends ever stop to think that if the Canadian National system is in the condition in which it is said to be—and I do not know exactly what that condition is—the condition is due absolutely to the fact that the Conservative government of Sir Robert Borden took over the railways. And I speak of Sir Robert Borden with great respect, for he comes from my own province; indeed, I studied law in the same city with him and was often in his office in the days when I was beginning to take up the profession. It is not fair to place the responsibility upon the present Minister of Railways or upon the Prime Minister of the day.

The point I want to make quite clear is that legislation will have to be brought down—and this is a suggestion to the government made in the open—not at this session but after they have had an opportunity of looking into the matter and have obtained advice from their legal advisers, to deal satisfactorily with the Intercolonial railway, so that the Intercolonial shall remain as it was when it was completed under Sir Wilfrid Laurier, with the various

branches that were built up as subsidiaries. To-day we find the Halifax and Southwestern, which belonged to the Canadian Northern and in which we put $3,400 a mile, as part of the Intercolonial railway, though it has no more right to be a part of the Intercolonial railway than I can claim to belong to the country from which Haile Selassie had to flee, seeking protection as a guest of the people of England. I say to the leader of the opposition that these are matters of great importance. The Grand Trunk Pacific was built under Sir Wilfrid Laurier, and so was the Transcontinental—for what purpose? It was for the purpose of bringing the maritime provinces closer to the great centres of Canada. It was built at a time when everyone believed that the twentieth century belonged to Canada. But a great war broke out, a war in which Canada took part, in which her noble sons fought and died that civilization might continue and that we might have the liberties that we have always enjoyed under the great British constitution. Following that came the great slump of 1929, from which Canada has not yet recovered. Immigration had to stop. But such were the knowledge and the vision of Sir Wilfrid Laurier and his cabinet in days gone by that if their intentions had been carried out, and if the war had not taken place, if the great depression of 1929 had not overtaken us, our Canadian west to-day would be filled and there would probably be a population of twenty or twenty-five million people in this country. Unfortunately however these vast areas in the west are not being tilled to the extent to which they might be, and ten million people have to carry the tremendous financial responsibility.

In these circumstances it seems to me hon. gentlemen opposite do not offer to the government even constructive criticism; their criticism is all destructive. They do not support the government in the task which it has to perform. I have no doubt that we all love our country; I do not believe that love of country is all on this side of the house; there is as much over there as there is here. But there seems to be some sinister motive on the outside, as evidenced in these pamphlets and in the propaganda that is being carried on and is seeping through the cracks and crevices of this chamber, to discourage the people of Canada with respect to the Canadian National Railways. The Prime Minister and his cabinet have undertaken to restore to the system a board of directors such as Sir Robert Borden provided for as the proper method of managing the railways. As the Right Hon. Arthur Meighen said in this house, there is no other system, no other management in connection with the Canadian National Railways than a board of directors; for, as he pointed out, the interests of the country are diversified and what is suitable to one section does not suit another. Therefore, in order to keep the system as far as possible out of politics, Sir Robert Borden provided for a board possessing a knowledge of the varied interests with which they were concerned, a board made up of gentlemen who understood the conditions that existed in the different parts of the country from which they came. Was Sir Robert Laird Borden wrong? Was the Right Hon. Arthur Meighen wrong? And is the only man who is right on this great question to-day the present leader of the opposition? If that is so he is at opposite points to his predecessors in office and to the very honourable gentlemen who gave this system, not as it is to-day, but largely so, to the country, to be brought to fruition through the years. I have none but the friendliest feeling towards hon. gentlemen opposite, and I think that when in their quiet moments they sit down and reflect upon their position they will realize that what was perhaps the hardest fought campaign the Conservative party ever contested in this country was lost from the beginning, that the leader of the opposition knew he was fighting a losing battle, and though he put his best foot forward, defeat perched on his banner; but on that account they need not despair; they need despair only if hon. gentlemen continue in a carping way to belittle the purposes of the present government in trying to put this Canadian National Railway system on its feet, and to refuse the support that is due to the Prime Minister, or if not to the Prime Minister, to the government, or if not to the government and the hon. gentlemen who sit on this side of the house, to the people of this country.

My right hon. friend the leader of the opposition and those associated with him represent a large number of electors. To them I say, in concluding my observations at this time, that under the trustee act as introduced by my right hon. friend in 1933 it was evident that he cared not for the rights of anybody in this country except three classes enumerated in the statute who might possibly succeed in obtaining damages by virtue of their relationship to the Canadian National Railways. But in reference to every other statute, to every other right, to everything that was sacred because it was the property of the people, that legislation was seriously defective. Why, sir, there is contained in that statute a clause to the effect that the railways may, if they so desire, tear up the tracks, cease to operate the trains, and do away with roads that the people have paid for—all subject only to the railway

commission of Canada. Is that commission the last word in this country? Is it the only body that can decide these things? Is it the body that should have the right to tell the people of Canada and this parliament and this government: You have nothing in the world to do with the railways? There was placed on the statute books of this country, when my right hon. friend the leader of the opposition was Prime Minister, the clause which enabled either privately owned or publicly owned companies to tear up their tracks and stop the use of their roads for public purposes if the railway commission of Canada permitted them so to do. Are the hands of this parliament tied with reference to the matter of who should be the manager of this road? This government is taking a leaf out of the book of Sir Robert Laird Borden and the Right Hon. Arthur Meighen, who said that for the Canadian National Railways the directorate system was the proper one, the system best suited to the needs of this great country, extending as it does from the Atlantic to the Pacific, including nine provinces with differing aspirations, but desiring only one object, the success of this vast confederation. These distinguished men having said that the directorate system was the best, and my right hon. friend the leader of the opposition having said, in the act of 1933, that it was not, he will have to go into the house of his friends and settle that question with them, not with hon. members who sit on this side of the house and who have a direct mandate from the people to place upon the statute books a measure returning to the system of directorates, and to give a fair trial to the new administration in its endeavour to make that railway what the people of Canada desire it to be, a railway that will conduce to the prosperity of all parts of the dominion, and make happy and contented those who will come after us, if not we ourselves. In my humble opinion these are the considerations that should actuate criticism on the part of the right hon. leader of the opposition and his supporters, and which require that it should be constructive.

Midway between his assumption of office as Prime Minister and his exit from the political stage in that capacity, he placed upon the statute books in 1933 the Canadian National-Canadian Pacific Act. That, to use his own words, was rather telling, rather significant, and I ask him now why it was, when he was going to do away with the president and the board of directors and substitute a board of trustees, he did not do that by itself as a distinct piece of legislation rather than mix it up in a conglomeration of paragraphs that occupy many pages of the statute books, between the railway commission, the Canadian National, the Canadian Northern, the Grand Trunk Pacific, the Grand Trunk, and the Intercolonial Railway provisions. Those things are all intermixed in that statute of 1933, although it was the right and the privilege of the leader of the opposition to have remedied that state of things if in his judgment it was the proper thing to do. It should have been distinct and apart from other ramifications in reference to very many matters that have no direct relationship to the question of the board of trustees and its management of the Canadian National railway system.

Under the act of 1933, and dealing with the subparagraph of which the leader of the opposition has been speaking, I cannot for the life of me see why it was that they were so determined not only to nail their party interests to the cross, but the people of Canada also, who have to carry the financial burdens. I do not understand why they made it so hard for the present government, representatives of the people, with the largest majority ever given to any party since Canada became a confederation. The Prime Minister of to-day, then leader of the opposition, said in the city of Toronto that he wanted a verdict from the people, he wanted a clear mandate, he wanted them to understand that if he came back to office this act of 1933 must go by the board and a new system of management and control of the Canadian National Railways must come into effect. I heard his voice over the radio in the city of Halifax, when he spoke to that vast audience in Massey Hall, Toronto. Surely if he was fair enough, and, as he always has been, honourable enough, to make known to the people of this country what his policy was going to be, after it has been endorsed so unmistakably there should be no question about our putting through this measure. The people have endorsed that policy so strongly that there is not room on this side of the house for all hon. members who support the Prime Minister. Some of them have to sit on the other side and associate with the right hon. leader of the opposition; sometimes people think they belong to his party, but they do not.

Therefore, Mr. Chairman, I say the mandate of the people comes ahead of the statute of 1933 and it is the duty of parliament and the government to implement the pledges then given to the people of this country. That is what has been done, in bringing down this

legislation and placing the control of the Canadian National Railways back in the hands of the people through a board of directors subject to the control of parliament, the representatives of the people. Surely no one can say that is not standing behind constitutional government and the very finest conceptions of democracy. President Wilson wanted to make the world safe for democracy. It seems to me that the harder the right hon. Prime Minister tried to make Canada safe for democracy the more hon. gentlemen opposite, led by my right hon. friend the leader of the opposition, try to remove the foundations of our democratic thought, our democratic principles, our constitutional ideas, which have been behind England's success through the years and which have built up the British empire which to-day is as free as the sun and which will remain free as long as the people live within the law and the proper authorities place that law upon the statute books in the various countries.

I make this statement, Mr. Chairman, only because I feel that the people of Canada should know that this propaganda has succeeded in getting into this very chamber. Last night my hon. friend from St. Lawrence-St. George said there was another chamber making up this parliament, namely the senate, and we had to deal with them. I should like nothing better than to go to the people of my own constituency—and I would do it to-morrow—if the senate dared to turn down this legislation as it has been introduced in this house and as it will be passed by this house, representing the will of the people. If that is done, some day in the near future they will find that the door will be locked and they will not be able to get in. I remember that the ex-Minister of Finance, who I regret is ill, locked the door on the legislative council in the province of Nova Scotia, and said, "You have no rights or privileges. Go home and attend to your business, but keep away from here." Did they talk about indemnities, those people who were appointed for life? No, sir, they did not.

But those are not democratic ways of doing things; they are autocratic; they seem to be the ways of some hon. gentlemen who sit opposite. They are not followed by the present Prime Minister, who is simple in his love for Canada, who carries nothing but the best thoughts for everyone. If I had any criticism of the right hon. gentleman at all it would be that he is too generous, too kind. He has too broad an outlook as to the future of this country, and his main desire is to see that the policies he believes best are carried out so that the people of Canada may have at least a little time in which to go ahead and enjoy more of the prosperity that ceased when the bell rang in 1911 on reciprocity. Then we heard "no truck or trade with the Yankees," but a few years later we saw hon. gentlemen opposite, when in power, taking a different view and going off to Washington in an endeavour to negotiate a reciprocity pact. It is a good thing that ex-President Taft of the United States was not alive and in office at that time, or my right hon. friend the leader of the opposition might have been asked to withdraw the statement made by his party that they would have no truck or trade with the Yankees. He might have been told, "Take your bag home; carry it yourself. There is nothing to be put in it."

Ah, Mr. Chairman, these are the things for the public to remember. These are the things that sink deep into the hearts of men. The position taken by the Prime Minister is the sort of thing that makes for better government and for better relationship between the different parties in this house. That is not done by creating in the public mind a feeling of unrest with regard to this national railway system. We have this system; we have to deal with it, and we are going to keep it, in spite of Sir Edward Beatty's public statement in Canada and in London that, notwithstanding the parliament of Canada and the will of the people, within three years the Canadian National would be associated with the Canadian Pacific, of which he is the president. Whoever gave him the right to make that statement? He must have had someone standing nearby who gave him the impression that there was some possibility of bringing about such a thing. He has a great railway system. In the early days his company received the very best soil in our Canadian west, and the people of this country contributed large sums of money for the construction of that road. To-day they, or those they have brought to this country, are in possession of that land, and the Canadian Pacific is receiving thousands and thousands of dollars from the grants of land and as a result of the financial support given that company by the parliament of Canada in the early days of confederation. I say to Sir Edward Beatty that if he will attend to the Canadian Pacific Railway, the Prime Minister, the government, this house and the people of Canada will attend to the Canadian National system. It belongs to the people, not to the Canadian Pacific Railway.

May I say, Mr. Chairman, that it is a very nice compliment to me that, when I am speaking in the interests of the people of this country, the hon. member for St.

Lawrence-St. George should leave the chamber and the right hon. leader of the opposition should cross the floor to enter into a discussion wi'h the Minister of Justice, because he cannot stand the gaff. It is a sort of left-handed compliment to the senior or junior—I don't know which I am—member for Halifax. I want to say to him that he has been handed so many left-handed compliments by the people of Canada that it does not hurt him to hand him one more. I shall close my eyes as if in oblivion to his passing from that side to this, because I believe in my heart he likes this side better than that. If there is any enjoyment in what he has done I am pleased; I am made very happy. With that I shall stop before the gong rings.

Paragraph 9 agreed to.

Mr. STEWART: May I have permission to clear up a matter about which there was some difficulty this afternoon. I now have before me the proceedings of the standing committee on railways and shipping. At page 208 I find the following:

Hon. Mr. Howe: I might say, Mr. Stewart, that the trustees have already made two annual statements. No one is preventing them from making any statement at any time or in any place they like. Why insist that they make a statement before this particular committee to which this bill has not been referred? They can make a statement in the newspapers if they want to.

Hon. Mr. Stewart: I say that this is the proper place to investigate matters relating to the Canadian National Railways. The press is not the place. This committee should be the place in which to get the facts.

It was a statement by the minister, not by the chairman of the committee.

On section 3, paragraph 10—appointment of president.

Mr. MACKENZIE (Vancouver): There is an amendment before the committee.

The CHAIRMAN: Yes, there is an amendment to subparagraph 2 of paragraph 10, section 3, as follows:

That subparagraph 2 of paragraph 10 of section 3 be amended by striking out all the words after the word "council" in the third line on page 6 of the bill down to and including the word "approve" in the sixth line of the same page.

Mr. BENNETT: Why is that done?

Mr. HOWE: Paragraph 10 provides a salary for the president when he acts as chief executive officer. This was to take care of providing a salary for the chairman and president. A careful reading suggests that it might be interpreted that he was being paid two salaries, one as chief executive officer and the other as president. We find that without these words he will be sure of his salary, and for these reasons they are superfluous.

Mr. BENNETT: Speaking to the amendment and to the section I suppose the minister will agree that to no inconsiderable extent success or failure will be determined by the president of the system. The hon. gentleman will recall that it was because of difficulties in connection with that situation that this country sought a president from outside Canada. He will also recall that the London and North Eastern Railway sought and obtained a chief executive officer in the United States, in the person of the late Sir Henry Thornton. In my judgment the whole question as to the present situation of the Canadian National Railways requires immediate attention. If the minister had known, perhaps he would not have used the terms he did as to the possibility of trustees being in conference with me with respect to administration.

Mr. HOWE: I did not say that.

Mr. BENNETT: Because I have differed materially about some things. However, that is not the issue. There is in the Canadian National at Montreal in my judgment—and I say this with great hesitancy, and am giving my opinion—a clique—and I do not use the word in an offensive sense—that makes it impossible to accomplish certain things which must be accomplished, if the system is to succeed as it should. This section deals with that phase of the situation.

There is no use having an acquiescent president whose principal quality is his generous spirit and fairmindedness, unless you add to it a grim determination to carry through matters that may be entrusted to him for consideration.

Mr. FINN: Louder.

Mr. BENNETT: Judging from the hon. member's recent observations regarding the views of the leader of the opposition I should think it would be quite indifferent to him as to whether he heard or not. I mention that simply in passing.

Mr. FINN: I did not say that, but if my right hon. friend wants it that way, I will leave it.

Mr. BENNETT: I think the minister should give consideration to this matter from the angles I suggest. I am now giving him the benefit of my not inconsiderable observations and experience in the matter. Of

course I would hesitate in a committee of the house to name a man, but the qualities required in an executive officer capable of discharging the duties which fall upon him are those not possessed by every man one meets. If you trust the operation of the system to an experienced railroad executive he must have knowledge of many things beyond the mere intricacies of the machine he is administering. For instance, the president of one of the great American railways is a Yale graduate whose knowledge of railroading might be less than that of a dozen men under him. But he has the qualities, vision, firmness and the ability to conceive and carry out plans of far-reaching consequence. Therefore he is highly prized by the shareholders and directors. Perhaps the minister will recall that when Mr. Harriman consolidated his great roads, he took a lawyer from Texas and made him head of his system. The quality which makes a successful operating official is not the quality which makes him a successful executive. It will be recalled that the Canadian Pacific Railway was favoured with a rare combination in the presence on the board of directors of the late Sir William Van Horne and the late Lord Shaughnessy. The two working together, one complementing the other, made a tremendous success of the administration of that property.

Mr. FINN: Were they college graduates?

Mr. BENNETT: I was not suggesting that they were graduates from anything other than the great school of experience and university of hard knocks. But since those days conditions have changed to a certain extent in connection with the administration of properties. I am not in any sense suggesting the desirability of or necessity for an appointee being a college graduate; that was not the point at all. My point was that in the realm of economics and theories we encounter conditions that are not of a practical kind, and if you entrust your fortunes ostensibly and openly to a skilled railway operator, and he commits his fortunes to the academic economist and theorist, you find yourself in a position not unlike that of the minister, himself, who found it desirable to eliminate from his speech certain sections that had been prepared for him by others who thought they knew more about the matter than he did. That is an apt illustration of what I desire to say. I have hesitated a great deal whether I should say as much as I have on this section. I have hesitated more as to whether I should not have said more because I realize perhaps to a greater degree than any other of this committee just what is involved in that section. I would like to see certain reforms effected, and I say to the minister frankly that they would have been effected along that very line whether he were in his present position or not. He will find that the same circumstances which developed, what some people call esprit de corps, in connection with the head office, but which those who know it more intimately would designate by another name, have led great railway corporations into taking most drastic action in England, the United States, and almost every country in the world, in dealing with their problems. That is the reason I have ventured to say what I have, believing the minister will recognize that I have done so only because of my deep conviction as to the necessity of there being concentrated effort, on the one hand, and firm and determined will, on the other, and a determination which will not be baulked by mere internal opposition or resistance. In giving effect to this section very great care will have to be exercised.

There is another section, Mr. Chairman, to which I might also refer without mentioning it by number, because it touches this only by way of argument. We talk of cooperation, and it will be remembered that we propose to continue cooperation between the two systems. No change has been made in that regard in this bill. We know now in the light of two years' experience the difficulties that have been encountered and the lack of really effective results.

It will be recalled that the report of the managers indicated a saving amounting to $1,000,000 in one year, which is a substantial sum of money, and a little less, I think, in another year. That is excellent, but we know, and the late government knew, the continued discussions, the continued negotiations, the continued meetings which were held, extending over weeks and months until finally the year came and went, and that was all. The minister must know by this time that for the last two years that has been going on, but there never was during all that time any suggestion that the arbitral tribunal should act. When I say suggestion, there may have been suggestions in discussion. I will put it in another way. There never was an appeal to the arbitral tribunal appointed under the act. Now the whole theory of the Duff report was that cooperation might bring a measure of success to both properties in which the country had a deep and abiding interest, owning the one and having a great stake in the other, not a financial stake in the same sense as it has in the Canadian National, but a national stake in the success of the other road. We know that these negotiations failed of result in the large sense that the Duff commission had in mind.

I put to the minister this: Does he think we ever can get anywhere with negotiations being carried on by representatives of the roads if in the midst of the meeting someone says: I must refer that to Ottawa? And then the minister becomes an absent negotiator, for he is not sitting at the table; he is having someone there representing his views. That was not the intention. The whole purpose was to try to create in this country as much as possible an independent body that would deal with another independent body subject to the restrictions imposed upon them by the statute. Responsibility must be accepted, and decisiveness must be evidenced by action. That has been the difficulty, and the minister knows that as well as I.

Mr. HOWE: I do not quite understand the reference to cooperative efforts being referred to Ottawa. They have not been while I have been Minister of Railways.

Mr. BENNETT: The officials of the railways have been meeting together since October. I am advised that they have not ceased to meet.

Mr. HOWE: But the cooperative efforts have not been referred to Ottawa.

Mr. BENNETT: But the negotiations never reached finality. That is my point, and the reason given in one case why finality is not reached is: Oh, well, I cannot go any further in that matter; I shall have to see what Ottawa thinks.

Sir EUGENE FISET: That is not what Judge Fullerton says in his report. If I may be permitted, he said that the cooperating board of the Canadian National Railways and the Canadian Pacific Railway was composed of officials of the railways, and that they were more scared of competition than concerned with the public interest.

Mr. BENNETT: But they were representatives of the railways, and the difficulty is that as representatives of the national railways, on the one hand they were thinking, as the hon. gentleman has said, in terms of fear of their competitors overreaching them, which is always a dangerous way of approach in negotiations, and, on the other they were wondering what the government thinks or will think of this. If one can get out of his mind that it is necessary to wonder what the government thinks or does not think, then one can begin to deal effectively in matters of administration, and can get results. That is the reason I make the suggestion. We had some experience two years ago, and one of the reasons I deprecate changes being made in this way is that I had hoped there might be an improvement which would warrant the expectations that were entertained by the members of the Duff commission, and it is too bad in that sense that you have the termination of an arrangement which gave some hopeful signs of success. That is as far as I shall go. While those efforts have not been ended but are being continued under this legislation, the effect of this legislation is to leave them in an entirely different position from what they were under the former act, and my only suggestion to the minister is to make it clear to whoever is appointed under this section that there must be a sense of decisiveness, of reality and of finality that will make possible the attainment of results, instead of merely the continuation of negotiations over months reaching into years on matters which might have been quickly disposed of.

I shall give an illustration, and as it is a reflection upon the late government it cannot be said to be political. The representatives of the two companies met together and dealt with two problems, one express, and the other telegraphs, and they made recommendations. They had not concluded their final determination of the issues raised when they thought it desirable that legislation should be enacted of a permissive nature, only permissive, not representing an accomplished fact, but that would be available in the event of conclusions being reached. What happened? The government had courage enough to put the measure on the order paper, but that is as far as it ever went, and if the hon. gentleman seeks the reason all he needs to do, in the words on the monument to Sir Christopher Wren, is to look about him. He will look behind and in front, but however determined he may be he will not be able to carry his views into effect. In the essence, government is compromise; it is the surrender of your views to the views entertained by your colleagues. For instance, however strong my views may have been, those views could not prevail. It is idle to say that it is possible for the arbitrary will of any one man to be decisive with respect to matters over which he has no jurisdiction and which he must discuss with his colleagues and arrive at a middle course. The result was that the notice which appeared on the order paper never went any further. If the hon. gentleman is desirous of knowing how those who now sit about him felt about the matter, he will have no difficulty in ascertaining that. It was at once the subject of correspondence and public attacks and propaganda in the press in connection with loss of employment, whereas we were assured that that would not follow.

The matter was never completed, but I say to the minister that he will have to deal with it in the next few months. Therefore, it becomes of great importance that this section should be carried into effect in such a manner as will ensure the realization of the hopes of those who know, as I do, that in all these matters there is the personal equation which in the end determines to no inconsiderable extent the success or failure of your effort. You may have the highest minded industrialists in Canada sitting on your board, but in the end the success of this venture, as it is now provided for by this legislation, will depend upon the one or two or three entrusted with the power and authority to carry these views into effect. If the minister is to have in this venture the part that is contemplated by this legislation, I can only suggest to him the desirability of exercising the greatest care when the governor in council gives approval to some of the appointments that must be made.

I suggest to him, in all good will, that he will find that there has grown up in this corporation a situation not unlike that which has been known to exist in other great corporations. This is not unlike the so-called family compact, although it has nothing to do with family except as it is concerned with the law of self-preservation. I am suggesting to him what is known to every man who carefully observes and is willing to express an opinion. When the hon. member for Halifax (Mr. Finn) was discussing this matter—

Mr. FINN: Hear, hear.

Mr. BENNETT: It is not necessary to say "hear, hear"; that is quite apparent; it is "there, there," that I am thinking of. When the hon. member suggests that we are merely critical, I assure the minister, through you, Mr. Chairman, that we have been something more than merely critical. I am grimly opposed—"grimly" is the right word—to the methods that have been adopted to accomplish the ends which the minister admits are aimed at. However, if we leave that out, the rest of the matter becomes a question of experience and observation, and of suggestion in the light of that experience and observation. He would be a very poor man indeed who had occupied any position in the public life of this country during the last four or five years, who could not make some suggestions that would be of value to those who have succeeded him. The suggestions might not be, and probably would not be, well received, but, on the other hand, the duty rests upon us to make suggestions, whether they are well received or not.

[Mr. Bennett.]

In all sincerity, and in the light of my own observations and experience, I say to the minister that there is a situation existing which I had made up my mind, and which I am sure he with his technical and professional experience will make up his mind, should be cured. This can be cured only in a manner that will be as ruthless as it will be efficient. When I say "ruthless," I mean that there must be no consideration of sentiment or of past services or of pleasing personalities; these factors must not stand in the way of the public interest. When I say "as ruthless as it will be efficient," I mean just what I say. When that power is exercised the efficiency will be increased many fold. I am not unmindful of the fact that the observations which I make will be misconstrued. That is not a matter of great importance to me because they are not difficult of understanding by those who wish to understand.

I do say—it has never been more apparent than just recently—that a condition exists which some would call intrigue, and which others would call something else. Stripped of everything, it is a combination of interests that aims to accomplish certain purposes. Despite what may be said, the fact is that the investigation which took place some years ago in the United States in connection with the transportation systems, and the investigation that took place in connection with the insurance companies, would make one realize how easy it is, even in this country, for efficiency to be restricted and lessened, not by conspiracy, far from it, but by those friendly understandings which are based upon a mutual desire to assist and are bottomed sometimes upon generous instincts of the human mind, which, nevertheless, in the end, operate very seriously against the success of the enterprise.

I say what I have to say on this section because I am greatly concerned with the whole situation. My experience and my observations lead me to make the remarks I have made. Possibly some members of the committee may think I should be more exact, but I prefer not to mention names. I leave it to the minister himself and to those who will be associated with him to ascertain just what reforms are necessary for the purpose of effecting the success of the operation of the undertaking in question.

Mr. HOWE: Mr. Chairman, the leader of the opposition (Mr. Bennett) has pointed out a situation of which we are all aware. I may say that I agree with a great many of the things he has said, as I usually do when he adopts his more constructive line. The new

set-up will stand or fall on the appointment of the chairman or, if the office is divided, on the appointment of the chairman and the president. We have left ourselves some latitude, as my right hon. friend will see; we can combine or divide the office. I assure him that every effort will be made to get the sort of head who will do whatever is needed to bring about definite results in the higher circles of the railway. He is quite right when he says that recourse has not been had to the arbitration section, but we are reenacting it and I venture to suggest that within a few months we may call upon it.

Mr. TAYLOR (Nanaimo): Mr. Chairman, I should like to direct attention to a misprint at the end of line 13 on page 6.

The CHAIRMAN: What paragraph is the hon. member referring to?

Mr. TAYLOR (Nanaimo): Subparagraph 3 of paragraph 10, on page 6, line 12. The word "comprised" is misspelled.

The CHAIRMAN: Shall the amendment carry?

Mr. FINN: I wish to say just one word in reply to the leader of the opposition. We must all remember one thing. He says that there has been a lack of cooperation between the two systems, as provided for in the act, but I would call his attention to this fact. In my own province we are struggling to live. In the old days the Dominion and Atlantic Railway was owned in England and was operated by Mr. Campbell and later by Mr. Gifkins. One day it became the property of the Canadian Pacific Railway Company. First, they had it declared to be a road for the general advantage of Canada and then they purchased it, or at least they secured a majority of the common stock, which gave them control. They came down and rented at a high rate to the Dominion and Atlantic Railway cars that were as old-fashioned as the chariots in which Caesar rode in Rome. Canadian Pacific officials came down later on, when these cars were still there, took off the letters "D.A.R." and substituted "C.P.R.," and they ripped off the "D.A.R." buttons from the coats of the officials and put on "C.P.R." buttons. They also changed the stationery. That was the first evidence of good will to the people of Nova Scotia. I am not complaining particularly of that, but what happened? It was the beginning of a movement to destroy the esprit de corps of which the leader of the opposition has spoken this afternoon. To make matters worse they removed the auditing branch from Nova Scotia to Montreal, throwing people out of work in our province.

> No more, there is no more
> To live for now.
> My king is false,
> My hope betrayed;
> My father, O! the worth,
> The gloriousness and the loveliness
> Has passed away from earth.

Then they issued an order that all car repairs were to be made in Montreal, the engines to be taken out of Nova Scotia to that city for overhauling, so that by degrees they closed the machine shops in Nova Scotia, there being but a limited number of men there to-day. But did they stop there? No. There is a rumour, which I believe to be true, that the general manager of the line is to be retired on pension and that the operation of that railway is to be from Montreal and not in Nova Scotia. By degrees they have sucked the very life-blood of that little line in my province in order to bolster up their assets, taking the property of the "D.A.R.", as it is called, and making it a part of the Canadian Pacific Railway so as to make a favourable annual statement. Not only that; I believe it is the intention to have merely a sort of superintendent and to have the "D.A.R." go through that lovely land of Evangeline from Halifax to Yarmouth. We are inviting tourists to our province though the hearts of our people are heavy, for these people have been thrown out of employment in order that the work they were doing should now be carried on in Montreal. In this respect the little province of Nova Scotia, the province next to New Brunswick in which my right hon. friend the leader of the opposition was born, is being discriminated against. Can we have any prosperity under these conditions, far removed as we are from the centre of things, with a high tariff wall against us in the United States, though it is true that wall has been somewhat lowered? With proper transportation facilities we might have gone into the New England market, but we have been cut off by a high tariff wall, and the general freight structure has operated against us, with the result that our industrial activities have been dwindling. It is fortunate that we have had some men—perhaps I may be pardoned if I say that I am one of them—who have been instrumental in saving one or two industries in the province, including the Acadia Sugar Refinery, which gives employment to some 400 people. In all, about 2,500 people would have been

seriously affected if the rates had not been fixed so as to permit this industry to operate.

Sir Edward Beatty may be a graduate of McGill; he may be a man of high social standing; he may be the essence and indeed the quintessence of higher society in this country. But I want to say to my right hon. friend that if that ruthlessness to which he has referred is to be applied in the same way to the man who takes his cocktail in the club as to the man who wears overalls, then it is all right. Otherwise it is wrong, and the people of Canada will ever remember the statement the right hon. gentleman made in the house this afternoon in that regard. Sir Edward Beatty sent down the late Mr. Grant Hall, the vice-president, to a meeting of the Eastern Steamship company, putting Canadian money into an American concern. The steamers Prince Arthur, Prince George and Prince Edward, built by the Dominion and Atlantic Railway, had proved satisfactory on the route between Yarmouth and Boston, but what did Sir Edward Beatty do? He entered into an arrangement with this American concern, the Eastern Steamship company, with the result that on that trade route on which ships flying the British flag had operated, and on which Nova Scotians had been engaged, from captains down to sailors, the Eastern Steamship company took over the business at the instance of Sir Edward Beatty and the Canadian Pacific Railway Company.

The CHAIRMAN: I do not like to interrupt the hon. gentleman, but he is out of order and I would ask him to confine his remarks to clause 3, paragraph 10.

Mr. FINN: I bow to your ruling, Mr. Chairman, but I would point this out. The leader of the opposition dealt with the question of cooperation, urging that in order to secure the necessary esprit de corps and fairness, even ruthless methods should be resorted to. Surely if he could elaborate on that I have a right to point out that the very essence of that cooperation is lacking as between that part of our transportation system owned by the Canadian Pacific Railway and the part owned by the people. I am arguing that the rights and privileges of the people of Nova Scotia in this connection should not be handed over to the people to the south of us. I am sure that, upon reflection, the chairman will realize that I do not desire to transgress the rules. Although I will bow to his ruling, I do not believe I am without the rule; I believe I am within it. Perhaps I may be permitted to continue hewing close to the line, in the direction I am going. I shall be through in five minutes, and there will be no more "Order," and, I hope, no more disorder.

The CHAIRMAN: Has the hon. member finished?

Mr. FINN: No. The Chairman evidently did not hear me; I am sorry. I do not want to repeat my remarks, but I should like to know whether the chairman heard what I said; if he did, whether or not there was a transgression of the rule on the part of the right hon. leader of the opposition, and if there was, and he was allowed to go ahead, why I am to suffer. I am prepared to do so, but I should like to know the reason why.

The CHAIRMAN: I did not hear all the remarks of the hon. member for Halifax, but I did hear him say that he would finish in five minutes, and if so, I am quite in accord.

Mr. FINN: Perhaps, Mr. Chairman, it will take me only five minutes; when I return to that little province by the sea it will be known that I have been permitted to go on if I shall confine my remarks to five minutes, and they will see the hard-heartedness of this chairman and his strict administration and interpretation of the rules as applied to one of the members for Halifax as against the right hon. leader of the opposition. My only object in desiring to be heard is that some benefits may come to the people of a province that I love, as I love also the rest of Canada, and want to see all the dominion develop equally, so that we shall not lag so far behind. It was in reference to that I was speaking of the Yarmouth Steamship Company, started by a Nova Scotian, L. E. Baker, who put everything he had into it, desiring its development and prosperity, and who died practically without anything. Then came the Dominion Atlantic Railway Steamship Company, then the Canadian Pacific Railway control and management; then followed the disappearance of the Dominion Atlantic Railway Steamship Company and the arrival of the Eastern Steampship company's boats, the Evangeline, the Yarmouth, the Acadia, and the Saint John, four boats, with a bonus of forty per cent by the American government, a sixty per cent loan on which they have not paid interest, and a subsidy of $500,000 for carrying the mails in the winter across the Bay of Fundy.

The word from Washington under the late President Hoover was that the coastal trade of the United States must be built up, and they built it up with the resources of 130 millions of people. Our relationships with the people of that country are splendid, but if

things are to be done in that way we in the province of Nova Scotia might as well know it, and the sooner the message of sudden death is pronounced the more quickly we shall realize our position. The statements I make cannot be controverted. To-day the Eastern Steamship company, at the solicitation of the Canadian Pacific Railway Company, who are owners of stock in the American company, are running between Boston and Yarmouth. What has been the result? Our captains, chief officers and second officers, born in Nova Scotia, took up residence in Boston, became American citizens, took their examinations, became masters and mates under the American flag, and returned on the bridge and on the deck of those ships to Yarmouth, leaving Yarmouth as Nova Scotians and coming back as aliens. Is this the evidence of the policy of cooperation of which the leader of the opposition speaks? I bring this to his attention. Are Sir Edward Beatty, the Canadian Pacific Railway and its management, the brains behind this? The right hon. gentleman differentiates between Lord Shaughnessy and Sir William Van Horne, and Mr. Beatty because times are different. Times may change, but hearts and minds do not, and I state to my right hon. friend that, while I want to see this road a success, I desire also to see placed in charge men who have hearts as well as minds, and that the man who wears the overalls shall not be ruthlessly removed while those in the higher-up sections of their company are continued in office. How is it possible for us in Nova Scotia to have faith in Sir Edward Beatty and his management? I should like to ask the right hon. leader of the opposition the question: Is he in agreement with Sir Edward Beatty in the handing over of that trade route between Yarmouth and Boston to the Eastern Steamship company and the American flag and making Americans of Nova Scotians? Is he in favour of that or is he not? I await his answer.

Mr. BENNETT: The hon. member will keep on waiting.

Mr. FINN: Ah, yes. And that is the reason the people are going to keep him waiting where he is, even if he remains there. I am glad I have accomplished my purpose. My five minutes may not be up, but I have had an answer that will go out to the people. Mr. Chairman, I thank you for your indulgence.

Mr. BENNETT: The observation I made as to ruthless action creating efficiency had reference to the head office of the railway. That is where, I said, it would have to be exercised—and not with the frills which the hon. member has added. He is a past master at that sort of thing. I take this opportunity to state that I made it clear that I meant the head office, and I have nothing to retract in that regard.

Mr. FINN: All I say, Mr. Chairman, is that the answer speaks for itself.

Amendment (Mr. Mackenzie, Vancouver) agreed to.

Paragraph as amended agreed to.

On section 3, paragraph 11—Meetings.

Mr. BENNETT: As we deal with that I have only this to say. To provide that a mere four of seven directors can sign a minute, without any provision that it shall be incorporated in the minutes of the corporation, is unsound. The original section in the old act was not as full as it should have been; I saw that when, unfortunately, it was too late. There should be a provision that a minute which is unanimously agreed upon, as evidenced by the writing of all the members who are expressing their acquiescence, should be incorporated in the minute book of the corporation. That is a matter which experience has shown to be highly desirable. I think the section should be amended in that regard. The minister can speak to the leader of the senate with respect to the matter. To leave it as it is now is rather a dangerous procedure. There is nothing, as the minister sees, that contemplates a minute thus arrived at finding its place in the minute book of the corporation, and with his experience of companies he knows, perhaps, that the court of appeal in England decided many years ago that although a director might be in the room and two others just outside, and a quorum present, they were not present unless they were in the same room. This is in derogation of the common law provision; it provides that a minute signed by all shall have the same force and effect as though it were passed at a meeting, but there is nothing to provide that it shall be entered in the minute book as part of the proceedings of the corporation. Perhaps this paragraph might stand and the minister can speak to his leader in the senate who has the bill in charge there. I have no desire to hold up this paragraph, but certainly as it stands now it is not very satisfactory.

Mr. HOWE: I will see that this is gone into.

Paragraph agreed to.

On section 3, paragraph 12—Annual budget.

Mr. BENNETT: This has to do with the budget, and I have before me a notation as to a suggestion I should like to make. I assume that the minister is anxious to get this bill to the other house, but this paragraph provides that the budget shall be submitted to the Minister of Transport, while the next paragraph provides that the annual report shall be submitted to parliament also through the Minister of Transport. The minister will perhaps recall that as the law now stands the budget has to be submitted to the Minister of Finance, and with all deference I suggest to the minister who is in charge of the bill that the Minister of Finance is the person to whom the budget should go, for he is responsible for finding the money. There was some discussion about this matter when the other bill was under consideration, and the general view was that the Minister of Finance as distinguished from the Minister of Railways should receive the budget for the purpose of submitting it to his colleagues in council. He must consider it first of all from the standpoint of his ability to raise the money required by the railway company. I do not know whether or not there is any reason behind this change, but I suggest that it would be better to retain the supremacy of the Minister of Finance over the budget as it reaches council. It is only a question of how it shall reach council, whether through the Minister of Finance or the Minister of Transport, but I submit that the Minister of Finance would be the proper person. That is what we have in the old act, and perhaps this change was made inadvertently. I do not think it serves any useful purpose.

Mr. HOWE: The change was made quite deliberately, as a matter of fact. The difficulty is that in everything else the trustees write to the Minister of Railways, whereas in this case they write to the Minister of Finance. The Minister of Finance immediately has to write to the Minister of Railways, asking him to please check the budget and return it.

Mr. BENNETT: No.

Mr. HOWE: That is what happens in practice. This year we went into the budget exhaustively in our office before we returned it to the Minister of Finance, and we thought the channel for all communications between the government and the railway should be the Minister of Transport, fully understanding that the Minister of Finance would have to pass the budget and deal with the matter before council.

[Mr. Howe.]

Mr. CAHAN: If I might revert for a moment to paragraph 11, all that would have to be done would be to add the following words, "and entered in the minute book of the board." It would then read:

> The board of directors or a majority thereof may without meeting decide or act by way of a written minute or concurrence signed by the directors or a majority of them and entered in the minute book of the board.

I think it would be far better to make an amendment such as that.

Mr. BENNETT: I was against this being done by a majority of the members of the board, because three of them might not know what was going on.

Mr. HOWE: I shall be glad to look into the matter. It is practically six o'clock now, and I am afraid we shall hardly finish this bill by that time, so after dinner I shall bring in an amendment to that paragraph.

Mr. BENNETT: May I point out what I have just said to my colleague. I think it highly undesirable that a minute of that kind, signed by a majority and never communicated to the minority, should have the force of a binding minute, because the other three members might never have heard of it. In practice my view has been that a minute signed by all the directors should have the force of a minute passed by the majority and entered in the minute book. If the minute is signed by all of them—one might be in Saskatoon, another in Halifax and a third somewhere else; sometimes you telegraph the substance of the minute to them and they telegraph their consent before it is signed—it should have the force of a minute, but as the paragraph reads, it is provided that a majority may sign that minute and give it the power and authority of a minute passed at a meeting held by the directors where the pros and cons could be considered. As the paragraph now reads, only four need sign and the other three might know nothing about the minute. They might have great opposition to it, such opposition as might prevent its being passed if the meeting were held. That is the point I was endeavouring to make.

Mr. HOWE: I shall consider that.

At six o'clock the Speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

CANADIAN WHEAT BOARD ACT

PROPOSED APPLICATION OF PROVISIONS TO OATS, BARLEY, RYE AND FLAX PRODUCED IN WESTERN PROVINCES

On the order:

Resuming the adjourned debate on the motion of Mr. Perley (Qu'Appelle):—That, in the opinion of this house, the provisions of the Canadian Wheat Board Act, 1935, should forthwith be made applicable to oats, barley, rye and flax produced in the provinces of Manitoba, Saskatchewan, Alberta, and British Columbia.

Mr. E. E. PERLEY (Qu'Appelle): Mr. Speaker, with the consent of the house I should like to have order No. 44 on the order paper withdrawn or struck out.

Mr. SPEAKER: By consent of the house order No. 44 in the name of Mr. Perley (Qu'Appelle) will be withdrawn.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR ADMINISTRATION BY BOARD OF DIRECTORS APPOINTED BY GOVERNOR IN COUNCIL

The house resumed consideration in committee of Bill No. 21, to amend the Canadian National-Canadian Pacific Act, 1933—Mr. Howe—Mr. Sanderson in the chair.

Paragraph 12 agreed to.

Paragraph 13 agreed to.

On section 3, paragraph 11.—Meetings.

Mr. STIRLING: Did the minister give consideration to the point raised by the leader of the opposition?

Hon. C. D. HOWE (Minister of Railways and Canals): Yes; I had hoped the leader of the opposition and the hon. member for St. Lawrence-St. George would be in their seats. I believe we have found the solution to the objection raised to paragraph 11. I propose to ask my colleague to move this amendment:

That clause 3 be amended by adding after "them" in line 42, page 6, the following:

"A note of such written minute or concurrence shall, at the first meeting thereafter of the board of directors, be entered in the minute book of the board, provided that a majority decision or action by way of a written minute or concurrence shall not be valid unless or until all directors have had notice of the subject matter thereof."

Mr. DUNNING: I so move.

Mr. STIRLING: Mr. Chairman, I wonder whether the minister would be good enough to allow paragraph 11 to stand for a few minutes.

Mr. HOWE: I shall be very glad to. Possibly that would be the best solution of the matter.

Paragraph 11 stands.

Paragraphs 14 and 15 agreed to.

Section 3 stands.

On section 4—Duty of C.N.R. and C.P.R. to meet by their proper officers and endeavour to arrange for cooperation.

Mr. HEAPS: On this clause I should like to move an addition. Yesterday I indicated that I would move an amendment to clause 4 in connection with the pay of employees dismissed from the service as a result of cooperation between the two railways. At that time the suggestion was made that this was the proper point at which to move the amendment. I made the statement yesterday that in 1933 the main purpose behind the measure was to provide a certain amount of cooperation between the two railways, and I stated that this bill is a further step in the same direction. When the minister spoke upon introducing the amendments to the 1933 legislation he claimed that one of the reasons for the changes set out in the present bill was that there were not sufficient cooperative measures instituted between the Canadian National Railways and the Canadian Pacific Railway. When I made that statement yesterday the minister said that I had misquoted him, and as a result of his observations I withdrew my statement. These are the words I used:

The act of 1933 was an act to provide for cooperation between the two railways, and if I remember aright—and I hope the minister will tell me if I am wrong—when he introduced the present bill he said that one of the reasons for the changes proposed was that there had not been sufficient cooperation between the two railways.

Mr. Howe: The hon. member asked me to correct him if he were wrong, and I shall be glad to do so. I said nothing of the kind.

Mr. Heaps: Then I apologize to the minister.

Then I did apologize. May I proceed to quote what the Minister of Railways said. Upon introducing the bill on April 27, he is reported at page 2178 of Hansard as follows:

To date they have failed to achieve any substantial cooperative economies, to secure which was the principal object of their appointment and the outstanding feature of the 1933 legislation. Not only have they failed to

secure any substantial results to date, but on their own published statements, the prospect of future results from cooperative measures, plans and arrangements is not bright.

Then, as reported on the following page, he made this statement:

Two annual reports from the Canadian National trustees, but one continuous recitation of apologies for lack of success in applying the cooperative provisions of the 1933 act under which they were appointed.

I take it that in itself is sufficient indication of the purposes underlying the introduction of the present measure. While I withdrew any statement I made with regard to the minister, after he denied having made such observations, I somehow feel that my withdrawal of the statement I made in committee yesterday was not entirely warranted.

I made the claim yesterday that employees of the railways find themselves in a different position from that enjoyed by men working for private companies, when such companies voluntarily arrange to amalgamate and thereby save expenses by way of reduction in either labour or overhead. In the present instance we have a government owned utility. We have another utility which is under government regulation. Now we bring in legislation compelling the two railway companies to do certain things. One thing we compel them to do is to cooperate their services and thereby bring about certain economies in costs of operation. It has been stated often that the large amount of economies to be effected as a result of cooperation of the services will be at the expense of those who are employed on the railways. In other words, the working men will be the main sufferers as a result of the legislation. May I quote what Mr. Justice Fullerton said to the committee on Tuesday:

Perhaps the greatest difficulty in the way of expediting further extensive economies concerns labour. To reduce expenses on any large scale men must be displaced, and if serious hardship and unrest are to be avoided, some form of dismissal pay or compensation should be considered. It is my personal view that a great deal more progress might be made in cooperative measures for economy, as well as in other economy measures, if some plan for employee dismissal compensation were worked out, and adopted. I believe it to be a fact that the officials of the railroad, contemplating changes designed to secure economy but which involve putting men out of work with little hope of reemployment,—

I want that to be borne in mind by the members of this committee, that there is little hope of reemployment.

—are influenced by humanitarian feelings, and naturally the men resist all such measures to the limit. It does not seem unreasonable to urge that part of the advantage to the

[Mr. Heaps.]

employers should be shared with labour, rather than that the whole burden should be borne by labour. The Canadian National-Canadian Pacific Act requires that both the burden and the advantage should be shared by the two companies. It seems to have been overlooked that the joint advantage can be secured only by transferring the burden to labour. A more equitable arrangement with labour appear to be required and should be provided. If this were done, one great preliminary step towards the accomplishment of any radical changes which might displace labour would be made.

A little further down, on the same page, Mr. Justice Fullerton said:

Nevertheless, I am convinced that the greatest obstacle to cooperative measures is consideration for the men who would be displaced by their adoption. An agreement has been reached between the railway executives and organized labour in the United States providing for the payment of a measure of compensation to employees thrown out of work by consolidation of railway facilities, and I understand that the British railways also made some provision for employes displaced as a result of the amalgamation of British railways into four systems.

I have reached the conclusion that the government, the railways, and the representatives of railway labour—

May I point out to the minister that Mr. Justice Fullerton, chairman of the board of trustees, places a responsibility here upon the government as well as upon the railway companies.

—should discuss this matter together with a view to the adoption of some arrangement for the two Canadian railroads as will afford reasonable protection against hardship on the part of these employees who, after long years of service, may be displaced by the adoption of cooperative methods.

May I point out the anomalous position in which the railways of this country and their employees might find themselves? Both the Canadian National Railways and the Canadian Pacific Railway have large interests in the United States. The Canadian National Railways own quite a valuable piece of railway, I understand, between Detroit and Chicago, and they have also large interests in the Central Vermont railway, which was referred to this afternoon by the leader of the opposition (Mr. Bennett). The Canadian Pacific Railway have also interests in railway lines in the United States. Yet, Mr. Chairman, the employees in the United States of these two railways, if cooperative measures are adopted there, will become the beneficiaries of certain agreements arrived at with the railway companies while the employees in this country of these two roads will not be eligible for the same benefits. I think that is most unfair. I noticed the other day when the right hon. the Prime Minister (Mr.

Mackenzie King) introduced a measure for the amalgamation of various departments, he stated that there would be no dismissals of employees in the various services of the government; in other words, the employees were to be protected. I am simply asking this committee to give in this legislation the same consideration to the employees of both the government owned road and the privately owned road. I think that is not an unfair request to make. In the United States the railway companies and their employees have arrived at a basis of understanding by which dismissal pay is going to be given to the men who will be displaced as a result of the amalgamation of services. Why cannot we do the same thing in this country? If the government are not willing to introduce legislation along that line, at least let them take the same stand that has been taken in the United States.

I do not have to go into the whole question why men are entitled to compensation upon being dismissed after long years of service on behalf of the railways because that question has been gone into in years gone by, and even during this session it has been spoken to by many members on both sides of the house. Therefore, Mr. Chairman, I am going to move that the following be added to section 4 on page 8 of Bill No. 21 now before us:

An employee of the railway companies affected by this act who as a result of cooperation of services between the railways loses his or her employment shall be entitled to compensation, and the amount of such compensation shall be determined by a board of three to be appointed, one by the employees, one by the railways, and a third who shall be chairman of the board to be selected by the two representatives already appointed.

In the event of failure to select a third member of the board, such appointment shall be made by the Minister of Labour.

The funds for such compensation awards and expenses in connection therewith shall be derived from a levy on the gross receipts of the two railways, and the award of the board shall in all cases be final.

I know that I may be met with some difficulties from the Chair. I anticipate that, for I remember that when I moved an almost identical motion in 1933, different only in phraseology, the point was raised that the amendment was out of order, and the Chair ruled my motion out of order on grounds that I could not understand. I was extremely honoured, however, to have on my side at that time members of the Liberal party who were then in the house, supporting my contention that the motion was perfectly in order. I hope they will be just as anxious to support this present motion of mine as they were in 1933. I know they do not sit on the same side of the house now, and a great deal depends upon which side of the Speaker one sits as to the viewpoint one will take on particular questions. But the point I want to emphasize in arguing that this amendment is perfectly in order is the fact that its final clause provides that:

The funds for such compensation awards and expenses in connection therewith shall be derived from a levy on the gross receipts of the two railways, and the award of the board shall in all cases be final.

In other words, it is a fund which is to be created by the two railways themselves, and is not money which is voted by parliament out of taxation raised in the dominion. Under those circumstances I think the amendment is perfectly in order. But, assuming for the sake of argument that a private member is not allowed to move such an amendment, and I have a very strong suspicion, Mr. Chairman, which way your ruling is going to be—

Some hon. MEMBERS: Order.

Mr. HEAPS: That is perfectly in order. I have an intelligent anticipation of the chairman's ruling.

Mr. MACKENZIE (Vancouver): You know you are wrong.

Mr. HEAPS: I say that if a private member cannot move such an amendment the government should be prepared to adopt it in principle and bring down an amendment accordingly, because the fundamental principle underlying this amendment cannot be ignored or swept to one side on the ground that through some technicality it is out of order. When this parliament by the legislation it is enacting is making itself responsible, either directly or indirectly, for the displacement of large numbers of men at present employed, I think the least we can do is to make provision for these men for whose position we shall be in some degree responsible, and therefore, Mr. Chairman, I now move the amendment which I have put into your hands.

The CHAIRMAN: I am in the judgment of the committee, but I think in order to keep the record clear we should deal first with the amendment to paragraph 11. It has been moved by Mr. Dunning:

That clause 3 be amended by adding after "them" in line 42, page 6, the following:

"A note of such written minute or concurrence shall, at the first meeting thereafter of the board of directors, be entered in the minute book of the board, provided that a majority decision or action by way of a written minute or concurrence shall not be valid unless or until all directors have had notice of the subject matter thereof."

Mr. BENNETT: In a general way that meets with the views which I suggested to the committee just before we rose at six o'clock, although I would have used a little different language. But that is not a matter of importance as I think the idea is adequately expressed. The point is this—and I think the minister will at once realize the effect of it—that a unanimous minute signed by all without discussion or meeting shall be regarded as the equivalent of a majority decision after discussion at a meeting of the board. I think that is a salutary and sound rule in view of the decisions that there is no valid meeting of the board called to consider a subject matter unless the members are present in the room. That is, you cannot have one member in one room, another in another room and then say that they were both present and that a decision was arrived at after discussion. Unanimity would seem to be desirable, but that was not the purpose the minister had in mind in drafting the amendment. He contemplates the possibility of a majority decision and it seems to me that he has safeguarded the matter by saying that notice of the subject matter shall be given to all directors. If one or two directors telegraphed and said that they were opposed to a certain matter, it is not probable that the other directors would sign a minute unless there was a formal meeting with discussion.

Amendment (Mr. Dunning) agreed to.

Paragraph 11 as amended agreed to.

Section 3 as amended agreed to.

On section 4—Duty of C.N.R. and C.P.R. to meet by their proper officers and endeavour to arrange for cooperation.

The CHAIRMAN: On this section, the following amendment is moved by Mr. Heaps:

> Any employee of the railway companies affected by this act who as a result of cooperation of services between the railways loses his or her employment shall be entitled to compensation, and the amount of such compensation shall be determined by a board of three to be appointed; one by the employees, one by the railways, and a third who shall be chairman of the board to be selected by the two representatives already appointed.
>
> In the event of failure to select a third member of the board, such appointment shall be made by the Minister of Labour.
>
> The funds for such compensation awards and expenses in connection therewith shall be derived from a levy on the gross receipts of the two railways and the award of the board shall in all cases be final.

Mr. MACKENZIE (Vancouver): I should like to point out that practically the same amendment was moved by the hon. member

[The Chairman.]

on April 7, 1933. At that time a point of order was raised by the then Minister of Railways, Mr. Manion. I spoke on the point of order as follows:

> Speaking to the point of order, as this bill removes entirely from parliament the control of the expenditures of the Canadian National Railways, I do not think the point of order is well taken, because the levy proposed is upon an industry which by the terms of this legislation is no longer within the purview of the minister or of parliament. If it were otherwise, the point of order raised by the minister would be well taken.

I submit that under the legislation now before the committee, all the revenues of the Canadian National Railways will be under the control of the minister and of parliament, and therefore the point of order raised on April 7, 1933, by the former Minister of Railways and Canals would be quite valid with reference to this amendment. The hon. member moved a further amendment on May 9 of that year, and another amendment was moved on May 9 by the hon. member for Winnipeg North Centre (Mr. Woodsworth). The latter amendment was ruled out of order by the Speaker. The hon. member's amendment read:

> That the said bill be not now read the third time, but that it be referred back to the committee of the whole with instructions that the following clause be inserted:
>
> "That the Canadian Pacific Railway and the Canadian National Railway Company shall provide compensation to those whose services will be dispensed with as a result of the operation of any of the provisions of this act."

This amendment was ruled out of order, which ruling was sustained on division. On three separate occasions during the debate of 1933 the same point of order was raised and was sustained each time by the house. While I do not believe that the fears of my hon. friend have any justification, he knows as well as I do that it is not within the purview of a private member to move such an amendment.

Mr. WOODSWORTH: Mr. Chairman, on the point of order. I think the Minister of National Defence (Mr. Mackenzie) is stretching the point considerably when he ventures to say that under this proposed set-up all the expenditures of the Canadian National Railways will be under the control of this parliament. As a matter of fact, I do not think anyone could argue that seriously. It is quite true that under this legislation there will be a little more immediate responsibility to parliament, but the railway will still have a large measure of discretion in regard to its expenditures. The proposed amendment is that such compensation awards and expenses

in connection therewith shall be derived from a levy on the gross receipts of the two railways, and the award of the board shall in all cases be final. That cannot, by any stretch of the imagination, be called taxation. In the strict sense of the word, the gross receipts of the railways are not government moneys. There is not any added expenditure proposed, and it is not in any sense taxation. Hence, I do not think the minister can say that the situation is radically different from what it was when we proposed this amendment in 1933. As a matter of fact, I think that whatever change there is comes largely because of the changed position of the minister, who now is sitting to the right of the Speaker instead of to the left.

Mr. MACKENZIE (Vancouver): I was quoting my own former statement in justification of my present stand.

Mr. HEAPS: If I may speak on the point of order, the whole question is as to whether this involves taxation or expenditures from the supply granted to His Majesty. This amendment asks that the revenues of the two railways, derived from the various services which they render to the public of this country, shall be utilized to provide a fund out of which compensation shall be paid to the employees of the roads. I do not think it can be argued that the question of taxation enters into the matter. The point might be stretched to the extent of saying that the government might have to pay the deficit of the Canadian National Railways, and there might be something in the argument if it were said that the government was to be directly responsible for such compensation awards. But we are not asking the government to be responsible; we are asking that the railways themselves be responsible by a levy on their gross receipts to provide a fund from which the men affected may receive compensation. For that reason I believe the amendment is perfectly in order.

Mr. DUNNING: Before you give your ruling, Mr. Chairman, may I call attention to the fact that in vote 426 of the special supplementary estimates now before the house provision is made for the deficit of the Canadian National Railways in the amount of $39,900,000, representing the amount by which the gross revenues of the railway system fall short of its operating expenses and—

Mr. HEAPS: Not operating.

Mr. DUNNING: —fixed charges.

Mr. HEAPS: Did my hon. friend say operating expenses?

Mr. DUNNING: I said operating expenses and fixed charges. Any levy on the gross revenues of the railway must, therefore, operate directly to increase the amount which must be voted by this parliament. I do not think I need amplify that.

The CHAIRMAN: I quote paragraph 562 of Beauchesne's Parliamentary Rules and Forms:

> It shall not be lawful for the House of Commons to adopt or pass any vote, resolution, address or bill for the appropriation of any part of the public revenue, or of any tax or impost, to any purpose that has not been first recommended to that house by message of the governor general in the session in which such vote, resolution, address or bill is proposed.

This amendment has for its purpose the appropriation of public funds and therefore I rule it out of order.

Mr. HEAPS: It goes to show that my intelligent anticipation was quite correct.

Mr. NEILL: Is there any reason why the minister should not accept the amendment on its merits? Is there any reason why he should not adopt it himself?

Mr. HOWE: I heard Sir Edward Beatty express the opinion that this was a proper thing to do; Judge Fullerton has stated that it is right; I think most of us believe that it is. But this is the wrong way to do it. I happened to be in Washington during the Easter recess and I went to the hearing on the bill that was then before the United States congress. It was quite obvious to me from the discussion which I heard on that bill that it suited neither the employers nor the employees; it was not a workable bill. What happened was this: Employers and employees got together through the regular channels—and they are well established there as between the railway system and the men—and worked out a practicable scheme.

Mr. HEAPS: Independently of the government?

Mr. HOWE: Yes, by mutual arrangement. This amendment proposes that any employee affected by this bill may ask for a board. He appoints a man; the railway appoints a man, and the two men appoint a third. If that method were adopted, how many boards would there be in the course of a year? There might be hundreds. The fact is that people who do not understand railway practice and the relations between railways and railway labour will sit down hurriedly and draft legislation with respect to a complicated matter. In Canada we have the most advanced laws with respect to railway labour of any country on

the north American continent, this being the only country which has a complete pension system for employees. That was not the result of legislation but was worked out by mutual arrangement between the railways and their employees. The United States government a year ago adopted a compulsory pension scheme for railway employees, but it has not been made operative. On most of the railways in the United States we find that there is no pension scheme or, if there is, it is only on a small scale, not on the scale that we have in Canada. This question will be worked out in the not too far distant future by the railways and their employees, but it is significant that as Minister of Railways I have received no formal application from either the railways or their employees to take an active part in this matter.

Mr. HEAPS: I thank the minister for the pretty compliment he paid me. I may tell him that I belonged to the railway trade union in this country more than a quarter of a century ago, but that is by the way. The minister entirely misunderstands the drafting of a very simple motion because this motion, if he will only read it, is not open to the interpretation he has put upon it. No one but the minister would put that interpretation on it. It is quite obvious—

Some hon. MEMBERS: Order.

Mr. HEAPS: It is obvious, I say, that what is intended is not a separate board for every employee who wants a board.

Some hon. MEMBERS: Order.

The CHAIRMAN: I do not wish to interrupt the hon. member, but I have already given my ruling on the question and the amendment is therefore disposed of.

Mr. HEAPS: But why did you not stop the minister when he spoke? Will you have one law for the right and another for the left? I do not intend to continue along that line, but if you call one member to order you should give equal treatment to all.

The CHAIRMAN: The hon. member is entirely wrong. The minister was replying to a question put to him by an hon. member.

Mr. HEAPS: But he answered the question by quoting from an amendment that had been ruled out of order.

Some hon. MEMBERS: Order.

The CHAIRMAN: We are now on clause 4.

[Mr. Howe.]

Mr. HEAPS: It is the easiest thing in the world for hon. members to shout "order." Anyone can do that; it does not require brains to do that. As a rule I do not stray very far from the proper procedure. I try to conduct myself with decorum and in keeping with the rules of the house and I do not attempt to shout anyone down. I have enough confidence in the Chair to adhere to the proper procedure. I thought, however, that when the Minister of Railways had referred, not altogether in any complimentary way, to the resolution I had proposed, the least I could do was to say a word in reply. The minister has expressed sympathy with the men who may be affected by the provisions of this clause. A good deal of sympathy has been expressed in various quarters in that connection, and the minister cited what has been done in the United States. I think it is a fact, however, that what happened in the United States was due to legislation which was pending. I hold that had no legislation been pending in the United States there would have been no agreement with respect to paying anything to the men who were dismissed as a result of the amalgamation of services there. I do not think the minister would care to deny that statement. It was because legislation was pending, because the president of the United States had himself taken an interest in the matter and was convinced that something should be done for the railway men so affected, that the employers took action and reached an agreement with the men. The minister is not less sympathetic than officials in the United States, and there is a great deal of sympathy all round for the men in this country. But I submit that unless this parliament takes concrete action, all the sympathy in the world will be of little avail so far as the men themselves are concerned. All I plead for this evening is that consideration be given these men, who have a right to expect protection from this committee. They have a right to expect protection from this committee and they are not receiving it. All the minister says is that we should not interfere between the railway companies and the men. We are not interfering, in the sense that is implied, between the railway companies and the men. But may I point out that every piece of legislation we put on the statute books of this country is interference with somebody, in some way, shape or form. I know what this legislation involves. Through it we are threatening the livelihood of many thousands of railway employees in the dominion, and we are making no provision for the men so affected. The

government tell us that by this legislation they are going to solve in some degree our unemployment problem. I venture to say that by this legislation they are going to aggravate the existing unemployment problem without making provision for those affected, and all I suggest to the government, the minister and those associated with him is that they take some definite action so that the men who may be thus affected will be properly and adequately protected.

Mr. DUNNING: Mr. Chairman, I speak to the point out of some experience as a former Minister of Railways, not for the purpose of creating dissension, but out of some knowledge of the complicated structure of agreements which exist between recognized representatives of railway men in this country and the two great railway corporations. There is no better organized class of men in Canada than our railway employees, and I think I can say that no trades union organizations are better led than those representing our transportation employees. By this action of my hon. friends, which admittedly is not at the request of the men's organizations, nor at the request of the two great employers of railway labour in this country, the idea is that, in spite of the relations existing to which I have referred, this parliament should come along with some arbitrary method whereby an adjustment between the railways and their employees shall take place. From experience I can say that in the past the railway unions always asked me as Minister of Railways to leave them free to negotiate with the management of the railroad with respect to any matter affecting the welfare of the employees. That is the basic principle upon which the organizations have operated for many years, and in the main, I believe, successfully. There is no doubt at all that this problem must be faced. There is no opposition to the idea, which my hon. friend seeks to convey, from the employers, as was I believe the case in the United States. In this country, instead of having a great number of railway companies we have just the two great railway corporations and a few smaller ones which in practice always follow along in connection with agreements between employer and employee. The heads of both these two great systems recognize in principle that this problem must be met and must be negotiated to a satisfactory conclusion. That being the case, I submit, with all deference to my hon. friend, who I know speaks in a political capacity for labour, that on this occasion he is not speaking for the organized bodies directly interested in the matter. If he is, I am very much surprised, because it represents a completely new departure by the organized workers in the railway service for them to take an action at this time without having first approached their employers through the medium of their own organizations, under the terms of their own agreements, and endeavoured to work out a solution.

Mr. WOODSWORTH: Mr. Chairman, will the present Minister of Railways state that the standard railway organizations have not approached him with requests for legislation along this line?

Mr. HOWE: I can say that it was mentioned at a general discussion, I believe some month or six weeks ago. The matter was brought forward and I was shown what was being done in the United States. At that time the legislation of which I spoke was pending. I was very much interested in the subject, and I took occasion when I was passing through Washington to spend two days there, hear part of the debate in committee, and also had a talk with the federal co-ordinator of transportation of the United States. I also had conversations with three or four railway presidents who were in Washington at that time. I went into the matter very fully, and I came to the conclusion that we should be very foolish to rush into legislation until we knew more about the matter. Nothing more occurred.

Mr. WOODSWORTH: But there have been, from the standpoint of the railway organizations, suggested drafts of amendments to this very bill?

Mr. HOWE: I have not seen them.

Mr. WOODSWORTH: The former Minister of Railways would give us to understand that the unions have not made requests of this kind. This is not my information. I have had in my own possession some of the drafts which have been prepared. It is quite true we are following independent lines with—

Mr. HOWE: I may say that I have never seen those drafts. If the hon. member has them, his knowledge is confined to himself. I have never seen them.

Mr. WOODSWORTH: I have seen them, and we have had numerous requests from employees. Be that as it may—

Mr. HOWE: May I ask the hon. gentleman what organizations have requested him to press this matter? What is the name of one organization? There are official organizations that are the links between Ottawa and the men. I would like to know the names.

Mr. WOODSWORTH: I shall be prepared to bring certain information to the minister.

Mr. HOWE: I say that there are certain official links between the government, the men and the railway. If any of them have prepared drafts, what are they? I should like to know.

Mr. WOODSWORTH: I have not any under my hand to-day. I did not know I should be required to produce those, but I believe that there have been prepared—

An hon. MEMBER: You "believe" so.

Mr. WOODSWORTH: —by certain of the standard railway organizations amendments along the line suggested. We were not following those amendments. My colleague used almost the exact wording of the amendment we made three years ago. But I have had scores of telegrams and letters with regard to this bill from different locals all over the country.

Mr. HOWE: Mr. Chairman, will the hon. member for Winnipeg North Centre (Mr. Woodsworth) tell the committee the name of one official railway organization that has taken this matter up with him? I should like to know, because I am surprised that it has not been taken up with me. I should like to know the name of one of these organizations.

Mr. WOODSWORTH: With regard to compensation?

Mr. DUNNING: The name?

Mr. WOODSWORTH: I have no documents with me. One organization that has made protests against "cooperation" is the Canadian Brotherhood of Railway Employees. They have not asked for compensation, though. They have taken the line that this is a weakening of the position against amalgamation that has been held in the past, but while they are heartily in favour of compensation if coordination is to go on, they oppose coordination.

Mr. HOWE: I think I can take it that the hon. gentleman is speaking for himself and not for the railway organizations of Canada at this time.

Mr. HEAPS: I can give the minister the names of the Winnipeg locals of the running trades. They sent me a resolution.

Mr. WOODSDORTH: Nearly all of us, as labour representatives here, have constant communications from the locals of the various railway organizations. I am not prepared at this moment to say which they are, but I do say that I have been in frequent communication with some of them. In my own city we have hundreds of railway people who are vitally affected by this kind of legislation. This is one of the big questions which were to the fore at the time of the general election, and let me say to my Liberal friends that, just as the general impression was that we were to have a thoroughgoing national central bank owned and controlled by the government, just as strongly there was the impression spread among all railway organizations across the country that we would have no more "cooperation" of this kind, no amalgamation.

An hon. MEMBER: There was not.

Mr. WOODSWORTH: No amalgamation, and that was interpreted to mean, no further extension of cooperation.

An hon. MEMBER: No.

Mr. WOODSWORTH: Yes, it was.

An hon. MEMBER: No unification.

Mr. WOODSWORTH: And if this bill is held over, I shall be very glad to produce, from the replies made to inquiries sent out by railway organizations, sufficient evidence of this, I believe, to satisfy fully the Minister of Railways. I, as a candidate, was requested to give some definite information as to my stand with regard to this so-called cooperation. The railway organizations asked me that, not only in my own city of Winnipeg but wherever I campaigned as leader of the Cooperative Commonwealth Federation, and those who ran as Liberals were asked that question as well. The men who are in this house gave their replies, and if the minister wishes and the opportunity occurs later on I can collect many of those replies. I have not resorted to this kind of politics in this house in the fifteen years I have been here, but if the minister insists that we produce certain documents showing the position of labour in this matter and the replies of men who were elected on the ground that we would have no more of cooperation, then I shall be willing to produce some of those replies for his benefit. But I do not want to go into that any further; I shall content myself with the general statement. There is no doubt that right across this country tens of thousands of labour men were induced to vote Liberal because they believed the Liberals were absolutely opposed to amalgamation in any form.

Some hon. MEMBERS: Hear, hear.

Mr. WOODSWORTH: Yes, in any form, and this kind of cooperation is looking in that direction.

Mr. HOWE: On a point of order, Mr. Chairman, this statement has been made three, four or five times. It has been said that this bill provides for cooperation and consolidation. It does nothing of the kind. It does not change any existing legislation one iota in regard to cooperation, so why keep repeating that statement? It has been said seven or eight times from that corner.

Mr. WOODSWORTH: In the side note of the very clause we are discussing, I read this:

Duty of C.N.R. and C.P.R. to meet by their proper officers and endeavour to arrange for cooperation.

That is the interpretation of the clause.

Mr. BENNETT: That is a reproduction of the old section, with the substitution of "directors" for "trustees."

Mr. WOODSWORTH: Quite so. That is the purpose. I take the minister's own statement when he introduced this bill; I read it the other night and I shall read it again:

Mr. Speaker, in bringing down this measure I feel I am sponsoring a most important and necessary piece of legislation. It is common knowledge that the three directors to whom the direction of the railways was entrusted as a result of the 1933 act have made no real progress toward the improvement of our railway situation. To date they have failed to achieve any substantial cooperative economies, to secure which was the principal object of their appointment and the outstanding feature of the 1933 legislation.

The minister introduces this legislation in order that we might have more thoroughgoing cooperation and might be able to arrange a set-up under which economies along these lines may be effected. I simply cannot understand the minister when he says—

Mr. HOWE: I did not say that; that is what the hon. gentleman is saying. I said that the trustee set-up could not reach the objectives mentioned in the Duff report, and therefore the set-up should be changed. I said nothing about extending cooperative arrangements in any manner; my hon. friend is reading that into what I said. Let him find one place where I say cooperation is going to be carried on at all.

Mr. WOODSWORTH: I think I have already read it. I shall continue:

Not only have they failed to secure any substantial results to date, but on their own published statements, the prospect of future results from cooperative measures, plans and arrangements is not bright.

So we are to have a new set-up in order that these cooperative economies may be effected. Surely that is the inference.

Mr. HOWE: I did not say that. I wish the hon. member would try to keep within reason on this matter. He objects to being called to order, but he never sticks to a point, as far as I have been able to hear, and I have listened to him carefully since I have been in this house.

Mr. WOODSWORTH: There is no point of order in that, of course, but I think hon. gentlemen will hardly say that I do not stick to my point. My understanding of the minister's words is as I have given it. If the minister undertakes to give another meaning to those words I hope he will tell us very clearly their real meaning and the real purpose of bringing in this bill.

Now I should like to refer to another statement made by the minister. He says that this matter could be best arranged by some agreement which he thinks might be made quite independently of legislation. Let me point out that in this country the Canadian National is a national system. A few minutes ago, though in one sense we represent the shareholders of the system, we were not permitted to pass regulations with regard to these railways because they came directly under the government. The government have thought it desirable to introduce pension schemes in connection with the civil service. If the argument advanced by the minister has any validity at all, the railway employees are coming very close to the point where they will be directly under government control, and in that case surely there cannot be any very great objection to this government instituting something analogous to provisions it makes for its own employees.

Now I come to the suggestion made by the hon. member for Comox-Alberni (Mr. Neill), I think it was, that even though the Chair has ruled that we cannot introduce a motion providing for compensation, it would be quite proper for the government to give serious consideration to bringing in an arrangement by which compensation might be given railway employees for loss of work caused by legislation of this kind. Last night when we were on section 2 I was prevented from reading the arrangements that are now in effect in the United States. Perhaps I might now be given an opportunity to read two or three paragraphs summarizing those arrangements. I quote from Labour of May 26:

No employee's wages will be reduced if, as the result of a consolidation, he is placed on a job paying a lower rate.

Displaced employees will be paid coordination allowances ranging from sixty per cent of their wages for five years for men in the

fifteen year service list down to a "grub stake" of two months' full wages for men with less than twelve months' service. These men will hold reemployment, free transportation, hospitalization and other rights.

At the option of the employee, a cash lump sum settlement may be paid to him and he gives up all rights to reemployment, etc. Under this plan men with five to fifteen years' service can get immediate cash equal to one year's full pay.

In the three to five year service group the cash allowance is nine months' pay. Two to three year men can get six months' pay in cash. Those in the one to two year class get six months' wages if they take the dismissal allowance instead of coordination benefits. If the men with less than one year's service want immediate cash they can get it on the basis of five days' pay for each month they have worked.

Moving expenses and property losses of transferred employees will be paid.

Railroads which are parties to the agreement agree not to coordinate with any carrier which has not signed the agreement until the latter provides the same protection guaranteed by the signatory roads.

I have read an outline of the agreement recently brought into existence in the United States. It seems to me that some similar provision and some method acceptable to the government ought to be introduced to safeguard the rights of our Canadian railway workers. Let me point out that if workers on the Canadian National Railways went on strike there would be an immediate outcry across Canada that those men were operating a government railway. I would be one of the first to protest against that interpretation of their position, but there is no doubt that there would be a great outcry to the effect that those men are in a position of responsibility. The statement would be made that they are operating a government railway and ought not to go on strike. Any really effective movement of that kind which might be made in an attempt to force the hands of the employers would immediately bring down the condemnation of the government; I have no doubt of that.

We are attempting to adopt a method by which the rights of the men may be safeguarded peaceably and without any dislocation. I should like to say, however, that when we introduced a similar amendment three years ago, the Minister of Railways and Canals in the late administration suggested that it would be a good thing to do this a little later on, when any employees were adversely affected. These last three years have demonstrated that many employees have been adversely affected. I said upon that occasion that I thought the time to introduce measures of this kind was at the time legislation was being set up, and I still think so. We now take this opportunity to place this

proposal before the government, in the hope that it may be included in the bill.

In closing, may I say that while I cannot argue against economies of any kind, from what I have read I am firmly convinced that the economies contemplated are nothing like as great as they are made out to be. Mr. Beatty himself has been unable to point to just where the great economies may be secured. In my view the pleas for economy have not been sustained by the facts. If we are going to put the whole transportation system under the government, I, with a socialist viewpoint, would say that might be a proper procedure, although I should hate to have the whole system placed under the present government. But under a socialist régime we might very well have coordination of all transportation and communication facilities. I say, however, that under present circumstances we in the labour movement are opposed to chiselling in, in such a way that under the name of "cooperation" we get a very large measure of amalgamation. Any economies are being made at the expense of the employee for the sake of the bondholders; that is the trouble.

What have we in the way of cooperation today? Yesterday in the Quebec legislature a bill was passed by which the Canadian Pacific Railway will go into a territory which all along has been supposed to be that of the Canadian National Railways. Is that cooperation? Now we have a bill introduced in this house the effect of which will be to send a branch line of the Canadian National Railways into that territory. That is not cooperation. If the Canadian Pacific Railway wanted to take action along the lines of the legislation secured in the provincial legislature they ought first to have gone to the board of railway commissioners and inquired about the situation. They should have come to this parliament and submitted their bill. We cannot have cooperation which simply means that employees are ground down and dismissed to effect economies, when at the same time, if they take the notion, the railways may spend tens of millions of dollars to carry through undertakings completely out of harmony with the spirit of cooperation. These are matters which must be considered.

Hence I would urge upon the minister that the new board should not be instructed in any way to foster cooperation of the kind we have had in the past. If the new board is to be more directly amenable to the government, the government which to a great extent won its majority in railway districts on the understanding that the Liberal party was opposed to amalgamation, that govern-

ment I would hope would instruct the new board of directors and the new management to halt the progress of "cooperation," in so far as it is more or less a disguised step towards amalgamation.

Mr. HOWE: A while ago I said that only one representation had been made to me about this matter, and that it had been oral. I now find written confirmation of the oral representations made at our interview. It is signed by the secretary-treasurer of the Trades and Labour Congress of Canada, and the secretary of the dominion joint legislation committee.

Mr. HEAPS: What date?

Mr. HOWE: It is dated April 27, and a draft amendment is submitted with the letter. I shall not read it because it is long, but I can say that it has no relation to the amendment proposed at this session, either in subject matter, form or anything else. I replied to the communication that we had taken on all the work we could complete at this session of parliament, and in our conference I think we agreed that a tremendous amount of study would have to be given the matter before a proper amendment could be drafted. I think I can say it is mutually agreed that they were satisfied with my expression, which I repeat here, that the government looks with a good deal of favour upon an agreement of that kind, and that if the situation seems to require it a year from now, we shall go into the matter more seriously with the thought of presenting an amendment to the house.

Mr. HEAPS: I did not get the full explanation of what was contained in the memorandum of April 27. Do I understand that in the memorandum submitted to the minister there is a request for compensation for employees dismissed as a result of cooperation in regard to services?

Mr. HOWE: I cannot say that. This is a confirmation of the discussion we had. The copy I have is not signed, as a matter of fact, but I believe I may say that there is complete understanding between the parties that signed and myself that negotiations should probably be conducted first with the management, and in the event of no satisfactory result being obtained, we shall look into the matter again next year.

Mr. HEAPS: The minister suggests that representatives of railway employees should first approach the management, and if they get no satisfaction from the management they will then come to the government. I assume there must be some understanding of the purposes for which they would go to the management. I assume their only reason for approaching the management would be arising out of the legislation which we have before us to-night. I have no idea of what is contained in the memorandum in the minister's possession, and he has not read it, although I believe the rules of the house provide for the reading of it. However I shall not ask him to put it on Hansard, if there is an understanding that it should not go there. I believe some kind of negotiation is to be undertaken with the management of the railways, and if the representatives of the men do not receive what they want they may come to the government one year hence. The only point is that none of us has any idea of what they are going to the management for, unless it would be in connection with matters arising out of the legislation now before the committee.

Mr. TAYLOR (Nanaimo): Am I right in understanding that the minister is sympathetically inclined towards the idea that the men and the railway companies should get together, and that if they agree he would be favourable to dismissal compensation?

Mr. HOWE: That is the situation, yes.

Mr. TAYLOR (Nanaimo): Thank you, very much. Then, in view of the reasons annexed to the setting aside of the amendment, will the government take steps to prevent the railway companies from levying funds for the purpose of making dismissal compensation?

Mr. HOWE: On what section is the hon. member speaking?

Mr. TAYLOR (Nanaimo): I am asking this question: In view of the reasons annexed by the chairman for the turning down of the amendment offered by the hon. member for Winnipeg North, will the government take into consideration the fact that these levies by the railway companies for the purpose of satisfying the claims of dismissed men will affect government funds, and will they step in to prevent these levies being made?

Mr. HOWE: I cannot understand the hon. member's question. All this talk in parliament about agreements between the railways and the men I think will be resented equally by the men and the railways, and quite properly. I claim that in Canada we have the finest channels in the world between the men and their employers so far as railway labour is concerned. They work together with a minimum of friction, and I have every reason to believe that if parliament will allow this

matter to take its natural course there will be no serious complaints. It seems to me that for hon. members to rise in their places on their own responsibility and ask questions of the government about matters relating to involved arrangements between railways and railway employees, is going a little too far.

Mr. TAYLOR (Nanaimo): If the government is not permitting the amendment on the ground that it interferes with government funds, I would point out that any arrangement made between the government and its employees would also affect government funds. I want the assurance of the minister that he will not interfere if the railway companies make these arrangements and pay out of their funds dismissal pay in compensation to those who lose their positions through cooperation.

Mr. DUNNING: If there is no legislation interfering at all, it is quite obvious that agreements between the employees and the employer can be undertaken within the ambit of the authority of both as it at present exists. That is the best answer one can make. Certainly the government will not interfere or prevent the management of the railway from reaching an agreement with its employees. I do not think any government of Canada ever has done so, and certainly this one will not.

Mr. TAYLOR (Nanaimo): Thank you very much, but you realize the implications attaching to the decision of the chairman.

Mr. DUNNING: I do not realize any implications at all.

Mr. CAMERON (Cape Breton): It strikes me that there is involved in the question of compensation something which has so far been a hindrance to the carrying out of the principle of cooperation. That seems to be evident from the statement of the chairman of the board of trustees and also from the statement of the Minister of Transport (Mr. Howe) as it is published in the proceedings of the committee.

I think perhaps the best friends of the railway organizations would be well advised if they accepted the word of the government and the suggestion of the minister of transport that in the matter of cooperation provision would be made for compensation. I believe it would not be wise to have that provision made in this bill. Nevertheless, in view of the fact that the chairman of the board of trustees made it perfectly clear that one hindrance to further cooperation was the fact that the burden of it would of necessity have been transferred to labour, the whole situation becomes important when we consider any further cooperation between the two great systems. I do not believe that the directors will succeed in further cooperation unless the board feels itself able to meet the question of compensation with a reasonably free hand. The president of the Canadian Pacific Railway has on more than one occasion, according to reports in the press, made it clear that he did not want cooperation if it meant employees of the railway losing their positions. That statement has been made by advocates of cooperation in this house during this session of parliament, and it is tacitly made by the present minister in his reply before the railway committee to the chairman of the board of trustees. It seems to me that there should be a fairly definite understanding in order that the men in the employ of both companies may feel assured that the process of cooperation, however far it may go, will not have the effect of placing their positions or their earnings in jeopardy.

Of course, as I understand this whole problem, there is a far greater scope for the management of both roads, particularly the management of the public road, in broadening out its sphere of activities, enlarging the scope of action of the board of directors, reaching out for new business and bringing in a return which will, in the words of the minister, ultimately wipe out the huge deficit we have to face each year. If we succeed in doing that, that is the real purpose of the legislation before this committee, not ascribing motives such as have been mentioned during the discussion this afternoon, yesterday and on other occasions when this matter has been before us. I hope to see this legislation bear fruit such as the minister of transport has suggested it is likely to do, and I believe it will if all parties in this chamber forget the ascribing of unworthy motives to one another, unite with the common purpose of trying to salvage what may be salvaged from this splendid asset and give this dominion an up to date system of transportation which will meet the needs of the various portions of this dominion, and meet particularly the needs of industry, which I am satisfied it is not doing at the present time.

Section agreed to.

Section 5 agreed to.

On the preamble.

Mr. BENNETT: I observe the "Minister of Transport" is used in two cases on page 7 of the bill, although there is no minister of transport yet. That is no reason why the bill should be held up, but the situation is unusual.

Mr. HOWE: The bill providing for a minister of transport has been introduced, and I find that we cannot use here the same clause that was used in the harbour boards bill.

Mr. BENNETT: No, the minister has to be named.

Preamble agreed to.

Bill reported.

Mr. HOWE: With the consent of the house, I should like to move the third reading now as we are anxious to get this bill to the other chamber.

Motion agreed to, and bill read the third time and passed.

SUPPLY

The house in committee of supply, Mr. Sanderson in the chair.

DEPARTMENT OF AGRICULTURE

Fruit, including grant of $4,750 to Canadian Horticultural Council, $460,200.

Mr. PELLETIER: Will the minister explain the decrease in this vote?

Hon. J. G. GARDINER (Minister of Agriculture): Perhaps that question could best be answered by giving the different items in the vote and showing where there are increases and decreases. In travelling expenses of head office staff, $8,000 was expended in 1935-36; the estimate for 1936-37 is $9,000, or an increase of $1,000. Outside administration, salaries and expenses: 1935-36, $222,790.48; 1936-37, $225,407, an increase of $2,616.52. Rental of offices and railway spur: $1,393 in 1935-36 and $1,535 for 1936-37, an increase of $142. Shipping point and export inspection, salaries and expenses: 1935-36, $187,322.50; 1936-37, $174,090, a decrease of $13,232.50. Operation of onion warehouses: 1935-36, $1,500; 1936-37, $200, a decrease of $1,300. car precooling: $1,500 in 1935-36; $1,000 for 1936-37, a decrease of $500. There is an item covering exhibitions which has been taken over by the publicity and extension branch. The amount expended in 1935-36 was $3,500, so there is a decrease of that amount in this branch, but there is not a decrease in the total expenditures. Extending markets, test shipments: 1935-36, $2,000; 1936-37, $2,000, no increase or decrease. The amounts are the same for equipment and repairs of onion warehouses, $800 for each year. The amount for technical instruments, transportation and warehouses is the same for each year, $500. Publications and bulletins: $3,500 for each year. Crop and market reports, telegrams, et cetera: $12,000 for each year. Office supplies, stationery, forms, equipment, et cetera: 1935-36, $15,800; 1936-37, $16,800, an increase of $1,000. Apple maggot survey, eastern provinces: 1935-36, $8,000; 1936-37, $6,000, a decrease of $2,000. The amount for legal services is the same for each year, $1,500. Repairs to departmental cars: $1,000 for each year. Grant to horticultural council: 1935-36, $4,500; estimated for this year, $4,750, an increase of $250.

Mr. MacNICOL: What is the increase for?

Mr. GARDINER: The original grant of $5,000 was reduced by ten per cent, and the reduction this year is only five per cent. Unforeseen expenses: 1935-36, $254.50; 1936-37, $118, a decrease of $136.50. When the decreases and increases are totalled up, it will be found that the total decrease is $15,660.48.

Mr. PELLETIER: The minister mentioned an amount of something like $3,500 for advertising. Is this the total amount expended to advertise Canada's fruit crops?

Mr. GARDINER: That item is for publications and bulletins. It is not advertising; it is largely information furnished to people who are growing fruit.

Mr. PELLETIER: Is there any amount under any other heading for advertising the fruit production of Canada?

Mr. GARDINER: There is nothing provided at the moment for that purpose.

Mr. BARBER: The minister mentioned an amount of $225,407 for outside salaries. Would that be for inspectors?

Mr. GARDINER: That is mostly for inspection services throughout the country.

Mr. BARBER: Would that include experimental farms?

Mr. GARDINER: No; it has nothing to do with the experimental farms. This is inspection work throughout the country in connection with fruit growing, fruit grading and the general administration of the fruit act.

Mr. ROWE (Dufferin): What is the difference in the grants this year and last year to the seed fairs?

Mr. GARDINER: That would come under the next item.

Mr. ROWE (Dufferin): I understood that the item had been passed. Was the grant last year the same?

Mr. GARDINER: There is a slight decrease I gave all the particulars. It is $15,660.48 less on the total vote.

Item agreed to.

Seed, feed and fertilizer control, including grants to seed fairs, et cetera, also grant of $18,900 to Canadian Seed Growers' Association, $407,200.

Mr. GARDINER: On February 28 we covered this entire vote and all explanations were given. Eleven o'clock came before the item could carry. The information will be found in Hansard of that day.

Mr. PELLETIER: Does this include the funds required for freight charges on seed grain shipped to farmers from seed cleaning establishments?

Mr. GARDINER: Yes.

Item agreed to.

Entomology, including investigations and inspections relating to destructive insects and pests, $400,100.

Mr. GARDINER: This item was called earlier in the session, but the leader of the opposition asked to have it stand because some members were not present.

Mr. PERLEY (Qu'Appelle): What work is carried on at Indian Head with regard to cutworms and grasshoppers?

Mr. GARDINER: The entomological work is not done at experimental farms. There are two different branches, the experimental farm branch and this particular branch. A certain amount of research work is done in connection with insects and other pests at different experimental farms throughout the country. One of the pests in the west is the cutworm and another is the wheat stem sawfly. Most of the work done at the entomological laboratory at Indian Head is in connection with pests of that kind, and information is given the farmers from time to time as to how to deal with them.

Mr. STIRLING: Can the minister give us information with regard to cooperation with the provinces? The act with regard to insects and pests is under the administration of the dominion government, but in connection with certain work—for instance in the fire blight experiments, though I am not quite sure whether that comes under this item—operations are carried on by both the province and the dominion, in British Columbia and possibly in other provinces.

Mr. GARDINER: There is cooperation between the provinces and the dominion. It will be understood, of course, that when an insect of any kind attacks, say spruce trees or any other forest trees, it does not stop its operations at provincial boundaries but extends from one province into another. This is true of grasshoppers and other insect pests. It is necessary, therefore, to have the greater part of the work done by the dominion. The provinces cooperate to the fullest extent whenever any pest is being attacked. We have the fullest cooperation from New Brunswick, Nova Scotia and Quebec in fighting certain pests in the east; we have cooperation in British Columbia, and we have cooperation in the prairie provinces in connection with insects that attack the grain crops.

Mr. STIRLING: Was this cooperation a matter particularly under discussion at the dominion-provincial conference?

Mr. GARDINER: Yes; it was discussed in a general way though there was no detailed discussion. The question of overlapping was discussed and it was decided that there had been the fullest cooperation in this regard.

Mr. DOUGLAS: Does the department contemplate any action in connection with the wireworm, in the way of cooperation with the provincial departments?

Mr. GARDINER: An experiment is being carried on at Swift Current for the purpose of providing the best information available with regard to attacking the wireworm.

Mr. BENNETT: I wonder whether the minister would see to it that someone from the experimental farm inspects the small trees and vegetation roundabout these premises. I was looking at them the other day. They are being attacked, not by the fire blight but by something worse. The trouble will spread and valuable trees will be destroyed. I meant to telephone the Department of Agriculture but I did not know whom to get in touch with. Someone should be responsible because it is a very bad condition. It is at the back of this building, and the rapidity with which the destruction is going on is such that I should like to see it attended to at once. I bring it to the minister's attention in the hope that someone will look after it.

Mr. GARDINER: I am pleased that the leader of the opposition has called attention to it. Whenever the attention of the department is drawn to matters of this sort it has always been the practice to have an investigation made.

Mr. BENNETT: Who makes it?

Mr. GARDINER: It is made by this particular branch of the department.

Mr. ROWE (Dufferin): Have there been any successful experiments in connection with the distribution by airplane of powder for the destruction of insects in western Canada this year?

Mr. GARDINER: Some preliminary work has been done particularly for forest insects, but it has been found expensive to do it in that way; there are less expensive ways for field crop insects.

Item agreed to.

Salaries, $798,997.75; contingencies, $77,200.

Mr. GARDINER: There are three main reasons for the difference shown. The 1935-36 item for salaries is $711,334.25.

Mr. BENNETT: Will the minister give particulars of how this item is made up?

Mr. GARDINER: In a moment. First, I will give the main reasons for the difference and then I shall give the items, if necessary, from the itemized account. For 1936-37, the estimate is $798,997.75. There is an increase there of $87,663.50. If members of the committee will look at the next item, contingencies, it will be noted that the 1935-36 item is $114,200; the 1936-37 item is $77,200; that is a decrease of $37,000. That decrease will be accounted for largely in the increase of $87,663 in the item for salaries. It is a transfer of salaries from contingencies into the civil government list.

Mr. ROWE (Dufferin): There is still an increase of over $50,000.

Mr. GARDINER: I shall come to that in a moment. It is largely due to temporaries made permanent.

Mr. SENN: Was that $114,200 for contingencies all taken up last year?

Mr. GARDINER: Yes; it was all taken up last year. In addition to that there is the five per cent as compared with the former ten per cent deduction in salaries; there is five per cent added there. The balance is due to transfers of salaries from the branch votes to civil government.

Mr. SENN: Do I understand the minister to say that there have been no additions during the year to the staff of the Department of Agriculture; that none of this extra amount that is being voted is to be for new help?

Mr. STIRLING: There are twelve new stenographers.

Mr. GARDINER: There have been three new positions provided, but two of those are modified old ones. This does not mean the putting on of three individuals, but it is the creation of three new positions, two of them being modified old positions that were in existence before.

Mr. SENN: Will the minister say what those are?

Mr. GARDINER: The three of them are: the general executive assistant; that position has not been filled; it was created some time last year but it has not yet been filled; then there is the chief, fruit and vegetable field service, and the dominion agricultural chemist. The latter two were just modifications of previous positions.

Mr. STIRLING: And are they filled?

Mr. GARDINER: Yes; the latter two are filled.

Mr. ROWE (Dufferin): Markets and transportation: two additions there, assistant chiefs.

Mr. GARDINER: Do I understand the hon. member to ask if those positions were in markets and transportation before?

Mr. ROWE (Dufferin): No; are there not now two chief assistants in the markets and transportation branch?

Mr. GARDINER: In the fruit branch?

Mr. ROWE (Dufferin): Yes.

Mr. GARDINER: The matter of appointments is under consideration.

Mr. STIRLING: They are provided for but not filled. At the bottom of page 70 of the estimates two of them are mentioned.

Mr. ROWE (Dufferin): Field services, the same? The salaries are provided for.

Mr. GARDINER: They will be found all through the list. These were all in the branch votes. They were taken out of the branch votes and put into civil government this year. That is the only change there. If hon. members go over the items on pages 70, 71 and 72 of the estimates, they will find that this is shown there as an increase in civil government. That is the reason there are more of these employees.

Mr. ROWE (Dufferin): An increase of fifty-four new employees?

Mr. GARDINER: Yes, but they are not new employees. They are simply taken out of the branch votes we have already passed and put under civil government.

Mr. ROWE (Dufferin): All except three.

Mr. GARDINER: All except three.

Mr. STIRLING: For instance, as regards the four senior fruit and vegetable inspectors, they are not new creations? They are people whose salaries previously have been paid out of the particular vote?

Mr. GARDINER: Yes; that is my information.

Mr. ROWE (Dufferin): Where does the increase of the $50,000 come from?

Mr. GARDINER: That increase is as shown. Part of it is due to the five per cent difference in salary deduction, and part of it is due to transfers from the branch votes into this vote for civil government. The $50,000 increase in the civil government vote is made up in that way, but it does not increase the total vote of the department by that amount.

Mr. STIRLING: Does it amount to this? At the top of page 71 of the estimates is one assistant chief, field services. I do not know if that is for fruit. Is it?

Mr. GARDINER: Yes.

Mr. STIRLING: His salary added to those of the four senior fruit and vegetable inspectors, makes $11,800, and that, I take it, if I understand the minister aright, is a set-up against the $15,600 deduction in the fruit vote.

Mr. GARDINER: In part it will be. There are other reasons, as I mentioned.

Mr. SENN: I note also that there is a chief canning inspector whose office is being done away with at the present time. Perhaps I am going a little far afield in asking this question, though it has to do with the canning of fruits and vegetables. I understand that there is to be some change in the regulations respecting containers; that regulations are being prepared at the present time to standardize containers of fruits and vegetables after they are canned. Is such in contemplation? Are these regulations nearing completion? And what are they?

Mr. GARDINER: I understand that in 1933 the government established the practice whereby when a position was vacated it was allowed to lapse along with the vacation of the position. That move was made, I think, to cut down staffs in certain departments. It has been found necessary from time to time to reestablish some of these positions. This position went out of existence in that way, and will probably have to be reestablished to take care of the very matter that the hon. member has spoken of.

Mr. SENN: Yes, but I should like the minister to give us the information for which I asked, regarding a change in the regulations for the standardization of containers for canned goods.

Mr. GARDINER: Really there has not been any change up to date other than this, that I think it will be found that in the bill before the house there is a provision for a change in containers for cheese, packages for cheese, and in connection with fruits. The matter of containers is under consideration as a result of the report made last year by the price spreads committee. The idea that at the moment is seemingly most acceptable to the department is that we might be well advised to depart from insistence upon certain weights in connection with canned fruits, accept the idea of volume and take pints, quarts, gallons and so on rather than deal with weights in the set-up of the packages. But the matter has not yet been fully decided, and no change has been definitely decided upon in connection with it.

Mr. SENN: May I ask the minister if the department has received any representations from the canning industry as a whole, or from any of the larger concerns which are interested in canning, to the effect that they would rather have the net weight as the standard than the size of the container in quarts or pints or multiples of quarts or pints? I understand that they feel quite strongly on this matter, and that they are of the opinion that it is more in the interests of the canning industry, of the fruit farmer and of the vegetable farmer, that containers shall have the net weight marked distinctly on the package, so that the housewife may know what she is going to get. I should like to know if any representations have been made and any conferences held with respect to the matter.

Mr. GARDINER: Meetings and conferences have been held in that connection. I understand that one of the companies has expressed strong views with regard to the matter, believing that the net weight method is fairer than any other of providing containers. I believe that the other companies have open minds on the matter, some of them being favourable to containers in accordance with the view I expressed a moment ago, based upon pints and quarts and multiples of pints and quarts rather than upon weight.

Mr. SENN: I understand that one of the objections raised by one of the larger companies mentioned by the minister is that a certain quantity of goods is canned for export, and it has to conform to the regulations of the country to which it is to be exported. It is very difficult, of course, for these companies to estimate just how much they are going to be able to export, and if they overstep the mark and can a larger quantity than they are able to sell, in sizes that are required by the regulations of these foreign countries, a regulation which sets the size of the container in pints, quarts or multiples thereof would

make it impossible for the company to dispose in the domestic market of any goods which it was not able to export. I should like to ask the minister if all the companies have been consulted and if any conferences have been held.

Mr. GARDINER: Conferences have been held and, of course, all the companies will be consulted before anything final is done. The matter is under consideration at the moment, and the point raised by the hon. gentleman has been considered in a partial way but not finally determined. Nothing will be done that will interfere in any way with trade into any other country. We shall attempt to arrive at a conclusion that will make that kind of trade possible.

Mr. STIRLING: I think that is one instance where the Canadian Horticultural Council has demonstrated its usefulness.

Mr. BENNETT: I think in the main import countries require net weight to be shown. Within the British empire the standard is universal, but on the continent the metric system prevails, and there is some difficulty about weights. That is my information. I think the Department of Trade and Commerce should be consulted about this matter with a great deal of care, in relation to the reports from their trade commissioners. My information is that in the British empire we have a net weight standard, because we all have sixteen ounces to the pound. But once you get on the continent of Europe you have the metric system; the weight is indicated in grams and the volume in litres, which is an entirely different proposition. I should not think it would be a change for the better to provide quarts, pints and gallons as the standard to show the net amount the housewife is purchasing. I say that only because of some investigations I made in that connection in one of the large stores in London that dealt very largely with Canadian products. A standard which is known to be standard throughout the empire is one from which I think we should not depart unless we have the very best reasons for doing so.

Mr. BARBER: I should like to draw the minister's attention to the fact that apparently about twelve extra stenographers have been taken on. Would the minister say that they were all taken from the temporary staff which he had last year?

Mr. GARDINER: I am informed that there is very little variation, if any, in the stenographic staff. Changes are made back and forth between the different branches; there may be a cutting down in one and an increase in another, but as far as the total staff is concerned I am informed that it is practically the same as last year.

Mr. BARBER: On page 72 of the estimates I see an increase from sixty to seventy-two stenographers under one item and from nineteen to twenty under another.

Mr. GARDINER: They are all covered by the explanation I gave a few moments ago. These are largely changes from the temporary staff to the permanent staff and from branch votes to the civil government vote. They are not increases in the number of individuals in the service.

Mr. ROWE (Dufferin): That is with the exception of the three new positions, which have not been filled yet as I understand the situation.

Mr. GARDINER: No; they were on the staff and they have been transferred from one vote to another.

Mr. ROWE (Dufferin): All but three?

Mr. GARDINER: There are just the three new positions.

Mr. TUSTIN: I understood the minister to say that consideration was being given a question of changing containers for fruit. I should like to ask if the same consideration is being given containers for canned vegetables.

Mr. GARDINER: Yes. All the questions raised in connection with the price spreads investigation are being given consideration at the present time. There is only one on which we have reached a final decision, and that is still to be dealt with by the house in the legislation having to do with butter and cheese.

Mr. SENN: Would the minister explain just what are the duties to be performed by the general executive assistant?

Mr. GARDINER: That position was created before I took over the department, and whoever was appointed was supposed to give general assistance to the executive in administering the affairs of the department. I have not found use for such an appointment up to date and I do not know that I shall, but we are making the vote now until the matter is finally determined.

Mr. BENNETT: Do not mention that; it might turn out to be another assistant chief electoral officer.

Mr. PERLEY (Qu'Appelle): On page 71 of the estimates provision is made for a chief seed grader. What are his duties and does he work in the west or in the east?

Mr. GARDINER: He is in the executive office, the central office at Ottawa, but I am not in a position to give his duties in detail except that he will have charge over those who are grading seeds.

Mr. PELLETIER: Before this item passes I should like to bring a certain condition to the attention of the minister, and I think it might come under the miscellaneous item. It has been the practice of the Department of Agriculture, in order to encourage and promote the distribution of pure seed, to pay the freight on all shipments of registered or certified seed made before March 2 of this year, under certain conditions which are set out. There have been brought to my attention certain cases in which it was impossible for the department to have the seed cleaned and ready for shipment before that date. When this matter was taken up with one of the seed stations the reply was that it was impossible to get the seed out under the free freight rate because it would not be ready for shipment by that date. In this particular instance the money for the seed grain had been sent to this station and was there for some time before the date fixed. The point is that the seed could not be shipped under free freight after that date, because it was not possible for the government to have it ready at that time, and also because the money was not voted for the following year to take care of this situation. I was wondering whether the minister would not consider what I have said when he is drawing up future estimates. That is to say, those who cannot take advantage of the free freight simply because of the inability of the department to have the seed ready in time are subjected to extra expense. I believe it is unfair to ask the farmer to bear that extra cost. It would be good policy for the government to set aside a very small sum—it would not need to be large—to take care of these cases, and I believe it would be easy for the department to find out how many such cases there have been in the last few years and to base their estimates upon the facts as they have gathered them. I speak to the point because some farmers obtain the benefit of the free freight rate, while others, through no fault of their own, but because the government cannot get the seed out in time, are forced to pay freight. Between the free freight date and the time new moneys are voted to provide for the item in the next year, I suggest that some provision should be made to take care of the farmers who do not receive the free freight rate.

Mr. GARDINER: The letter sent out may be open to a wrong interpretation. It is generally known that the end of the financial years is on March 31. These votes cover the year from April 1 until March 31 of the following year. Most farmers who are laying in seed for the spring have obtained it before the end of March. That is the common practice throughout Canada and the practice of those who are providing themselves with the amount of seed indicated in the vote. There have been cases where people have not had their applications in sufficiently early. If the applications were not in about the middle of February it is possible that delivery of the seed could not be made in sufficient time to get it out before the vote lapses. But in actual practice most of those accounts have been paid. All those cases are subject to review, and when the new votes come in on April 1, the moneys are used to take care of cases which have been carried over from the previous year. However, in order to protect themselves against conditions which might arise, officials of the department necessarily send out orders from year to year to get applications sufficiently early to make it possible for delivery early in the month of March. I believe the letter could be interpreted as more or less a warning to a man to get his order in earlier next year.

Mr. PELLETIER: The seed growers' association and organization take the responsibility for sending out advice of this kind to the farmers, and perhaps when they are notifying farmers of seed price lists they could send a notice to the effect that it would be much better for them if they had their orders in before a certain date. If February 1 is a date satisfactory to all concerned I believe it would be a good idea to include that information in the pamphlets sent out.

Mr. GARDINER: We shall consider the suggestion.

Mr. DOUGLAS: When the minister replied to the hon. member for Dufferin-Simcoe (Mr. Rowe) stating the reason for the increase in salaries, he said that it was due partly to transfers from the temporary to the permanent list, and partly to statutory increases. It would seem that $37,000 would refer to transfers, and we would assume that $50,000 was required to cover statutory increases.

Mr. GARDINER: Some of the $50,000 is paid in connection with the transfer of

individuals from one vote to another, as well as from contingencies, in addition to the amount which would be necessary to pay the statutory increases.

Mr. SENN: I do not wish to transgress the rules of the house, but I think the minister will recall that when one of the first votes was passed I asked that one vote be left so that anything concerning the estimates might be discussed. May I ask the minister if the government has made a final decision against bonusing cheese this year?

Mr. GARDINER: That would come under the next item.

Item agreed to.

Natural Products Marketing Act, 1934, $106,600.

Mr. GARDINER: Last year there was a vote of $1,545,500, and this year the vote is $106,600. The difference in the two items is due to the cheese bonus and the amount expended last year in connection with the export marketing of butter. As was announced, the government has decided not to pay the cheese bonus this year.

Mr. BLACKMORE: In connection with the marketing of our natural products there are some observations I should like to make to the minister. I realize that perhaps one of the most serious problems which will face us within the next years is that of marketing our natural products, and particularly our agricultural products. I have no use for finding fault without offering some kind of solution. Where the difficulty is obvious to everyone, and no solution is offered, discussion seems idle, but I believe what I have to say might help at least to some degree to solve the problem we must face. It is recognized that agriculture must continue as Canada's basic industry, and it is also recognized that that industry is suffering. There are many causes for anxiety; for example, a large crop of wheat, an overproduction of meat products, or of butter, or of potatoes, may cause us great concern, and sooner or later we must find a solution for our difficulty. We are attempting to solve the problem. This item for the bonusing of cheese is a good example of that. We are pegging prices for wheat and we shall peg other prices, I fancy. We have a marketing act now before the courts, and I am quite sure that we shall put through another marketing act if the present one is not upheld by the courts. We have a Prairie Farm Rehabilitation Act, which is a most excellent one, and for which I desire to commend everyone who had any part in bringing it in. It will be followed by others of its kind, I assume.

There are two problems, however, to which I think we have not thus far given sufficient attention in Canada, and the time is now ripe to give attention to them. One is the maintenance of soil fertility. The Prairie Farm Rehabilitation Act attempted something along that line, glancing at the soil drifting difficulties which have arisen in different parts of Canada. We have another serious question which we must face before long, and that is the problem of the economic use of irrigated land. I do not wish to take up too much of the time of the committee, but I wish all members of the committee could be out for a little while in the constituency I represent. There are four distinct irrigation projects there, and they are, to use the fine description which the hon. member for Kootenay East (Mr. Stevens) applied to the Canadian National Railways, a magnificent asset. I feel that one is perfectly justified in applying that term to them, and it is an asset whose value I believe can be greatly increased to the great advantage of this country. But before that can be done we must look to the economic use of these projects or we shall have a magnificent asset turning, because we misuse it, to our disadvantage.

Having said this much, I wish now to direct the attention of the minister to the condition of the beet sugar industry in Canada. I would ask all members of this committee to give their earnest consideration to the condition of the beet sugar industry because there are at present many misunderstandings and misconceptions about it, and it is very easy to make a grave mistake in connection with it. The minister might possibly have overlooked some facts in connection with this industry which, I think, should be brought to his attention, and by the way may I say without his feeling that I am endeavouring to flatter him that I have a very high opinion of the Minister of Agriculture (Mr. Gardiner). I feel that he is the right man in the right place, but with the multiplicity of his duties it would be an easy matter for him not to have given a matter of this kind particular attention. There are also, I believe, many members of this committee who, because they do not come from territory similar to that in my constituency do not realize what irrigation project districts are like, just as I myself, when I had occasion to go through part of Quebec a little while ago, found that I could never have imagined what the actual conditions were like in that province without going there. I am quite sure that some

members of this committee cannot imagine what conditions are like in the irrigated regions without going there and seeing for themselves, and I should like to help them see something of the nature of these projects.

The problem of the beet sugar industry is a difficult one, much more difficult than most people in this country realize. We are at the present time placing a levy on the beet sugar industry. We are bonusing wheat, bonusing cheese, and aiding in various ways a good many other industries in Canada, but on the beet sugar industry we are placing a handicap, and this will show how serious that handicap is: The government tax, the one cent levy on each pound of sugar produced, was so grievous that it amounted in 1935 to 54·7 per cent of the gross returns to the farmer. I do not believe anyone could have imagined that the government got 54·7 per cent of what the farmer got for every ton of beets delivered to the factory. That is an unjust situation, I am sure. Again, the government, through this levy, received 66 per cent more than the labourers received who did the work on the beets.

Mr. GARDINER: That would cover all the municipal, provincial and federal taxes?

Mr. BLACKMORE: No; that is just the dominion tax. I wish, Mr. Chairman, with your permission to put on Hansard some figures which are right up to date and have come from the Raymond sugar factory, which is a very accurate one, to illustrate the handicap under which the beet sugar industry carries on. The government is receiving so much money from the beet sugar industry that it receives on an average, clear, 13·6 times as much money as the farmer receives on an average, clear, per ton of beets. This is an almost inconceivable, an almost unbelievable situation; yet it is borne out by the figures I shall presently put on Hansard.

There is another point, and that is that Canada is, so far as I have been able to learn, the only country in which there is not definite assistance given to the sugar beet industry. Canada, on the contrary, actually places a handicap on that industry.

Mr. STIRLING: May I ask a question?

Mr. BLACKMORE: If it does not require me to digress too much.

Mr. STIRLING: I wonder whether the hon. member would amplify his statement that the dominion government receives thirteen times as much as the sugar beet farmer.

Mr. BLACKMORE: I am going to put on Hansard figures which will bear that out. I am dealing with the 1935 crop, and particularly with the Raymond sugar factory, which is in my own constituency. I was really astounded to find out how bad the situation is. We are levying in Canada a duty of one cent a pound on sugar produced in this country. That is a very unjust tax in view of the facts I have presented.

Another factor which makes the whole question serious is that we have a great national need of the beet sugar industry in Canada because of the conditions which I indicated a few moments ago, and which I shall now develop.

In the first place we are, all of us, at our wits' end to know what to do about unemployment. Now there is hardly anything into which we could go in this dominion which would give more employment than the beet sugar industry, as will be borne out by the figures I am going to give, but first I shall put on Hansard, as the hon. member for Yale (Mr. Stirling) would like to have them, these figures which were sent to me by W. F. Russell, secretary of the Alberta Cooperative Beet Growers, in a letter dated Lethbridge, March 13, 1936. They are taken from a report that was drawn up by the agricultural superintendent of the Canadian Sugar Factories, and approved by the Alberta Cooperative Beet Growers.

The total number of farmers growing beets in 1935 for the Raymond sugar factory was 797. The number of acres planted was 14,109, and the average acreage per farmer, 17·64. The total tons of beets harvested was 138,809. The estimated price of beets per ton was $5.85, and the estimated total price, $812,032.65. The quantity of sugar produced in pounds was 44,450,900.

Right at this point, Mr. Chairman, we should pay close attention to the costs to the farmer who is producing these beets. They are as follows:

Cost of Producing 1935 Crop of Beets

Land preparation	$ 43,737 90
Beet seed for 14,109 acres	46,559 70
Planting	10,581 75
Commercial fertilizer	36,683 40
Cultivating	28,218 00
Irrigating	28,218 00
Lifting	28,218 00
Loading	28,218 00
Hauling	84,654 00
Irrigation rates	28,218 00
Taxes	7,054 50
Interest on land	35,272 50
Depreciation and maintenance of equipment	42,327 00
Hand labour	268,071 00
Soil improvement	56,436 00
Incidentals	7,054 50
Total	$779,522 25

The total price paid to farmers amounted to $812,032.65, less cost of producing beets, $779,522.25. The net profit to 797 growers was $32,510.40. The total government tax was $444,509; the cost of collecting tax was $600, which left a total of $445,109. The average amount of government tax per grower is the startling sum of $558.48.

Mr. STIRLING: What is the government tax?

Mr. BLACKMORE: One cent per pound excise tax. The gross average amount received per grower was $1,018.86, and the gross average cost of production per grower was $978.07 The net average profit per grower was $40.79

Mr. BARBER: Do the growers pay this one cent tax? The consumers claim that they pay it.

Mr. BLACKMORE: I am glad that point has been brought up.

Mr. BARBER: The consumers claim that they would be able to get sugar one cent per pound cheaper if it were not for this tax.

Mr. BLACKMORE: When the farmer delivers his beets to the sugar company they tell him that they would be able to pay more if they did not have to pay this tax.

Mr. BARBER: They charge the tax.

Mr. BLACKMORE: In any case the farmer has to pay the tax. We shall go on. The average amount of the government tax per grower is $558.48. For every dollar paid out in labour during the beet crop, the government receives $1.66. I have not the time, nor would it be fair to take up the time to go into these figures, but I think it worth while to put them on Hansard so that hon. members who are interested can study them. One or two hon. members would seem to be inclined to scoff just a little, but I think it would be well if they would consider these figures very carefully before they say much. Otherwise, they might not feel very proud of what they do say.

I should like to draw to the attention of the committee the national need of a beet sugar industry at the present time. Unemployment is our most serious difficulty, but it has been estimated in the United States that for every factory of 1,200 tons' capacity, 10,000 people would be employed. That is a surprising estimate and I should like to read something to bear it out. Let me quote from a pamphlet entitled, Why Canada Needs Sugar Beets, by the joint sugar beet development committee, Lethbridge, Alberta. I read from page 16:

> It has been estimated in the United States that one factory of from 1,000 to 1,200 daily capacity will, directly and indirectly, give a living to 10,000 people—men, women, and children.

There is another statement which appears on page 19 of the same pamphlet:

> Mr. Charles H. Houston, president of the Canada and Dominion Sugar Company, when appearing as a witness before the select standing committee of the Canadian House of Commons inquiring into the beet sugar industry, made the following significant statement: "I will say this, that the beet sugar industry employs a tremendous amount of labour. There is no other industry that I know that takes care of as much labour as the beet industry."

I should like to quote from an article by S. P. Grounds which appeared in the October, 1931, number of Empire Production, published in London, England, as follows:

> It is undoubtedly in the direction of increasing home supplies of sugar that the industry in Canada will continue to develop. The prairie provinces themselves have been computed to import sugar worth $10,000,000 every year. This might well be supplied by six or seven more factories like that at Raymond, cultivating 60,000 to 75,000 acres, giving employment to 5,000 farmers, 8,000 hand labourers and 2,000 factory workers, and utilizing each year 125,000 tons of coal, 1,500,000 sugar bags, 30,000 tons of limerock, 3,000 tons of coke, 200 tons of soda ash, and large supplies of other materials.

I direct the attention of hon. members of the committee to the number of acres which could be taken out of wheat production. This article indicates the possibilities in the beet sugar industry, but I am afraid that so far these have been neglected in Canada.

Mr. MacNICOL: Might I ask a question of the hon. gentleman?

Mr. BLACKMORE: I would ask hon. members kindly to jot down any questions they want to ask. I am ready to answer any question, but if a question is worth asking, it is worth noting down. I wish hon. members would do that as I am not as used to this sort of thing as they are. We need the development of this industry to protect our irrigation projects. In Alberta we have $35,000,000 invested in such projects. Is this investment to be lost or are we going to develop it into a magnificent asset? This investment will be lost unless an economical use is made of these projects. This will be the result for reasons which I have not the time to discuss but which I shall be ready to discuss in answer to questions by hon. members. I should like to quote again from the pamphlet, Why Canada Needs Sugar Beets, at page 13, as follows:

> The irrigation projects in Alberta represent an investment of over $35,000,000. The future of southern Alberta depends largely on the success of these projects, and the expansion of the sugar beet industry is essential if disaster is to be avoided.

I quote again from page 9 of the same pamphlet:

The importance of the industry in relation to successful irrigation farming is fully appreciated by the federal United States government. The reclamation bureau considers the sugar beet industry second only to good land and a dependable water supply in assuring the success of any major irrigation enterprise.

In my constituency I may say that we have good land and an abundance of water. We also have a wonderful climate as far as sunny warm weather is concerned. All this is necessary to the successful production of sugar beets. I continue:

The sugar industry is protected by a high tariff scale. The following table shows the changes that have been made from time to time in the tariff scale on raw sugar imports of 96 degrees polariscopic test and where it stands at present:

1907—Full duty,	1·685	cents	per	pound
1913—Full duty,	1·256	cents	per	pound
1921—Full duty,	2·00	cents	per	pound
1922—Full duty,	2·206	cents	per	pound
1930—Full duty,	2·50	cents	per	pound

Hon. members will note that there has been no change in the Canadian duty. The United States has seen fit to protect more and more its beet sugar industry. What can be the very good reasons why Canada has failed to take similar action? So far, these reasons have not been brought forward. I have not yet seen these reasons brought forward. We have, in addition to what is now under irrigation, a great area of land in Alberta and Saskatchewan that could be irrigated.

It is important to us nationally that we should have a sugar supply. I do not wish to stress this too much, but I hope that hon. members will not neglect this matter until it is too late. In the event of war we would have fourteen per cent of our sugar supply. We would have no sugar whatever for the manufacture of munitions, and while there are many people who are inclined to scoff at the possibility of Canada ever again being at war, I think it would be wise for us to keep our feet on the ground so far as that is concerned. Canada could easily produce her full requirements of sugar and, besides that, produce some for export, which she could use for the manufacturing of munitions, should that necessity arise. We are leaving this matter entirely neglected.

I come now to our trade balance. I do not think I shall ever forget the words of the leader of the opposition (Mr. Bennett) when he pointed out the seriousness of running up an adverse trade balance; I shall worry about that as long as I have anything to do with public life in this country. Everything we can do to produce the things we need ourselves we ought to do, for that is a sound policy according to the best thought of to-day. And through sugar we could do much with respect to the trade balance. Well, perhaps I had better not read what I was going to give the committee in that regard. I have some striking material that shows what we could do in this connection, but I shall let it go.

There is another important matter and that is the question of agricultural stability. I drew to the attention of the committee some time ago this fact, drawn from Economic Changes in the United States, a book quoted by Stuart Chase, that in the United States in 1927 the farmers as a class lost $1,717,000,000. The condition is, I believe, quite as serious in Canada. We are facing a time of great stress for farmers and we must do that which will stabilize the farming industry. And there is nothing that will stabilize the industry so well as the growing of sugar beets. Let me quote an example to show how it affects mixed farming. I quote from page 13 of the pamphlet to which I have referred:

The sugar beet is the only crop for which we have an established market, and then only to a very limited extent. This crop fulfils all the requirements as the basis of a rotation, and with the beet tops, molasses and pulp as byproducts, it forms the cornerstone of mixed farming. It has a beneficial result on all other farming operations, and with its guaranteed price, through the contract system, gives a stability of income that in itself is of inestimable value to the economic well-being and morale of the farmer. It also means balanced farms, stable rural communities and the making of the real homes that only come with the feeling of security. The influence of the industry on agriculture in general is tremendous. To quote from the report of the "Sugar Beet Industry at Home and Abroad," issued by the British Ministry of Agriculture and Fisheries, page 51, paragraph 129—

May I pause here to make these observations. As regards the statement that the guaranteed price gives a stability of income that in itself is of inestimable value to the well-being and morale of the farmer, I can testify from my personal experience with these men that this is absolutely true. I would point out that several times since I have come to the house I have heard hon. members referring to the British way of doing things. Well, this is what they are doing with respect to the sugar beet industry:

The introduction of roots into the economy of the farm about the middle of the eighteenth century was an important factor in the agricultural revolution which began about that time. Its most important effect was to provide a crop, the cultivation of which enabled the

land to be cleaned and to a large extent replaced the frequent bare-fallowing previously practised; at the same time it provided a feeding stuff which enabled a large head of stock to be carried. In this country, when root crops were first introduced, the crop employed was the turnip, and later the mangold; on the continent where the root shift in the rotation was much slower in taking hold, the sugar beet was largely employed. The advantage of this crop was that the root provided an immediate cash return, whilst the leaves and crowns, together with the dried or wet pulp returned by the factory, provided food for cattle. At the same time, the deep-rooting habit of the sugar beet and the intensive cultivation and manuring required made it an excellent crop for improving the land. At present, the sugar beet is regarded, wherever it is cultivated, as one of the most important factors in maintaining the general level of efficiency in agriculture.

I believe there are several other matters which it would be well to bring to the attention of the committee. I dislike occupying the time, but there are one or two questions that are very serious. Many times we have droughts in the west and we have them alternating with exceedingly good years. Frequently when the droughts come along we are in a bad condition with respect to feeding stock. The beet pulp coming from the Raymond sugar factory has saved the situation time and again over a wide area in Alberta, and if we had six times as many factories as we have we could save the situation as far east as Manitoba with beet pulp. A man never knows how good it is for stock until he has tried it, and then he is simply astonished. Beets are practically a certain crop. Hail does not destroy them; frost rarely does them harm, and drought very rarely affects them, so that we do not have to worry about drought if we have irrigation. And it is a cash crop for which there is a sure market.

One other point I would call attention to. There is a great possibility of development in connection with beets. Alberta alone has 200,000 acres which could be rendered good beet land. Canada could produce all her sugar supply. May I quote in this connection section 37 of a brief submitted to the Advisory Board on Tariff and Taxation in Canada in 1927:

> It would be quite possible, so far as suitability of soil and climatic conditions are concerned, to produce the entire quantity needed in Canada. Half of the present consumption of Canada could be supplied from an acreage of 180,000 or less than the present area under cultivation to sugar beets in Great Britain.

What would this mean to Canada? We are at present taking one cent a pound on sugar produced in this country. This has been suggested, and I do not urge that the minister accept it; I merely offer it as one possible suggestion: The farmers all through the beet areas believe that if the government were to refund that one cent—the government would not need to raise the tariff at all or to affect the marketing of sugar—and give it to the farmer, the farmer would divide it between himself and the labourer. I wish to say a word about the beet labourer because there are a number of these men in my constituency. The beet labourer is a specialist; he could not stand the strain if he were not. The beet labourer could not do his work well unless he were a specialist. A good man can take care of ten acres in a year. Manifestly if he gets only $20 an acre he has only $200 at the end of the year. It was not a serious matter so long as these men could get other work on the side, but the rapid increase in unemployment has made it almost impossible for them to obtain that supplementary work and they are obliged to engage in strikes for higher pay per acre, as they have done. Now that the situation has been cleared up in Raymond and they are getting $20 an acre, they are receiving little enough. They must depend upon what they can raise in other ways to supplement that income. If the farmers divided that one cent with them, taking a part for themselves, this would solve their problem because it would mean about $3 a ton. I ask: What would that mean to Canada?

The hon. member for Huron North (Mr. Deachman) gave his imagination generous scope the other day when he attacked what I said with regard to sugar beets. I just mentioned sugar beets, but he made the extravagant statement that I was proposing something which would cost Canada between $16,000,000 and $20,000,000. That is absolutely preposterous, and indicates that there is something seriously wrong with the hon. member for Huron North. I wish he were here so that I could tell him this to his face. The cost to the dominion would be this: In 1933 Canada must have raised $1,313,925.01, if she had one cent on every pound of sugar produced in beet sugar factories. In 1934 she must have raised $1,140,029.50. I have before me figures which indicate that the average excise on sugar beet sugar in this country during the last two or three years has been $1,160,000. I have not as yet been able to determine wherein the discrepancy lies, but these figures are dependable, and I assume the others are, so there must be an explanation somewhere. Thus apparently the

Dominion of Canada is getting only $1,160,000 a year from the beet sugar industry, and in so doing is committing a shameful injustice upon the farmers, as I have already outlined. I think we shall all readily agree that if she returned that $1,160,000 she would not be doing anything that would seriously disrupt matters. I submit that is one solution of the problem, and I thank you, Mr. Chairman, for the opportunity of drawing it to the attention of the minister.

Mr. McKENZIE (Lambton): I speak very seldom in committee, and I crave your indulgence, Mr. Chairman, for probably five or ten minutes. I have the honour to represent what is probably the largest district devoted to the beet growing industry in Ontario, and I feel I would be remiss in my duty if I did not for a moment or two speak on this subject. Since I came to Ottawa I have probably heard more talk about the tariff on sugar, and the protection given beets destroying the potato industry in the maritime provinces, than anything else. I wondered whether that was the case. I found that Canada has a trade agreement with Great Britain, and with the British West Indies, which is a British possession, as regards a duty on sugar.

Mr. BENNETT: They are separate. The treaty with the West Indies was long prior to the 1932 agreement.

Mr. McKENZIE (Lambton): At the present time there is a stated duty which, I believe, cannot be changed before 1937, and even then not without twelve months' notice. About that time, in 1931 or 1932—

Mr. BENNETT: No; it was prior to that. The agreement was made not under the late government, but under the government that preceded it.

Mr. McKENZIE (Lambton): About 1932 I believe that very cheap sugar was being dumped into Canada. At that time a dump duty was put on refined sugar coming into this country. It was imposed at the request not of the beet-growing industry, but, probably, of the sugar refineries; possibly the competition was unfair; I do not know.

Mr. BENNETT: It was Cuban sugar that came in.

Mr. MACKENZIE (Lambton): Cuba is not in quite the same position to-day. Because of a special trade agreement with the United States, that island is selling two-thirds of her products to the United States at what is, for sugar, a very fair price. The other one-third she is dumping, mostly into Great Britain, at a very cheap rate. Great Britain has imposed or is about to impose a dump duty upon all sugar that is selling below $1.75 per hundredweight. The sugar beet industry and the consumption of beet sugar have increased marvellously during the last few years. Fifty years ago not more than ten per cent of the world's sugar was beet sugar. To-day almost forty per cent of the world's consumption of sugar is of beet sugar. Great Britain and the United States, which have been large importers of sugar, are to-day growing from twenty to twenty-five per cent of their own sugar as beet sugar.

In 1903 or about that time the beet sugar industry was started in Canada. It made fairly rapid progress until about 1920, when the great sugar debacle of that year ruined a great many of the organizations that were insecurely grounded. Now, in 1936, we have again some thriving sugar beet factories. In the riding I represent, at Wallaceburg they are refining beet sugar at the rate of a hundred tons of raw pulp an hour, or twenty-four hundred tons a day.

Mr. BENNETT: For how many months?

Mr. McKENZIE (Lambton): For probably three months.

Mr. BENNETT: The important thing is the number of months.

Mr. McKENZIE (Lambton): In spite of that dump duty Canada imports approximately eighty-four per cent of the sugar she consumes. The average consumption of sugar in this country is quite heavy. I think it is ninety pounds per capita or more.

Mr. MARTIN: Eighty pounds.

Mr. McKENZIE (Lambton): It varies from one year to another. The amount of excise that is collected on sugar has already been mentioned by my hon. friend. I got it from the bureau of statistics, and I assume it is correct. The excise collected on sugar for the year 1934-35 was $11,037,278. Import duties collected on the sugar we imported for the fiscal year were: not above Dutch standard, $3,433,000; sugar above Dutch standard, $1,373,000, or a total duty, collected on sugar we imported, of approximately $4,807,000, which, added to excise of $11,037,278, makes a total levy of $15,844,322 on sugar consumed in Canada. In spite of that heavy tax on sugar, this product is selling more cheaply to-day than at any time in our history. I was passing through London a week or two ago when sugar was retailing at $4.80 a hundred pounds. Take off your excise, which surely

has nothing to do with the cost, and you have sugar selling to-day on the market at $3.80 per hundred pounds.

Mr. BENNETT: The duty was reduced last year to one cent a pound.

Mr. McKENZIE (Lambton): That is what I say; take off the one cent per pound and your sugar costs the consumer to-day, without that tax, $3.80 a hundred pounds.

An hon. MEMBER: Retail.

Mr. McKENZIE (Lambton): Retail, yes. It retails at $4.80, and taking off the excise it is really retailing at $3.80, the cheapest price at which sugar has been sold in the history of Canada.

Mr. MARTIN: Those figures are computed on the two cent basis, rather than, as the right hon. gentleman points out, one cent.

Mr. McKENZIE (Lambton): No, they are not. I took the one cent rate. There is nothing new about the sugar industry. Hon. members who sat here in 1932 and 1933 can remember that, on February 24, 1932, after an exhaustive and careful investigation of the situation, the select committee on agriculture and colonization submitted this report:

> Your committee, therefore, recommends that in view of the existing tariff on sugar and in consideration of the substantial payments being made to agriculture and labour by the beet sugar factories at present in operation, the cane sugar refineries should undertake to provide for a gradual increase of factory facilities for the refining of beet sugar in Canada, and that with the additional advantages in freight rates to points in the middle west, heretofore described, factory facilities should now be steadily increased in western areas where beets are grown, and thereby make it possible to produce from beets a more substantial percentage of the sugar consumption of Canada.

There is something further I should like to say that should be rather interesting, for I cannot help thinking that these countries which produce beet sugar cannot all be wrong. I believe beet sugar has a future in Canada. M. Golodetz, an authority on sugar, writing in the weekly Sugar Market Review of recent date, says that existing rates of duty on raw and refined sugar offer very inadequate protection to the sugar beet industry, particularly when we bear in mind that the cane production has been and is very substantially subsidized. Nearly all of what is known as the world's production is protected. He points out that over ninety per cent of the sugar for the world's sugar market is produced and marketed under various forms of state protection. Moreover, cane is produced under labour conditions that do not bear comparison with those of Canadian labour. Sufficient it is to say that as a Canadian people we cannot entertain the lowering of the present level of labour but should rather strive to raise the present standard.

The other day in this house we spent a good deal of time in discussing the possibilities and the future of the soya bean industry in Canada. The farmers of this country have a great deal of money invested in beet sugar equipment. They have imported trained men from other countries who have become naturalized Canadians, and I think it would be a mistake to have the beet sugar industry forced out of business. I feel sure that if that result were brought about the companies which are subsidized would raise the price of sugar once they got rid of that competition, so in the long run we would have to pay more for our sugar. I do not want our friends from the maritime provinces to think we are trying to steal their markets. I believe there is a place for both beets and potatoes in this dominion, and I think we would do well to devote a great deal of study to this question, because Canada with its great resources will support a very much larger beet sugar industry than we have at the present. Certainly I have no hesitation in urging that the one cent tax in so far as beet sugar is concerned should be removed.

Mr. NEILL: I should like to ask the minister a question, but first I should like to compliment the hon. member for Lethbridge (Mr. Blackmore) on the interesting address he gave us. It was one of the most instructive and practical speeches I have heard from his group. I can understand the hon. gentleman far better when he talks about beets and acres and cents than when he talks about just prices and dividends. I hope he will enlarge his activities along the line he took to-night; I am sure we would all profit by it.

This vote shows, according to the minister, a large reduction due to our ceasing to bonus cheese. Could the minister indicate why that has been done? Was it not satisfactory or have conditions so changed as to render it no longer necessary?

Mr. GARDINER: The bonus on cheese last year was 1½ cents per pound, and in round figures about $1,100,000 was paid out under that vote, but the increase in the production of cheese was very slight. The greater part of that increase took place at the latter end of the year, in November and December, from which certain conclusions might be drawn as to whether or not it was due to farmers using their milk for the production of cheese instead of butter, which was the original intention when the bonus was put in

effect. As I understand the matter, the idea at the time was that butter was out of line with world prices, because of certain policies which were being followed, and as a result a greater percentage of milk was being used in the production of butter. Gradually the output of butter increased until it began to enter into the export trade and, of course, when it enters into the export trade, if it is allowed to run its course it eventually gets down to the world price. It was thought at the time that if milk could be diverted from the production of butter to the production of cheese both the butter producer and the cheese producer might be helped. That was the intention, but experience has shown that this was not the result achieved. Butter production has continued to increase, while cheese production has increased very slightly and at a time of year which would indicate that it probably was due to milking cows for a longer period of time rather than to taking milk from the production of butter and using it for the production of cheese.

That, of course, is only one side of the picture. There has been a marked change in conditions during the first four months of this year as compared with the first four months of last year. Part of that change is due to the fact that there has been a very large exportation of cheese to the United States as compared with a year ago. I think the figures are about $13,000 for the first four months of last year and about $350,000 for the first four months of this year.

Mr. BENNETT: That would seem to be temporary.

Mr. GARDINER: It may be temporary, but these figures can hardly be explained in that way. There is another reason; the price is very much better at the present time than it was a year ago. Not only is it better in the United States market; it is better in the British market as well. Then there are understandings in connection with trade treaties with different countries that may be interfered with by the payment of bonuses. We in Canada as a people took exception to certain activities in countries such as Australia in connection with state encouragement of the production of butter. Probably we might expect other countries to take the same exception to similar action on our part if we have trade arrangements with them.

Mr. BENNETT: No exception was taken by any country, was it?

Mr. GARDINER: Not directly, but there was an indication that some exception might be taken. Questions were asked with regard to the matter.

Mr. NEILL: Would not the United States automatically increase the duty by the amount of the bonus?

Mr. GARDINER: They have not said so, but there have been inquiries as to what were our intentions. Those came after we had made our decision, as a matter of fact; the decision was not the result of any threats or anything like that, but such inquiries have been made. All matters having been taken into consideration, we are of opinion that we can benefit both the butter industry and the cheese industry in Canada to a greater extent by providing markets and assisting in the maintenance and further development of those markets rather than by encouraging a greater production without any special market being provided for it. We think probably more can be done in the way I have mentioned, and I believe our experience in regard to the United States trade treaty indicates our view to be sound. Our greater exportations of cheese to the United States and Great Britain have had something to do with the better price that we are getting for cheese at the present time, and as compared with last year that price per pound is greater than the amount of the bonus that was being paid.

Mr. SENN: I should like to have something to say in regard to this matter—

The CHAIRMAN: Eleven o'clock.

Progress reported.

ADJOURNMENT—BUSINESS OF THE HOUSE

Mr. BENNETT: What business will be taken up on Monday?

Mr. MACKENZIE (Vancouver): We are prepared to proceed with any of the bills on the order paper.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Monday, June 8, 1936

The house met at three o'clock.

PENSIONS AND SOLDIERS' PROBLEMS

Hon. C. G. POWER (Minister of Pensions and National Health) presented the second report of the special committee on pensions and returned soldiers' problems.

JUVENILE DELINQUENTS ACT

Hon. ERNEST LAPOINTE (Minister of Justice) moved for leave to introduce Bill No. 89, to amend the Juvenile Delinquents Act, 1929.

He said: Mr. Speaker, the object of this bill is to correct certain clerical errors that were made in the enactment of the statute last year.

Motion agreed to and bill read the first time.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

CANADIAN PACIFIC RAILWAY—LOAN OF $60,000,000

Mr. POULIOT:

1. Did the Right Honourable R. B. Bennett, then Prime Minister, ask for a ruling from the Department of Justice before signing, in his own name and in his capacity as Prime Minister, the letter of guarantee of the $60,000,000 loan to the Canadian Pacific Railway, on behalf of the dominion government, the said letter being dated May 31, 1933, and addressed to the president of the Bank of Montreal?

2. If so, did the Department of Justice give a ruling, and, in such case, what was the ruling, and when was it given?

Mr. LAPOINTE (Quebec East):

1. There is no record of the Department of Justice being asked to furnish such a ruling.

2. Answered by No. 1.

MRS. CLEMENTINA FESSENDEN

Mr. CHURCH:

1. Will the government consider taking any steps to honour the founder of Empire Day, the late Mrs. Clementina Fessenden, buried in St. John's Anglican cemetery at Ancaster, Ontario, by way of erecting a suitable memorial or monument?

2. Will the government lay on the table of the house, if available, any correspondence, resolutions or documents that have been sent to them in support of such a matter?

Mr. MACKENZIE KING:

1. No correspondence, resolutions or documents have been received concerning the proposal and no representations have been made in respect to it. The matter is not under consideration at present.

2. Answered by No. 1.

EXPORTS TO UNITED STATES

Mr. MULLINS:

1. How many head of cattle were sent across the border from Canada from January 1, to May 1, 1935 and 1936, respectively?

2. How many swine were sent across the border from Canada from January 1, to May 1, 1935 and 1936, respectively?

3. How many carloads of potatoes were exported to the United States from Canada from January 1, to May 1, 1935 and 1936, respectively?

4. How many carloads of turnips were exported to the United States from Canada from January 1, to May 1, 1935 and 1936, respectively?

5. What amount of poultry (live) was sent to the United States from Canada from January 1, to May 1, 1935 and 1936, respectively?

6. What amount of lumber (softwood) was exported to the United States from Canada from January 1, to May 1, 1935 and 1936, respectively?

Mr. EULER:

1.	No.	$
1935	40,565	2,340,084
1936	76,755	3,681,859
2.	No.	$
1935	145	3,125
1936	22,632	390,241
3.	Bush.	$
1935	94,405	34,525
1936	223,736	197,184
4.	Bush.	$
1935	804,656	173,993
1936	1,152,781	355,317
5.	No.	$
1935	6,402	1,875
1936	71,655	46,567
6.	M ft.	$
1935	68,049	1,649,208
1936	145,575	3,247,678

Note.—With reference to queries 3 and 4: Impossible to furnish exports of potatoes and turnips by "carloads," as exports of potatoes and turnips are entered in Canadian trade statistics in "bushels."

*CHATEAU LAURIER EMPLOYEES

Mr. PELLETIER:

1. What was the number of employees employed by the Chateau Laurier hotel, and in what capacity during the months of February, March, April, and May, 1936?

2. What number of hours are various classes of employees expected to work?

3. What is the number of hours worked as overtime or extra time on Sundays or on the day usually allowed off?

4. How much money was paid to employees for overtime on Sundays or usual day off?

5. To how many employees, and to what class of employees has overtime been paid during the months above named?

Mr. HOWE: This almost duplicates a question which I answered some weeks ago with reference to the same subject. This being an internal matter referring to the Canadian National Railways management, it would not be customary to give the information.

FLORENCEVILLE, N.B., POSTMISTRESS

Mr. BROOKS:

1. Have any representations been made to the Post Office Department requesting the dismissal of Mrs. Eva Nicholson, postmistress of Florenceville, New Brunswick?
2. If so, what was the nature of these representations, and by whom were they made?
3. Is it a fact that Mrs. Nicholson is a widow and that this position is her only means of support?
4. If a change is contemplated, will an investigation be made before any such change takes place?

Mr. ELLIOTT (Middlesex):

1 and 2. An affidavit signed by Wm. Tardiff and Isaac Stephenson has been received regarding the political activities of Murray Nicholson, postmistress' assistant.

Another affidavit signed by A. B. McCain, George Perley, Isaac Stephenson, Barry McKay, J. Andrew McKay and Chas. McKay, complains that unsworn persons are admitted to the working part of the office and that the handling of the mail is not satisfactory.

3. The postmistress is a widow. The department has no information as to her financial standing.

4. Yes.

FARMERS' CREDITORS ARRANGEMENT ACT

Mr. DOUGLAS:

1. Did the government discontinue the consideration of cases by the Creditor-Debtor Arrangement Act upon the handing of the test case to the Supreme Court?
2. Has the government within the last two weeks made changes and new appointments with respect to those who are administering the Farmers' Creditors Arrangement Act?
3. Had the Supreme Court's decision been handed down previous to the time these appointments were made?

Mr. DUNNING:

1. No.
2. Yes.
3. No.

DEPARTMENT OF NATIONAL REVENUE—APPOINTMENTS—BILINGUAL QUALIFICATIONS

Mr. BOULANGER:

1. Has the Department of National Revenue requisitioned the Civil Service Commission to hold an examination for the position of customs and excise examiner in the province of Quebec, formerly held by Paul E. Jensen?
2. If so, in its requisition to the commission, did the department indicate that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by Paul E. Jensen.

[Mr. Howe.]

2. The requisition forwarded to the Civil Service Commission stated "bilingual qualifications not essential."

Mr. BOULANGER:

1. Has the Department of National Revenue requested the Civil Service Commission to hold an examination for the position of customs and excise examiner in the province of Quebec, formerly held by J. L. Denis?
2. If so, in its requisition to the commission, did the department indicate that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by J. L. Denis.

2. The requisition forwarded to the Civil Service Commission stated: "bilingual qualifications not essential."

Mr. BOULANGER:

1. Did the Department of National Revenue requisition the Civil Service Commission to hold an examination for the position of customs and excise examiner in the province of Quebec, formerly held by J. A. O. Duval?
2. If so, in its requisition to the commission, did the department indicate that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by J. A. O. Duval.

2. The requisition forwarded to the Civil Service Commission stated: "bilingual qualifications not essential."

Mr. BOULANGER:

1. Did the Department of National Revenue requisition the Civil Service Commission to hold an examination for the position of customs and excise examiner in the province of Quebec, formerly held by C. H. Losey?
2. If so, in its requisition to the commission, did the department indicate that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by C. H. Losey.

2. The requisition forwarded to the Civil Service Commission stated: "bilingual qualifications not essential."

Mr. BOULANGER:

1. Did the Department of National Revenue requisition the Civil Service Commission to hold an examination for the position of customs and excise clerk in the province of Quebec, formerly held by A. Hébert?

2. If so, in its requisition to the commission, did the department indicate that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by A. Hébert.

2. The requisition forwarded to the Civil Service Commission stated: "bilingual qualifications not essential."

Mr. BOULANGER:

1. Did the Department of National Revenue requisition the Civil Service Commission to hold an examination for the position of customs and excise clerk in the province of Quebec, formerly held by A. G. Macdonald?

2. If so, in its requisition to the commission, did the department indicate that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by A. G. Macdonald.

2. The requisition forwarded to the Civil Service Commission stated: "bilingual qualifications not essential."

Mr. BOULANGER:

1. Did the Department of National Revenue requisition the Civil Service Commission to hold an examination for the position of customs and excise clerk in the province of Quebec, formerly held by V. Maisonneuve?

2. If so, in its requisition to the commission, did the department indicate that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by V. Maisonneuve.

2. The requisition forwarded to the Civil Service Commission stated: "bilingual qualifications not essential."

Mr. BOULANGER:

1. Did the Department of National Revenue requisition the Civil Service Commission to hold an examination for the position of customs and excise clerk in the province of Quebec, formerly held by J. Leber?

2. If so, in its requisition to the commission, did the department indicate that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by J. Leber.

2. The requisition forwarded to the Civil Service Commission stated: "bilingual qualifications not essential."

Mr. BOULANGER:

1. Did the Department of National Revenue requisition the Civil Service Commission to hold an examination for the position of customs and excise clerk in the province of Quebec, formerly held by J. D. Comeau?

2. If so, in its requisition to the commission, did the department indicate that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by J. D. Comeau.

2. The requisition forwarded to the Civil Service Commission stated: "bilingual qualifications not essential."

Mr. BOULANGER:

1. Did the Department of National Revenue requisition the Civil Service Commission to hold an examination for the two positions of customs computing clerks in the province of Quebec, formerly held by Georges A. Loranger and J. A. Lefebvre?

2. If so, in its requisition to the commission, did the department indicate that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

3. Did the department recommend to the commission the appointment of G. F. Wilcox and W. A. Dickson to these positions?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commisison to fill the positions formerly held by Georges A. Loranger and J. A. Lefebvre.

2. The requisition forwarded to the Civil Service Commission stated "bilingual qualifications are not essential" and "bilingual qualifications not essential" respectively.

3. No. The ratings on all candidates were forwarded to the Civil Service Commission.

Mr. BOULANGER:

1. Did the Department of National Revenue requisition the Civil Service Commission to hold an examination for the position of customs computing clerk in the province of Quebec, formerly held by Emile Fillion-Payoux?

2. If so, in its requisition to the commission, did the department specify that the appointee must be bilingual?

3. Did the department recommend W. A. Dickson for the position?

4. Is Mr. Dickson really bilingual?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by Emile Fillion-Payoux.

2. Yes.

3. No. The ratings on all candidates were forwarded to the Civil Service Commission.

4. According to his immediate superior, the collector at Montreal, and also the inspector who rated the candidates, Mr. Dickson's knowledge and use of the French language are

quite sufficient to enable him to perform the duties of computing clerk in either of the official languages.

Mr. BOULANGER:

1. Did the Department of National Revenue requisition the Civil Service Commission to hold an examination for the position of customs computing clerk in the province of Quebec, formerly held by Peter Cragan?

2. If so, in its requisition did the department indicate to the commission that a knowledge of the two official languages of the country was not necessary on the part of the candidates?

Mr. ILSLEY:

1. No, but the department requested the Civil Service Commission to fill the position formerly held by Peter Cragan.

2. The requisition forwarded to the Civil Service Commission stated: "bilingual qualifications are not essential."

FARMERS' CREDITORS ARRANGEMENT ACT—DISMISSAL OF OFFICIAL RECEIVER

Mr. WERMENLINGER:

1. Has Mr. M. P. Graham, of Napanee, Ontario, been dismissed as official receiver under the Farmers' Creditors Arrangement Act?

2. If so, when, and by what authority, and for what cause?

3. If Mr. Graham was dismissed, was Mr. Stuart Simmons, of Wilton, Ontario, appointed in his place?

Mr. DUNNING:

1. Yes.

2. May 28, 1936, on authority of the governor in council. A change was considered desirable in the public interest.

3. Yes.

QUESTIONS PASSED AS ORDERS FOR RETURNS

TOP-WHARFAGE TOLLS

Mr. MacNEIL:

1. What was the total revenue secured from the collection of top-wharfage tolls on government wharves during the fiscal years, (a) 1934-35, and (b) 1935-36?

2. What was the total amount paid as commissions due wharfingers, for collection of top-wharfage tolls on government wharves, during the fiscal years, (a) 1934-35, and (b) 1935-36?

3. What was the total number of government wharves, at which such top-wharfage tolls were collected, during the fiscal years, (a) 1934-35, and (b) 1935-36?

DEPARTMENT OF MINES—GEOLOGICAL SURVEYS

Mr. FERLAND:

1. What are the names and addresses of each of the students who, under the direction of the Department of Mines, participated in geological surveys in 1935?

2. In what schools, colleges or universities did each of them study in 1935?

Mr. CRERAR: Return tabled herewith.

[Mr. Ilsley.]

DEER LODGE MILITARY HOSPITAL

Mr. BEAUBIER:

1. How many medical officers are there on the staff of the Deer Lodge military hospital at Winnipeg, Manitoba?

2. What are their names?

3. What are the dates of their respective appointments?

4. What are their respective salaries?

5. What are their hours of work, and their respective duties?

6. Are any members of the medical staff holding salaried positions with other institutions? If so, who, and with what institutions?

7. Are any members of the staff drawing pensions? If so, what are their names, and the amount of percentage of disability and amount of pension paid in such case?

8. Is there a fully equipped operating room at Deer Lodge hospital, and, if so, is it being used for major operations?

9. If not so used for major operations, why not?

LANCASTER MILITARY HOSPITAL

Mr. PATTERSON:

1. What are the names of all individuals comprising the medical, clerical, nursing, inspectoral and maintenance staffs of Lancaster military hospital, West Saint John, New Brunswick?

2. (a) What is the salary of each individual per annum; (b) what is the pension of each individual per annum, if any; (c) what are the expenses of each individual per annum, if any; (d) what do their expenses total individually for their entire term of office to date?

3. (a) Who is the district pensions advocate for New Brunswick; (b) what salary does he receive per annum; (c) what pension does he receive per annum, if any; (d) what were his total expenses apart from his salary during the past year; (e) what amount do his expenses total for his entire term of office to date; (f) what legal training has he had as a pensions advocate, if any; (g) what legal degrees does he hold, if any?

4. (a) How many, and what makes of automobiles, if any, have been purchased for the staff of Lancaster military hospital, West Saint John, New Brunswick, during the past ten years; (b) for what departments, and what individual was each such automobile purchased; (c) what was the initial cost of each such automobile, and what was the cost of maintenance and operating expenses of each per annum; (d) what was the total initial cost of all such cars purchased, and also the total maintenance and operating costs of all such cars operated by the staffs and in connection with the Lancaster military hospital, West Saint John, New Brunswick?

DEPARTMENT OF THE INTERIOR—ASSISTANT LEVELLERS AND ARTICLED PUPILS

Mr. BOULANGER:

1. Was an examination recently held by the civil service commission in the provinces of Quebec and Ontario for positions as assistant levellers and articled pupils in surveying, required by the Department of Interior?

2. If so, upon what date was such examination advertised, and when was it held?

3. How was the examination advertised?

4. What are the names and addresses of the candidates who wrote at this examination?
5. What are the names and addresses of the successful candidates?
6. What are the names, occupations, addresses, ages and salaries of the examining board who have determined the standing of the candidates?
7. In what order of merit were the candidates?
8. Were the examiners unanimous on their decision regarding the relative merits of the candidates, and, if not, upon what points did they disagree?

MOTIONS FOR PAPERS

ST. RAPHAEL, QUE., POSTMASTER

Mr. WERMENLINGER:

For a copy of all correspondence, requests for investigation and evidence given, and also a copy of the report made by the commissioner, recommending the dismissal of Mr. F. Antoine Labrecque, postmaster of St. Raphael, Bellechasse county, Quebec.

DEPARTMENT OF MARINE—DISMISSAL OF OMER NOLET

Mr. WERMENLINGER:

For a copy of all letters, telegrams and other documents respecting the dismissal of Omer Nolet, labourer, Marine department, at Quebec, and covering the period from October 1, 1935, to date.

FLORENCEVILLE, N.B., POSTMISTRESS

Mr. BROOKS:

For a copy of all correspondence relative to any requests or recommendations for the dismissal of Mrs. Eva Nicholson, postmistress of the Florenceville, New Brunswick, post office.

WINDSOR JUNCTION-WINDSOR, N.S., RAILWAY LINE

Mr. PURDY:

For a copy of lease entered into during the year 1914 between the then Canadian government railways and the Dominion Atlantic Railway with respect to the line of railway owned by the Canadian government running from Windsor Junction to Windsor, Nova Scotia.

DEPARTMENT OF THE INTERIOR—ASSISTANT LEVELLERS AND ARTICLED PUPILS

Mr. BOULANGER:

For a copy of the complete file pertaining to the recent examination in the provinces of Quebec and Ontario, for positions as assistant levellers and articled pupils, required by the Department of Interior.

DEPARTMENT OF NATIONAL REVENUE—CUSTOMS BULLETINS

Mr. STEVENS:

For a return showing:

1. A list of all bulletins issued by the customs branch of the Department of National Revenue during the last ten fiscal years, giving in each instance: (a) the number of the bulletin; (b) date issued; (c) whether by order in council or by authority of the minister; (d) date of repeal, if repealed.

2. Also a copy of all bulletins issued during the said period now outstanding and in force.

Mr. ILSLEY: It is contrary to the established practice of the Department of National Revenue to produce bulletins which are confidential, but subject to that reservation I have no objection to the order passing.

CANADIAN BROADCASTING CORPORATION

PROVISION FOR NATIONAL BROADCASTING SERVICE AND REPEAL OF ACT OF 1932

Hon. C. D. HOWE (Minister of Marine) moved that the house go into committee to-morrow to consider the following proposed resolution:

That it is expedient to bring in a measure to provide for the constitution of a corporation to be known as the Canadian Broadcasting Corporation for the purpose of carrying on a national broadcasting service in Canada in the place and stead of the present Canadian radio broadcasting commission, to provide for honorariums, remuneration, salaries and other expenses incidental thereto, to authorize the governor in council to make certain advances for purposes therein mentioned, and to repeal the Canadian Radio Broadcasting Act, 1932.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the favourable consideration of the house.

Motion agreed to.

BUSINESS OF THE HOUSE

WEDNESDAY EVENING SITTINGS

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That on Wednesday the 10th instant and subsequent Wednesdays to the end of the session the sittings shall in every respect be under the same rules provided for other days.

He said: Mr. Speaker, in giving notice of this motion I had in mind that it might be possible some hon. members would find it inconvenient to have the house sit on Wednesday evening of this week in which event I shall be pleased to amend the resolution to begin evening sittings on Wednesday, one week hence, which will be June 17. However, if it suits the general convenience of the house, I am prepared to move the resolution as it stands.

Mr. WHITE: What about morning sittings?

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, prior to this notice appearing on the order paper I had made arrangements that would involve the absence from this chamber on Wednesday evening of this week of myself and all those

who are associated with me. If this motion were amended to read Wednesday, June 17, it would be greatly appreciated. Had I known that it was proposed to make this motion I would have made other arrangements, and I greatly regret having made those that I did.

Mr. POULIOT: To those within sound of my voice it is abundantly clear that social entertainment interferes in no small degree with parliamentary duties. I would suggest to the right hon. gentleman—

Some hon. MEMBERS: Order.

Mr. POULIOT:—either to cancel his engagement, postpone it, or remove himself gently from the picture in order that the session be prorogued to-night.

Mr. MACKENZIE KING: I take full responsibility for the motion in the form in which it appears. The leader of the opposition is I feel quite justified in asking that at least a week's latitude be allowed before beginning Wednesday evening sittings. I regret not having consulted him before placing the motion on the order paper. I would suggest that it be amended to read Wednesday, the 17th instant, and subsequent Wednesdays, and that it be passed in that form.

Mr. WHITE: What about morning sittings?

Mr. MACKENZIE KING: I think it is perhaps a little too early to begin morning sittings. We hope to make progress by taking Wednesday nights.

Motion as amended agreed to.

PRIVILEGE—MISS MACPHAIL

On the orders of the day:

Miss AGNES C. MACPHAIL (Grey-Bruce): I rise to a question of privilege. My attention has been called to a statement alleged to have been made—it is in quotations—by Premier Hepburn, appearing in the Ottawa Journal of June 2, at page 11, in which, discussing compensation for the family of Constable John Lewis, who was slain by Norman "Red" Ryan in Sarnia on May 23, Mr. Hepburn, the Premier of Ontario, is reported to have said:

> We are not involved in any way. He was let out of the penitentiary because he was the "pet" of R. B. Bennett, Senator Mullins and Miss Agnes Macphail. We had nothing to do with paroling the man.

Some hon. MEMBERS: Oh, oh.

Miss MACPHAIL: I do not believe that anyone really thinks this is funny, for it undoubtedly had most unfortunate consequences, resulting as it did in the death of Constable John Lewis. I have borne a good deal of adverse criticism about my activities in relation to penitentiaries, and in this matter I thought I ought to make it clear so far as I am concerned. I did not intercede on behalf of Norman "Red" Ryan. I asked Mr. Gallagher, chief of remission service, whether he would go through the files and give me a statement, which I should like to put on Hansard. I have received from him the following letter dated June 6, 1936:

> Dear Madam:
>
> Complying with your request, I have had the departmental records very carefully examined to ascertain whether you had, at any time, intervened, or asked for clemency on behalf of Norman, or "Red" Ryan.
>
> As a result of our diligent search, I may definitely assure you that we have found no trace whatever of any communication from you in this case.
>
> Yours respectfully,
> M. F. Gallagher,
> Chief of Remission Service.

I have no desire to blame anyone or to say anything further; I simply wish to make it perfectly clear to the house and the country that at no time did I intercede on behalf of Norman Ryan.

Mr. McIVOR: I would like to make this statement in this connection—

Some hon. MEMBERS: Order.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

Hon. CHARLES A. DUNNING (Minister of Finance) moved the second reading of Bill No. 82, to amend the Bank of Canada Act.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

On section 2—Definitions.

Mr. DUNNING: The amendment proposed in this section is intended, as the explanation indicates, to remove the anomaly which now exists by reason of subsection 2 of section 5, under which subsection the Deputy Minister of Finance would be entitled to fees as a director. It is not and never was intended that that should be so.

Mr. BENNETT: Would it not be advisable, Mr. Chairman, in view of the importance of this act, to call out the paragraphs? We have not asked that they be read, although we have a right to. I direct the attention of the minister to the fact that a few days ago he was very positive in his assertion that as a result of this measure the government would have ten directors—

Mr. DUNNING: Votes.

Mr. BENNETT: Ten directors' votes as against seven which might possibly be the other way. I join issue with him. If he will look at the definition of the word "director" he will find it means a member of the board of directors other than the governor or deputy governor. So that seven that exist, together with the governor and the deputy governor, would mean nine votes as against eight if it happened that the governor and the deputy governor were not men that were influenced by political sympathies, and it is to be assumed that the governor and deputy governor are not holding their positions in any political capacity.

Mr. DUNNING: Nor the others, I hope.

Mr. BENNETT: Well, in what the minister said the other day the assumption was just that, and I directed attention to the fact that what has been added to it is nothing new. "Director" has always meant a member of the board of directors other than the governor or deputy governor. That is nothing new. Therefore, as far as we are concerned, if the seven directors are added to the two you have nine as against eight, assuming that the seven and the governor and the deputy governor entertain the same views with respect to the matter of policy. It is quite apparent from what has been said in this chamber that this method of dealing with the situation is one that does not make this a publicly owned institution in the sense in which those words were used last fall in this country from one end to the other.

Mr. DUNNING: I am having looked up the language that I used, but I did not intend the other day to convey the meaning my right hon. friend now indicates. What I intended to convey to the house was the number of votes on the new board which would be cast by government appointed members of the board as contrasted with the number of votes which would be cast throughout a period of years by those not appointed by the government. I have now my exact words:

Mr. BENNETT: The government does not appoint the governor. It only approves of him later.

Mr. DUNNING: It approves of his appointment later, which, I think, rather strengthens my point.

Mr. BENNETT: Weakens it, I should say.

Mr. DUNNING: The words I used the other day, page 3267 of Hansard, which relates I assume, to the same debate as that in which we are now engaged, were:

By the terms of the bill the relative voting strength on the board in each of the immediately succeeding years will be:

And then there are two columns headed "Government" and "Private shareholders." Obviously I was distinguishing between the number of votes on the board representing private shareholders and the number of those representing the government. And obviously the heading of the column, "private shareholders," is a clear indication of what I was attempting to convey to the house. Of course my right hon. friend is correct when he says that future governors must be appointed by the government on the recommendation of the board.

Mr. BENNETT: No, approved.

Mr. DUNNING: I beg the right hon. gentleman's pardon?

Mr. BENNETT: They approve the appointment.

Mr. DUNNING: They approve the appointment, and therefore, for the purposes of the argument I am making, the appointees may be considered as representative of the national policy for the time being expressed through the medium of the government; that is, the broad national policy of the bank. I am not now referring to what may be called the day to day operating of the bank, which obviously is a matter for the governor and the management, but rather those broad lines of national policy which, I intimated the other day in the address I made on introducing the resolution preceding the bill, should be followed.

Mr. BENNETT: I am sorry to say, Mr. Chairman, that the hon. gentleman has not dealt with the question. Neither the governor nor the deputy governor can be said to represent either public or private interests. They represent no interests. They are removed from the field and sphere of politics.

Mr. DUNNING: But they vote.

Mr. BENNETT: But they are not directors; that is the point I was trying to make.

Mr. DUNNING: They are members of the board.

Mr. BENNETT: That is another thing altogether. They never were directors. I was trying to point that out. And the reason for it was perfectly clear: we were following sound corporate organization. Seven of the directors were elected. I put this question to the minister, and it is a very vital one. Assuming the present government promulgates three years hence a policy to which the governor and the deputy governor agree, and

it should result a short time after in their no longer holding office, you have the possibility of the eight votes to which reference has been made and the two votes to which the minister has referred nullifying any effort that may be made to modify that policy. That is a very real danger.

Mr. DUNNING: I am sorry that I cannot follow my right hon. friend at all.

Mr. BENNETT: Well, the present government appoints four directors, and that gives them eight votes, and they promulgate a policy that meets with the approval of the existing governor and deputy governor: that gives them ten votes. But another administration holds an entirely different view.

Mr. DUNNING: Another government?

Mr. BENNETT: Yes, another administration. The hon. member for Winnipeg North Centre (Mr. Woodsworth) has formed a government, and it has an entirely different conception of the functions of the central bank. Then, obviously, the will of the people would be thwarted by this organization. The argument which was made the other day in connection with the national railways has far greater force if applied to this situation than it had with reference to the railway. You have here four men, with eight votes, plus the two that come to the governor and deputy governor as members of the board and not directors, making ten in all, as against a possible seven. Whereas the other side of the picture might be this, that the governor and the deputy governor together with the seven would make nine, as against eight. That position might easily arise because the present governor and the deputy governor are appointees of the government; in future the board of directors will elect their own governor, but his appointment is subject to the approval of the governor in council. Therefore, while in law the government does not appoint, in fact, by withholding approval until someone is elected by the directors of whom the government of the day approves, it does appoint. I am pointing out that the contingency which was indicated with such force the other day respecting the period during which men hold office in another branch of the public service has much greater strength when applied to this case, because the two who control are not directors but are members of the board; they have not votes as directors, but they have votes as nominees of the directors, and they are the governor and the deputy governor. So you have a contingency here on either side. You have either the combination of the governor and deputy governor with your seven private-interest directors, making nine in all, as against eight votes represented by the four government-named directors, or e converso, you have the two and the eight votes, making ten, that would thwart any effort made by those elected by the other shareholders to give effect to their policies. I submit that is not what the government intends, because it is the very negation of the plan that was unfolded by the minister, and it does not give that democratic control of the organization to which reference was made. In other words it permits, on the one hand, men to thwart the will of an incoming government, or it permits those who have been appointed to hold office to thwart the will of those who may be elected by private interests—if such it should be called—the seven elected by the shareholders.

Mr. DUNNING: I grasp clearly now what is in my right hon. friend's mind: I did not grasp it previously. After all the issue is a rather simple one. Pictured as my right hon. friend pictures it, the hon. member for Winnipeg North Centre and others sharing his views on monetary matters—I am not at all clear that they are revolutionary, but I am assuming my right hon. friend viewed the problem as involving a revolutionary change—

Mr. BENNETT: Not revolutionary.

Mr. DUNNING: In the sphere of monetary matters. I do use the word "revolutionary" not from the standpoint of force but in its economic sense; that, I believe, is what he has in mind.

The statement of the right hon. gentleman is that in such an event under the new set-up of the Bank of Canada it would be possible that the board of directors might be able to defy the government of the day. Of course there is only one answer to that argument, the answer I endeavoured to give the other day. The parliament of Canada, the House of Commons of Canada, must be supreme. Undoubtedly if such a contingency arose the government of the day, being unable to secure the carrying out of the policies which it believed it had a mandate from the people to carry out, would come before parliament and ask for such amendments to the law as would enable it to carry out its policies. In my opinion, Mr. Chairman, they would have a perfect right to do so. The people of this country have a right, I believe, to get that which they vote for in the way of major policies of that description, and I would fully expect that if the bank as constituted at the time such a change in parliamentary representation took place was not responsive in broad, great matters, major matters of

economic policy, to the will of the then existing parliament, the then existing government would come forward with proposals for the amendment of this law which would ensure the will of parliament being carried out.

I distinguish very carefully, Mr. Chairman, between that and the day to day conduct and functioning of the bank, which indeed is nine-tenths of its work. I do not assume that there will be a clear, marked division of view between one director and another because one happens to represent the shareholders and another happens to represent the government or between either of those two classes and the governor or deputy governor. I believe that in the day to day conduct of the business of the bank these men, being men of substance, men whom I believe to be as patriotic as any of the rest of us, will sit down together just as any other body of men would and endeavour so to administer the affairs of the bank as to give the maximum of service to the people of Canada, in accordance with the trust imposed upon them by this parliament. In practice I do not think they will be in those watertight compartments of divided view suggested by the right hon. leader of the opposition. After all, the discussion on this bill has had much more to do with what should be done with the bank than with the actual nature of the amendment itself. When I say what should be done with the bank perhaps even that is wrong; perhaps I should say what should be done by the bank in the exercise of that all important function to which I made reference in detail in introducing the financial resolution. Any differences of opinion that exist in this house are with respect to what are the proper and sound functions of the bank in relation to our economic set-up in Canada. That is the point, and that point, I anticipate, will bring about a divergence of view for many years to come.

Later on I shall expand a little on the views of the government with respect to bank policy, but I am sure no one here would expect me to indicate that the bank is going to inflate or that it is going to deflate. How would it be possible to carry on the regulatory functions if I were to make such an announcement? The announcement to-day of a policy of inflation inevitably would be followed by a degree of wild speculation which undoubtedly would leave ruin in its trail, which could not be prevented by any agency that I know of as long as people are free to buy from and sell to each other either commodities or securities. No, Mr. Chairman, the functioning of this bank is a matter of day to day regulation of the volume of cash and credit at the disposal of the Canadian people in order to enable them to discharge their ordinary trading functions with each other. To the extent that the amount of credit and cash is increased, to that extent money is made easier. To the extent to which it is decreased, to that extent money is made tighter. To those who say the bank has been following a policy of deflation I can only enter a complete denial. The facts and figures themselves absolutely prove that such is not the case. As we go along with the bill I shall present further details which I think will tend to prove my statements in this regard.

With regard to the board itself, and to come back to the point now before the committee, the government deems it of importance not merely that government policy, broadly speaking, should control the functioning of the bank. That we deem all important, but we also deem it important that there should be provision for voices, other than voices appointed by the government, to be heard in connection with the business of the bank. That really is the whole point. Shall there be any provision for other government appointees having any voice at all? We believe that to be all to the goods, and such experience of other central banks as I have been able to gather indicates that there is some merit in not relying completely upon a board composed solely of government appointees in connection with such an important function as the one we are now discussing. Government control is essential, in our view, but the voice of business generally, if you like, as represented in this case by the shareholders, is also of importance. It is not as though the shares could be monopolized by a few. That is not possible. The average holding, if my memory serves me aright, is only between nine and ten shares. Surely there is an advantage in bringing to the board a voice which is not the voice of the government, while at the same time retaining absolute control from the point of view of government policy. In spite of what the right hon. leader of the opposition says I firmly believe that that balance is brought about by what we have before the committee. After all the difference between us is very small. My right hon. friend does not regard the governor and the deputy governor as being directors within the meaning of this act.

Mr. BENNETT: The statute says they are not.

Mr. DUNNING: The statute says they are not. That is correct, but the statute also says that they vote at directors' meetings and it is in terms of votes that the will of the

directors is expressed. While the statute may say that they are not directors, for my purpose if the statute says they vote that is quite sufficient, and in terms of the expression of view by way of votes the figures will be as I gave them the other day. At the outset there will be ten votes of government appointees as compared with seven votes of the elected members of the board, ultimately working out in 1940-41 and thereafter to six votes of government appointees and three votes of appointees by the shareholders. After all what we want to look to is the ultimate, and the six to three position is the one we will attain within a measurable time. Those six votes are composed of four directors appointed by the government of the day and the governor and deputy governor. Even taking my right hon. friend's measurement of the matter, by 1940-41 the permanent constitution of the bank will be four direct government appointees, apart from the governor and deputy governor, as against three appointed by the shareholders. In addition, however, on what might be called the government side of the fence are the governor and deputy governor, making up the total of six votes.

I have given a good deal of thought to the manner in which we may expect this set-up to work out within the limits I stated a few moments ago, of the policy of the government having absolute government control but with other voices being heard. I should like to be able to set this directorate upon a very high plane of public service. It would be my desire, and I know it would be the desire of the government, to make the directorate of this institution the blue ribbon of recognition in Canada of probity, character, sound judgment, and reputation. It ought to be one of the highest ambitions of a Canadian to become a director of the Bank of Canada and thus have a direct voice in the handling of that great function to which I referred in introducing the resolution, the function of regulating the volume of credit and currency in this country, in order that it may meet the public needs of Canada.

Mr. POULIOT: There was an old professor of philosophy who used to say to his pupils: "If you do not understand anything it is philosophy; if you feel that I do not understand anything it is metaphysics." Every piece of legislation drafted by the late government is impossible to understand, and I congratulate the Minister of Finance upon being able to understand some part of it. It is a discovery! Every piece of legislation—I emphasize the word "every"—that has been put on the statute books during the last five years is a maze and is amazing. It is amazing to think how obscure can be the mind of certain law makers. That is to be regretted; for every citizen of this country should know the law; no one is excused for ignorance of the law. The man who has no legal knowledge, the man on the street, looks at the shelves filled with these statute books and asks: What is that library? Is that the Eliot library? Is that an encyclopaedia? It is an encyclopaedia of half-baked knowledge. It is the statutory legislation of the late government.

Sir, first and always I have been opposed to a central bank. I said it at the time the legislation was enacted, but I accept the views of the majority of the members of my party; I stand by them. In my humble view the majority of the members should decide the policy of the party. But this does not prevent my saying that every piece of legislation passed by the late government was an obstacle in the way of progress. Why was it passed? Because the right hon. gentleman, the hon. member for Calgary West (Mr. Bennett) in spite of his knowledge from encyclopaedias, could not concentrate on finance and explain it in plain language to the house and to the country; and moreover each of his colleagues, from the oldest to the youngest, did not know a word about finance. They may be rich, but leaving their wealth aside who would go to them for advice?

Mr. SPENCE: Why not talk about the bill?

Mr. POULIOT: I am talking about the sponsors of the first bill, those who studied it in council but brought no illumination to the house, and who now make little distinctions about a word here and a word there. Sir, when you wear stockings, after a certain time they need to be mended. If you wear them longer they need more mending, until at last you give them to the poor. Here is need for a lot of mending. Why not give the Bank of Canada to the poor and dispense with the mending?

I have the highest regard for the Minister of Finance, who is much more experienced and has much more lucidity of mind than his predecessors in office during the last five years, including the fifth year. From confederation until a few years ago the Minister of Finance was the big boss of finance in this country. He could make the banks tremble. He was the guardian of the wealth of the country. But on account of the weakness of the late government it was decided

by them to call for supermen to look after the finances of this country, and we had this central bank act. Sir, we must go back to fundamentals. We must have a simplification of the law in order that the law may be understood by everyone. The legislation should be just as clear to every citizen as the traffic regulations, with signs here and there to show the way, to indicate curves in the road. This legislation has been brought down on account of the incompetency of former ministers of finance who were afraid to take the responsibility for what they had to decide, and who practised inflation in no small degree when they increased the price of gold and passed legislation affecting the holdings of insurance companies. When we think of the way our finance has been in a mess during the last five years, the Minister of Finance deserves every good wish in his efforts to restore it, in spite of the bad legislation with which he has to deal in order to accomplish that purpose.

Will you, please, Mr. Chairman, tell the hon. member for Calgary West to keep his remarks to himself and let me proceed with my own? He is disturbing the order of this committee.

An hon. MEMBER: How about the bill?

Mr. POULIOT: Coming back to fundamentals, it has been shown during this session that the banks have deposits to the same amount as they had five years ago. Therefore there is as much money now as there was then. Why, then, does it not circulate? Because of the lack of confidence brought about by the previous administration. It is now improving. But what counts is not only the amount of currency kept as deposits in the banks, but also the clearings. When the former government came into power the clearings fell by $5,000,000,000 a year. Imagine, sir: in a small country like this the clearings of the banks in 1930 were $20,000,000,000, an amount two-thirds as large as the public debt of the United States, which is a richer country than ours and in which there are many more people. It means that the people of Canada were trading together. But after that administration came into power the amount fell by $5,000,000,000, due to the lack of confidence of the people in that government. That is a matter of public knowledge; it must be known to hon. gentlemen of the Tory party. Yet, sir, having destroyed confidence in the hearts and minds of Canadian citizens, they presume to instruct us! They say: There should be so many directors; the directors should do this and that, "according to my own knowledge." It is ridiculous. It is absurd. The first thing necessary to restore confidence is for those so-called geniuses to keep their mouths shut, and then remove themselves gently from the picture. Think of this, sir: those who enjoyed the protection of the late government, one of whom has now built a house outside of Canada, who was chairman of the investment committee of the Sun Life Assurance Company, and who, when his own bank refused to lend money to his companies, invested the money of the insurance company of which he was one of the leaders in his own business, and after everything went down in a mess, the late government gave a fictitious par value to all the stock that was held by that insurance company. That is what happened; it is known to every member of this house. My hon. friend from Winnipeg North (Mr. Heaps) must admit that I am speaking to the question now.

Mr. HEAPS: Now!

Mr. POULIOT: As I have done before. Mr. Chairman, I shall not insist upon it, but I stand by what I have said. The majority of my Liberal colleagues in this house have decided to support this legislation, and I am ready to stand by them. On the other hand, the present Minister of Finance occupied his present high position some years ago, and with success. He had a very pleasant budget to submit to the country at that time. I wonder why he should not be given the responsibility that he formerly had as minister in charge of the Department of Finance.

The hon. member for Calgary West has spoken about democratic control. If the Minister of Finance has the same authority and the same powers that he had five years ago under the statute in force at that time we would have real democratic control through the Minister of Finance. Because of these birds of prey that have caused so much damage in the banking business the Minister of Finance should be armed with the criminal code and should see to it that every one, no matter how highly he may be placed in our social life, should be treated according to his dealings. Then we would have democratic control. The present Minister of Finance is competent to accomplish these high functions, and in that way we would get rid of that mess of legislation which paralyzes the country, and at the same time confidence would be restored and the clearings would reach higher and higher levels. It is very simple. It may not be accepted because it is simple. Some people remind me of the fellow who put a riddle to another man. He said, "Tell me what looks like an egg, is round, contains a yelk and white, has a shell,

and barks." The other fellow could not guess it, so the first one told him, "It is an egg." The other man said, "An egg does not bark." "No," said the other man, "that was to make the puzzle more difficult." Every piece of legislation of the previous government was like that. It was always to make the life of the country harder and more difficult, and I ask on behalf of my countrymen in all provinces of Canada that we may have a simplification of legislation in order that the Canadian people may understand something of the law of the land.

Mr. HEAPS: When the Minister of Finance introduced this measure he stated that changes would be made in the bill in the matter of electing the directors. I wonder if he could give the committee a little more information in that regard now.

Mr. DUNNING: The question is quite in order, Mr. Chairman, but not on the interpretation clause which we are now considering. There is a definite clause of the bill which bears directly on my hon. friend's question, and I suggest that he defer his question until we reach it.

Mr. TUCKER: My understanding of the resolution as it appeared on the order paper, and certainly it has been my understanding right along, was that the directors to be appointed by the government should have control of the board of directors. The resolution as it passed the house read in part:

> ... and to provide for election and appointment of directors in such manner as to assure voting control of the board by directors appointed by the government.

I certainly would urge and plead with the Minister of Finance that the act be brought into conformity with the resolution in that respect.

Mr. DUNNING: We are doing just that.

Mr. TUCKER: Even at the end of the time of expiration of the present directors' terms of office there will be six votes, as it were, of directors appointed by the government, including the governor and deputy governor, and three by directors representing the shareholders. The three votes, with those of the governor and deputy governor, make five, while the directors appointed by the government would only have four. On the other hand, however, if the governor and deputy governor were satisfied to vote with the directors representing the shareholders, we would have five votes on that side and the directors appointed by the government would have only four votes.

I now refer the committee to section 9. I understood the government was taking control so that it could determine the general long range policy of the bank. Section 9 provides that if the governor does not agree with the decision of the directors he can refer the matter to the government, which can either affirm or disallow the decision. Suppose the governor and the deputy governor, who will be elected for seven years, decide to throw in their lot for seven years with the directors representing the shareholders. That would mean that for seven years there would be no way in which the government could force the bank to carry out its wishes. The Minister of Finance has referred to parliament being supreme in these matters, but in matters of finance it seems to be that this house, and not parliament, which includes the senate, should be supreme.

If this administration decided on a certain line of policy in regard to the central bank, and the governor and the deputy governor appointed by the former government decided to take a contrary view, and could carry with them the directors appointed by the shareholders, the government would lose control over the financial policy of this country, and this house of parliament would lose control, and that is a very serious matter. The preamble of the Bank of Canada Act states that the purpose of the central bank is:

> ... to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit, and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action.

Suppose we pass the bill in this form; then if it should happen that the governor and the deputy governor lined up with the directors appointed by the private shareholders, we would be putting it in the power of the senate to decide what the financial policy of this country should be in regard to the operations of the central bank. I submit that since we are not taking over one hundred per cent ownership of the bank we should make very sure that we get one hundred per cent government control. When we provide that two people, appointed by the last administration, can thwart the expressed wishes of the government in regard to monetary policy by linking up with the private shareholders; when we provide that we cannot do anything about it unless we pass an amendment to the Bank Act which must pass the senate, then we are not taking over control of the Bank of Canada in the complete way we should.

I ask the government to give consideration to what I have said and bring the control of this bank strictly and fully within the resolution passed by this house so that there

may be no doubt about the question of control. I plead with them to do that at this stage. If we intend to have control of the bank, let us make sure of having control. It would not do any harm to provide for the appointment by the government of another director so that we may be sure that the government, responsible as it is to the House of Commons, shall have control of the financial policy of the Bank of Canada, that important branch of the public service, without having to go over to the other house to get their consent. I submit that that is the important thing, and I do plead with the government to keep the matter of control by the government beyond doubt by providing for the appointment by the government of another director.

Mr. LEADER: Mr. Chairman—

Mr. DUNNING: Mr. Chairman, I do not want to be raising points of order, but we are evidently going to have quite a long discussion on this bill and I wonder if the discussion could be kept relevant to the section before the committee. The section now before the committee has nothing to do with the question raised by the hon. member for Rosthern (Mr. Tucker). If the discussion could be kept relevant to the particular section it would make it so much easier for me in handling the mass of material which I have relating to each section. Members of the committee expect me to answer all sorts of questions, but it is almost impossible for me to answer questions relating to sections which we have not yet reached. I ask that much consideration from the committee. I am not raising this as a point of order, although I think I could do it at this time.

Mr. LEADER: Mr. Chairman, I want to assist the minister in every possible way to get this measure passed, but I have one or two observations I should like to make on the bill, and if I make them now, it will not be necessary for me to make them later in the debate. My observations will not be too general. I should like to say a few words with regard to the ownership of the bank, its functions and its relation to the conversion of our bonded debt and to the lowering of interest rates in general. If the minister thinks I should do so, I will wait until a more opportune time.

Mr. DUNNING: There will be appropriate sections upon which those matters could be discussed.

Mr. LEADER: I must confess that I am not a lawyer and perhaps I am a long way from being a business man, but I have a few observations to make on this bill and if I could make them now, I would not need to make them later.

Mr. DUNNING: It is up to the committee. I am raising no point of order.

Mr. LEADER: With your permission, Mr. Chairman, and with the permission of the committee, I should like to make them now.

The CHAIRMAN: If the hon. member who has the floor will permit, the Minister of Finance (Mr. Dunning) has not raised a point of order, but I should like to quote paragraph 774 of Beauchesne's Parliamentary Rules and Forms, which reads:

> The bill is considered clause by clause. The Chairman usually calls out the number of each clause, and reads the marginal note but he should give the clause at length when it is demanded by the committee. Each clause is a distinct question and must be separately discussed. When a clause has been agreed to it is irregular to discuss it again on the consideration of another clause.

Of course, I am not making a ruling because no point of order has been raised, but I bring this paragraph to the attention of hon. members and ask them to confine their discussion to the clause before the committee.

Mr. LEADER: Mr. Chairman, I suggest that you allow me to proceed and when I am out of order, call me to order. I am sorry I have not the knowledge of the hon. member for Rosthern (Mr. Tucker) who is a financial expert. Financial matters are usually so intricate and complex that the average layman, especially a farmer, has very little knowledge of them. That is the supposition, but I wish to present my views more along the lines of a business man or farmer than as an expert.

The bill before the committee has for its purpose the amending of the Bank of Canada Act, whereby the bank will be converted from a privately owned to a publicly owned and controlled bank. With that purpose I have no quarrel. I do say, however, that the method to be adopted, namely, to issue additional stock to the amount of $5,100,000 to be owned by the government, leaving the original stock of $5,000,000 in the hands of private interests, is not the proper method and is not what the public expected, based on the promises made prior to the last elections. I should like to read an extract from the Saskatchewan Farmer of May 28, as follows:

> In view of the disappointment manifest in Liberal ranks in Saskatchewan over the decision of the King government not to eliminate private shareholders from the Bank of Canada, but, instead, to take control of the bank by the issue of new majority stock to be owned

by the government, it is of special interest to note that the new Labour government of New Zealand is following the other plan of buying out the shareholders,—the plan, which was thought, by the rank and file, would be followed in Canada. Newspaper correspondents show that the Labour government has given New Zealand the clearest possible proof that it means business. Its first legislative act has been to force through parliament in less than a week a reserve bank amendment bill vesting it with powers of control over currency, credit and banking such as are possessed by no other government in the empire, and by no foreign states except Russia, Germany and Italy.

The editorial goes on to say that perhaps the plan being adopted by that government is the proper one. I am not placing my views against the views of expert members of the government, especially the Minister of Finance. This procedure may be the proper procedure, and it may provide the results that we all desire. Recently the government of France decided to make the Bank of France a publicly owned and controlled institution. The editorial to which I have referred states that the government of France intends a reform of the statutes of the Bank of France to guarantee the preponderance of national interests. The bank at present is a private institution. I will not modify my previous statement because I believe it is the intention of the government of France to get control of the bank, allowing a certain amount of private interest, along, I presume, lines similar to those taken by the government in this country. It seems to me we should profit by the experience of other countries. New Zealand embarked upon a central bank about the same time as Canada did, and after their experience they decided that a bank half private and half public was not in the interests of the nation and so they determined to make it a purely national institution. I suggest that this government—perhaps they have done so—should seriously consider the action taken by other countries and profit by their experience.

In my opinion a central bank should have the sole right to issue currency and to regulate the nation's credit. It should also have the power to control the interest rates charged by financial institutions; if it cannot do that it will never justify its existence. The burden of excessive interest rates is the nation's greatest problem. If the central bank here would do what was done in England with the cooperation of the Bank of England, it would perform a useful function. In this connection I should like to read an extract from the Western Producer; to me it is the most comprehensible explanation of the action taken by Great Britain, which I at any rate have read. The title is The Refunding of Debt. I quote:

F. S. Wright, of the tax research bureau, in a recent letter to the press, gives us some information regarding the refunding in 1932 of the British war loan. Permit me, in supplement, to quote what A. W. Kiddy, financial writer, says on the same subject in the Spectator, most orthodox of London weeklies, in the issue of February 28 last.

"The amount of the proposed conversion was 2,000 million pounds sterling. The holders of the bonds were invited to convert, voluntarily, from the existing 5 per cent to 3½ per cent, and they were notified that all those who declined to convert would have their bonds paid off. Now the British government did not have the money to pay such a colossal sum. The transaction was only made possible by a potential creation of credit to the amount necessary. This was possible through the concurrence of the Bank of England. And Mr. Kiddy remarks that the creation was possible —though in fact it was not resorted to—"and because the investor knew that it would be possible and that the effect would be to make it impossible for this vast amount of money to be reinvested without occasioning a colossal rise in security prices, general consent was given to the conversion."

There are two points to be observed. First, that the so-called "voluntary" conversion was accompanied by a veiled threat which in effect made it compulsory; "either you will do this, or it will be the worse for you." And second it affords a striking illustration of the power of credit expansion where the will is there: as Mr. Kiddy says, it "was not actual credit expansion, but a powerful expression of potential power in that direction." The effect of the transaction was beneficial, enabling a considerable burden of debt to be lifted from the taxpayer.

If one calculates it at 1½ per cent, the amount saved to the English taxpayers on $10,000,000,000 is $150,000,000 per annum.

Now the only difference between this case and the recent experience in Alberta is that the Alberta government did not have the backing of the Bank of England. Could it have had the concurrence of the Bank of Canada if it had sought it? And the further reflection will occur to the student of finance, that if the British government had power to call two billions sterling "out of the vasty deep" of the national credit, for the purpose of debt conversion, why should it not have exercised this power for the purpose of extiction of the debt? Probably because that would not have suited the ends of the money kings. They live upon debt, lending is their business and if the British public had so simple a lesson in the possibility of wiping out of debt, the next step would have been payment of the whole of the national debt! Then what would become of the power of the Lords of Money?

This is a rather long quotation, and while perhaps my own views are not in accordance with the latter part of the statement, I have nevertheless given the whole of it, because I think that is only fair. Let us return now to Australia. Australia, realizing that it could not continue to pay high interest rates—I believe the government consulted the people

but no results were obtained—took the matter into consideration, and the Prime Minister of Australia, in consultation with the premiers of the several states, decided to reduce the internal debt—that is, the interest—by 22½ per cent. This was made compulsory, being put upon the statute books. We have therefore lessons from other countries to guide us.

We must face this issue sooner or later. The longer we delay the conversion of the public debt and the lowering of the interest rate, the greater will be the difficulties the Canadian people will have to contend with. Action in this regard in a very short time is inevitable or the result will be chaos. While, I confess, I am not a financial expert, I think it worth while to give some extracts from the observations of men who have given this subject a great deal of attention, and who no doubt know what they are talking about. I wish to quote from a speech made by the Hon. W. D. Herridge at Hamilton recently. It is published under the title, Debt must be Faced. Mr. Herridge says:

> However that may be, the fact is that we are overborne by debt and that something must be done to free us from it. It cannot be absorbed by the golden rays of prosperity. It is beyond the curative powers of bigger and better business. It must be cut away. That means a serious operation. It involves more than a voluntary conversion of our national debt. It may require a revision of the whole range of vested claims. That is indeed a grave matter. But we must face it and face it without delay. We must resist the almost irresistible temptation to try by milder means to cure, in its secondary stages, that dread disease which ends in general bankruptcy. The orderly reconstruction of our undefaulted obligations upon a just and sustainable basis may well be looked upon as admirable. No one loses by it. And everyone knows that it is done pursuant only to our promise to do our best to pay.

And now I wish to quote from a speech made by the present Minister of National Defence, the hon. member for Vancouver Centre (Mr. Mackenzie), in 1935. At that time he was not giving the views of his party or those of the present government; he made it plain that he was expressing only his own views. This was what he said:

> Sixth, I suggest the reduction of rates of interest, on all outstanding obligations in the Dominion of Canada. Seventh, I suggest a national conversion scheme reducing the interest on all internal debt to two and a half per cent. Eighth, I advocate immediate negotiations with outside nations where our external bonds are held, for a mutually satisfactory scheme for the reduction of interest on external bonds.

These are the opinions of experts and as such should receive consideration.

In my opinion one of the duties of the central bank should be to call the bondholders together and inform them that the nation cannot continue to pay the present high rate of interest on outstanding bonds and ask for a voluntary conversion. I have sufficient faith in the Canadian people to believe that they would agree to this, but it will take a national move to bring this about. We have had provincial and municipal defaults and complaints from all over Canada, but the bondholders have merely said, "We cannot meet your wishes." But if the national government, with a united nation behind them, made that demand, the bondholders would come across and say "In the nation's interests we agree to have interest rates cut down." There is no doubt in the world about that. That is why I urge the present government, in the exercise of the power which they will have, to take the matter up with the bondholders and see whether we cannot secure a reduction in interest on government bonds.

An hon. MEMBER: Why the national government?

Mr. LEADER: Did I say "national" government? Well, federal government. The federal government should be a national government, Mr. Chairman.

Mr. FINN: It is.

Mr. LEADER: I submit a nationally owned bank should have the power to regulate interest rates on all mortgages. I am deeply interested in this problem, for I know something about the real conditions. After one or more years of hardship and suffering in western Canada through crop failures, or because of crops produced at a loss, the people whom I represent in this parliament held a public meeting in the city of Portage la Prairie, and I was appointed the chairman. The object of the meeting was to impress upon the government the necessity of reducing the interest rates we had been paying, because we realized that in the end it would be impossible to meet the payments. The hall was full; we could have filled two or three halls of the same size. A committee was appointed to traverse the province of Manitoba and discuss this subject with all who would listen. I was a member of the committee. We had several meetings in various parts of the province. Finally we took the matter up through the United Farmers of Manitoba, and at their convention, held in Brandon, I suggested that a petition be circulated and presented to the Manitoba government asking them to reduce interest rates. A petition bearing thousands of names was sent to the government. They were sympathetic, but it appears that they had no power to reduce rates of interest. We did

not get the reductions, but we got a debt adjustment act. I am very sorry it is necessary to have such legislation on the statute books of Canada, but so long as the present conditions continue we shall have debt adjustment acts and farmers creditors' arrangement acts and other legislation of a like kind to save people from eviction.

I wish to quote from Hansard of last year remarks made by a then member whose absence from this house is, I believe, a national calamity. I refer to Mr. Coote. I do not wish to say anything derogatory of his successor, but I knew Mr. Coote very well as one who was always fighting the battle for the common people, and I regard his absence from this house as a distinct loss to the nation. Mr. Coote told us what other countries have done with regard to reducing interest rates for farmers. He said:

> In Argentine the banks have agreed to reduce interest rates two per cent to farmers.

He went on to say:

> This rate is five per cent. A corresponding rate prevails on mortgages.
>
> South Africa in 1933. The government paid one and a half per cent on farm mortgages and the farmer three and a half per cent. Any mortgage company refusing to take five per cent, a tax is levied that takes all for the state above five per cent. The amount of this tax is paid to the farmers who have paid it to the mortgage company.
>
> New Zealand in 1932 passed the National Expenditure Act in which they reduced interest rates on farm mortgages to five per cent.

I believe that through a properly constituted central bank the government could very well compel our lending institutions to accept reasonable interest rates, the maximum of which should be, in my opinion, five per cent.

When the minister introduced his budget he told us that Canada's total investment in farm loan board loans amounted to $16,790,000. When one considers that the New Zealand government, whose population is probably less than one-third that of Canada, has $250,000,000 invested in farm loans, it must be admitted that Canada through its government has made but a very puny effort in the matter of lending money to the farmers at a low rate of interest. I believe the central bank should exercise sufficient power to lend millions upon millions of dollars at the rate of five per cent interest to farmers and others engaged in legitimate enterprise. I believe they can do it and it should be done, though only if the private lending institutions of this country refuse to do so. In my opinion all farm mortgages should be reduced to five per cent. In this connection I want to point out to the minister that farmers up until last year were paying interest at the rate of 6½ per cent on loans from the farm loan board. This has caused a great deal of dissatisfaction in view of the fact that the farmer who took out a loan only as recently as last year is not charged more than five per cent. I have had several letters on this subject. I think the government should consider the advisability of reducing all farm mortgages held under the board to the prevailing rate of five per cent. It would benefit not only the farmers but the government and the people in general.

I had intended to make some further observations, but the committee have been very patient in listening to my remarks and I am not going to delay them any longer. Neither from the government, the members of this house, nor the people I represent have I attempted to conceal my dissatisfaction with this proposed legislation. I believe we should have had a publicly owned and publicly controlled bank instead of the measure that has been presented to us. Nevertheless, believing as I do that the government and the Minister of Finance have the interests of our people at heart, I shall abide by their judgment and their decision and give this legislation my support.

Mr. BENNETT: Under existing conditions, having regard to the vast amount of unused money in the chartered banks, how is it possible for a central bank to regulate or control credit?

Mr. DUNNING: I spoke of it as a regulatory force. My right hon. friend, I know, has studied this matter, and it is a fundamental principle of the legislation which he himself introduced that by its operations in relation to the cash reserves of the chartered banks it would be able to increase or decrease the volume of money and credit available at any particular time.

Mr. CAHAN: It could increase it, but how could it decrease it?

Mr. DUNNING: By open market operations.

Mr. BENNETT: As my right hon. friend from St. Lawrence-St. George says, how can it decrease it?

Mr. DUNNING: It can increase, of course, by the purchase of securities in the open market, and it can decrease by selling them. That is fairly obvious. A decrease must be effected by the opposite method to that which is taken to bring about an increase.

Mr. CAHAN: Oh well, possibly.

Mr. DUNNING: No one knows better than the hon. member for St. Lawrence-St.

George that a great many factors present within and without the country have their bearing upon whether a given action will produce an identical result to-day with what the same action by the central bank would have produced even a month ago. One cannot but dogmatize with respect, for instance, to what the purchasing or the selling of securities by the bank will do, unless one takes into account all the other factors, both national and international, which are present at the time the transaction takes place. But partly, as I think my hon. friends recognize, that has a bearing on the bank's operations.

The CHAIRMAN: Is subsection 2 carried?

Mr. BENNETT: I understood that we were taking up these sections by the different headings.

Mr. DUNNING: I thought we were taking up each section as a whole.

The CHAIRMAN: That was my understanding also. Shall section 2 carry?

Mr. BENNETT: What is the reason for the amendment to paragraph (d)?

Mr. DUNNING: That is a matter of legal phraseology; it is really a legal amendment.

Mr. BENNETT: As the law stood dominion notes meant those that were payable to bearer on demand, issued and outstanding, which on the day on which the Bank of Canada was authorized to commence business constituted a direct liability of the Dominion of Canada. The old section provided that they were payable to bearer on demand on the day on which the Bank of Canada was authorized to commence business.

Mr. DUNNING: That was the whole point. As a matter of fact the liability in regard to the notes ceases when they pass out of existence. At the present time they do not remain a liability of the bank. The old section read "on and after the day on which the bank is authorized to commence business."

Mr. BENNETT: Certainly.

Mr. DUNNING: They have all been cleaned up, and the liability is gone.

Mr. BENNETT: That is the point exactly; that is why I cannot understand why the amendment is being made. As a matter of fact the law properly stated it. The Bank of Canada has assumed liability for all outstanding Dominion of Canada notes on and after the day on which it began business. That was a steadily decreasing liability; as the notes were called in and cancelled the liability became less, and when the last note was cancelled there was no liability; that is the position exactly. They substituted the notes of the Bank of Canada as those old Dominion of Canada notes came in, and the liability as far as the country was concerned was lessened by that substitution. We undertook to care for our responsibilities in that direction by delivering to the Bank of Canada bonds of the dominion on which we are paying a rate of interest which enables the bank to pay a dividend.

Mr. DUNNING: This particular subsection, Mr. Chairman, is absolutely and completely a lawyers' subsection.

Mr. BENNETT: It looks like it.

Mr. DUNNING: Neither the original form nor the amended form means anything to me as Minister of Finance. The lawyers who confer about these things and draft these measures say that this clears up an ambiguity. If it does not it really makes no practical difference to me, and I should be quite content to have it struck out.

Mr. BENNETT: I always say that if the minister is advised that he should put this in, well and good, but I suppose it is sections like this that are responsible for the old maxim about lawyers differing. I cannot see just why this section should find a place here. The liability was a lessening one; as the Dominion of Canada notes came in and were cancelled by the Bank of Canada the liability of the country under those notes lessened until it finally disappeared altogether, and we had the new notes taking their place. With respect to indemnity we gave the Bank of Canada certain bonds of the dominion, so I cannot see the reason for this amendment. It may be that some better lawyer than I suggested it, so I will leave it at that.

Mr. CAHAN: But of course, Mr. Chairman, all the old dominion notes have not been redeemed at the present time. A large number of them must be outstanding and probably will be outstanding for years to come.

Mr. DUNNING: I suppose we will never know what has become of many of them.

Mr. CAHAN: I know that in connection with the chartered banks their notes are never fully redeemed; there is a certain small percentage that never comes in for redemption. I assume in connection with the old dominion notes a large number are outstanding, and they are continued as a liability.

Section agreed to.

On section 3—Body politic and corporate.

Mr. DUNNING: The explanation speaks for itself.

Mr. BENNETT: Yes. This is another wholly unnecessary amendment, I think.

Section agreed to.

On section 4—Board of directors.

Mr. DUNNING: The change here is in the underlined words, and of course it is consequential upon what afterwards will develop in connection with the provision for the election and appointment of directors.

Mr. STEVENS: In a hasty reading of the notes on the opposite page I notice there is a reference to the deputy minister of finance which does not appear in this new section. Is there any change of policy there?

Mr. DUNNING: The deputy minister of finance will continue to sit on the board, but without a vote.

Mr. STEVENS: The minister will correct me if I am wrong because I have just glanced over it hastily, but in the clause being repealed definite provision is made for the deputy minister of finance to be on the board.

Mr. DUNNING: It is only subsection 1 that is being repealed.

Mr. STEVENS: That reads:

In addition to the other members of the board as constituted by subsection one of this section—

Mr. DUNNING: Subsection 2 still stands.

Mr. STEVENS: It appears here as though it were being repealed.

Section agreed to.

On section 5—Persons disqualified for appointments.

Mr. DUNNING: The point here was that there seemed no reason why the governor, deputy governor and assistant deputy governor should be prohibited from holding stock in this bank. The intention was to prevent them from being interested in any way in any other bank but there does not appear to be any reason why they should not hold shares of the Bank of Canada if they desire to do so.

Mr. BENNETT: This is recognition of private rather than public control.

Mr. DUNNING: It is a matter of the freedom of individuals.

Mr. CAHAN: What is the meaning of the words "financial institution"? A director cannot hold a share in any other bank or financial institution. What is a financial institution?

[Mr. Cahan.]

Nearly every company incorporated under the Companies Act of Canada is in one sense or another a financial institution, and it strikes me that you would be able to procure very few candidates for directorships in this bank if those to be appointed are to be precluded from holding a share in any other financial institution. I could understand "bank," "trust company" or some similar terms being used to denote particular companies in which the prospective director should not hold shares.

Mr. DUNNING: I do not like to do it, Mr. Chairman, but I might suggest to my hon. friend that he could direct that question to himself and those sitting around him, because there is no change in that regard. That term was used in the bill as originally introduced by the former government. This is a qualification for governor, deputy governor or assistant deputy governor, and because this is a qualification for those offices only I do not think the restriction is too broad. It is only in connection with those three appointments, and because of that I have not suggested any change in the provision as it was in the act.

Section agreed to.

On section 6—Directors.

Mr. BENNETT: I suppose it is intended to vest these shares in the Minister of Finance?

Mr. DUNNING: Yes.

Mr. BENNETT: Does this section declare that clearly?

Mr. DUNNING: I think that is covered in a succeeding section.

Mr. BENNETT: It must be. The shares are divided into two classes: "A," the existing shares; "B," the shares to be issued. The shares to be issued, the section states, are to be utilized for the purpose of enabling the registered owner, that is the holder, the Minister of Finance I take it, to appoint four directors. But that appointment is subject to the approval of the governor in council. In other words, the Minister of Finance makes the appointment in the first instance. I was wondering what reason there is for paragraph (ii) being in the terms in which it is, "four directors to be appointed by the holder of the class "B" shares." That is, whatever minister holds them makes the appointment.

Mr. DUNNING: But with the approval of the governor in council.

Mr. BENNETT: Yes. I wondered why the paragraph was worded in that way rather

than that the governor in council shall make the appointment, unless it be that the wording used was thought desirable because the registered holder of the shares will be the Minister of Finance.

Mr. DUNNING: That is covered by section 10.

Mr. BENNETT: But logically I would have thought that section 10 would have preceded section 9 of the act as amended.

Mr. CAHAN: It makes it very difficult to follow the meaning of the amendment to section 5 of the bill when the material provisions of the original section as it stands are not printed on the other side, in accordance with the rule. I am simply suggesting that in preparing these amendments we should follow the rules of the house. There was nothing by way of explanation to section 5 which would enable one to understand who were the persons disqualified for appointment.

Mr. DUNNING: In that case apparently the quotation from the old act was omitted. I apologize for that.

Mr. McGEER: Section 6 is the section that deals with the fundamental change proposed in the bill. By paragraph (i) the directors formerly existing, that is the representatives of the $5,000,000 of share capital, are continued as directors of the bank. To-day I am going to address myself to the question of what that means, and how it violates the spirit of our constitution, and perpetuates a system which, I believe, is directly responsible for the impotence of government, for the destitution that exists in the land, and for the deplorable conditions that obtain to-day and that are being intensified throughout the dominion. One cannot look at our municipal situation without grave fears and misgivings, with 253 municipalities now in default, with Alberta embarking, rightly or wrongly, upon a financial policy which only one province is prepared at the moment to adopt and which is directly in conflict with the established policy of the dominion government and with the conditions existing in the old-established province of Ontario where $120,000,000 of municipal obligations are in default, and the provincial government, facing unemployment as it has never faced it before, has been forced to order contractors, who were carrying on works which were giving needed employment to the people of that section, to discontinue those undertakings.

Mr. DUNNING: In Ontario?

Mr. McGEER: Ontario, I understand, has actually cut down some of its contracts in the northern area and men are out of employment, whereas, if needed works could be carried on employment could be found.

Mr. DUNNING: That is too important to let pass. I am quite sure the government of Ontario would regard that as a serious reflection on them. Whatever internal arrangements the government of Ontario may have in respect to their works, I do not know, but it is not correct for anyone to say or to imply that the Ontario government cannot secure funds to carry on works. It has been and is getting those funds. Before that statement goes out across this country I think I should correct it right away, because it is entirely wrong.

Mr. McGEER: One of the contractors was complaining to me yesterday about being unable to carry on because some work on which he was engaged had been suspended.

Mr. DUNNING: That may be, but not for the reason my hon. friend states. It is entirely wrong to state that the province of Ontario cannot get funds.

Mr. McGEER: All right; I accept that. But whether or not the province of Ontario can get funds, the fact is that there is an enormous amount of unemployment in Ontario and a great deal of work needing to be done there which is not being carried on. And across Ontario to-day steps are being taken to reduce unemployment relief, which steps are causing a general situation of unrest in that province.

Now, let me turn to Quebec. I suppose it can be said that that province is not without funds; that Montreal is not without funds. Nevertheless the fact remains that an unemployment situation exists in that city, and that the men responsible for the administration of Montreal and the men responsible for the administration of the affairs of the province of Quebec are at their wit's end to find some way to meet debt and public obligations of the city of Montreal. A great many people believe the reason for that is that we have failed properly to observe our constitution, have failed to exercise properly and wisely the powers which are, by our constitution exclusively reserved to the dominion parliament. A great many people still believe we should have a properly constituted central bank that would issue currency and credit in terms of public need, to satisfy the domestic, social and industrial needs of the Canadian people. Under our constitution there is a definite responsibility upon parliament

to maintain peace, order and good government, and in order that parliament may fulfil that duty and that function, certain legislative powers are exclusively reserved to the national parliament. As provided by section 91, matters reserved to the dominion parliament include:

1. The public debt and property.
2. The regulation of trade and commerce.
3. The raising of money by any mode or system of taxation.
14. Currency and coinage.
15. Banking, incorporation of banks, and the issue of paper money.

That is the section of the British North America Act with which we are dealing in this legislation. Savings banks, weights and measures, bills of exchange and promissory notes, interest, legal tender, bankruptcy and insolvency are, under this section, also reserved to the dominion. These powers place on parliament the constitutional duty of determining, creating, issuing and sustaining the circulation of the media of exchange that will provide both government and people with a continuous circulation of adequate volume of sound and uniform currency. For that reason parliament should: (1) define the units of exchange that constitute the nation's money; (2) create the money needed to maintain national security and ordered progress; (3) regulate the volume of money created and issued; (4) stabilize the value of the unit of exchange internally and externally; and (5) regulate the circulation of money by taxation and otherwise.

We hear a lot of talk about funny money, rubber money, sound money and boloney dollars. But I think it must be plain to any thinking man that parliament under a constitution which gives it the power to create money, to deal with every phase of law that has to do with the regulation of the monetary system, and which at the same time gives to that parliament the power to withdraw money from circulation by any mode or system of taxation, invests in that parliament the power to create and to maintain the circulation of a sufficient amount of money to preserve a decent measure of progress. Parliament can, by exercising its power to create and put into circulation money, along with its power to withdraw it from circulation, avoid all the evils, or at least all the disastrous evils, of too much or too little money in circulation. In other words, we have the constitutional power, and we should make the political attempt to avoid the evils of inflation and the disasters of deflation, which are just as bad.

Let me say that what we are doing in the matter of paper currency is in direct conflict with what parliament has already done in the

[Mr. McGeer.]

matter of coin currency. Under the power to create money, which is given us by our constitution, we create money, not by any mysterious method, but by the enactment of four laws: the Currency Act, revised statutes of 1927, chapter 40; the Department of Finance and Treasury Act, revised statutes of 1927, chapter 71—and under the amendment of 1931 we have now made the mint a branch of the Department of Finance—the Bank of Canada Act which we are now amending, and which was passed in 1934; and the Bank Act, statutes of 1934, chapter 24. What did parliament do when it passed the Currency Act? It declared the thing that the people of Canada must use for money. By section 15 of that act parliament declared that where money is involved in public or private accounts, contracts, trade or other transactions Canadian legal tender must be used. By section 2 of that act parliament has declared that the denominations of money in the currency in Canada shall be dollars, cents and mills, the mill being one-tenth of a cent and one hundred cents being a dollar. By section 17 of chapter 48 of the statutes of 1931 we made the Royal Mint, as I said a moment ago, a branch of the Department of Finance. In the administration of the mint, which is subject to the regulations which parliament under section 20 of the Currency Act has authorized the governor in council to make, legal tender coin money by section 8 is defined as follows:

(a) in the case of gold coins, legal tender for any amount;
(b) in the case of silver coins, legal tender in payment for an amount not exceeding ten dollars;
(c) in the case of nickel coins, legal tender in payment for an amount not exceeding five dollars;
(d) in the case of bronze coins, legal tender in payment for an amount not exceeding twenty-five cents.

The point I wish to make is that out of what parliament has done with regard to coin money a policy has been developed which should be followed in the creation of paper currency money, because what we are doing in regard to our subsidiary coin, which is only partly legal tender money, we have more reason to do in regard to our paper currency, which is full legal tender money.

Under the provisions of section 24 of chapter 43 of the statutes of 1934, the Bank of Canada Act, Bank of Canada notes are made full legal tender money, and the Bank of Canada is authorized to create and issue these bank notes as such.

Under the powers of the Bank Act and the Currency Act we in parliament have created legal tender money.

Let me point out just how money is created, which seems to a great many people to be a mystery. Section 6 of the Currency Act provides that the Minister of Finance may from time to time use the consolidated revenue fund for the purpose of purchasing bullion to provide a supply of coin for the public service. That, surely, is creating money in terms of public need, and if hon. members follow me, they will see the distinction which exists in our attitude to coin money and in our attitude to bank note currency when we talk about issuing money in terms of public need and issuing money in terms of private gain.

Section 20 of the Currency Act gives to the governor in council the power to determine the dimensions and designs of coins and all other necessary regulatory powers. By section 4 of the Currency Act parliament has set the minimum of the purity of the gold and silver in such coins and the specific weight of all coins in a schedule, which I should like to put on Hansard:

Denomination of coin	Standard weight Grains	Least current weight Grains	Standing fineness
Gold:			
Twenty dollar	516	513.42	Nine-tenths fine gold, one-tenth alloy; or millesimal fineness, 900.
Ten dollar	258	256.71	
Five dollar	129	128.355	
Two and one-half dollar	64.5	64.178	
Silver:			
One dollar	360	....	Eight-tenths fine silver two-tenths alloy; or millesimal fineness, 800.
Fifty cent	189	....	
Twenty-five cent	90	....	
Ten cent	36	....	
Five cent	18	....	
Bronze:			
Cent	50	....	Mixed, metal copper, tin and zinc.
Nickel:			
Five cent	70	....	Pure nickel.

What I want to point out to the committee is that in this creation of money parliament fixes the shape of the coin and the metal content, and if hon. members will make a comparison between the value of the metal content of the coin and the money value given to the coin by parliament, they will realize that it is parliament which creates our metal currency. There are 480 grains in an ounce of silver. The silver content of a silver dollar is 360 grains $\frac{6}{10}$ fine; that is, 360 grains less $\frac{2}{10}$, or a total of 288 grains of silver. The current price of silver is 44 cents an ounce; therefore, the value of the silver in a silver dollar is $\frac{288}{480}$ of 44 cents, or 26·4 cents. The silver dollar, with a metal value of 26·4 cents is given by the Currency Act a money value of 100 cents. That creates the money value in that connection; it is not the silver content which creates the money value.

Mr. KINLEY: It is restricted legal tender up to only a very small amount.

Mr. McGEER: These subsidiary coins have no legal tender value.

Mr. KINLEY: Paper money is legal tender to any amount; that is the difference.

Mr. McGEER: If my hon. friend, will follow me, when we come to paper money, which has full legal tender value, we find that it has far less value than the silver coins.

Mr. BENNETT: On the contrary, it has more.

Mr. McGEER: A five cent nickel coin containing seventy grains of nickel has a bullion value of about three mills, but by law it is given a money value of fifty mills. A one cent bronze coin has a bullion value of less than one mill, but parliament, by law, gives it a money value of ten mills. There is nothing behind or supporting the money value that the coin possesses, and it is not convertible into anything. Once a government issues it, it goes into circulation as the media of exchange of the nation and functions to serve all the purposes of money and all the purposes of legal tender money, up to the point it is made legal tender money.

Mr. CAHAN: But for petty cash only.

Mr. McGEER: It does not make any difference whether or not it is petty cash; if you had a million dollars worth of copper cents you would have a million dollars.

Mr. CAHAN: That is just where you are wrong; you would not.

Mr. McGEER: I would be very glad to take them from my hon. friend if he would give them to me. I would very soon convert the million dollars worth of copper coins in my possession into a million dollars worth of bank money.

Mr. CAHAN: The hon. member will find that the chartered banks of Canada possess today millions of dollars in silver and in copper coin, and they can do nothing with these coins except to keep them in their reserves for the possible use of those who come to the bank. There is no redemption of copper coinage and there is no redemption of silver coinage so far as I am aware. They are used simply as petty cash and one who has too many of them in his till can never obtain good, sound dollars for them.

Mr. McGEER: There are some people who never use any other money than petty cash. They are not all millionaires and they are not all accustomed to using $50 bills. The great majority of our people never get any money but copper, nickel and silver coins and bills of small denominations. The money of the great masses of our people consists of copper coins, nickel coins, silver money and bills of small denominations. That is the only money they ever use.

Parliament has established as Canadian legal tender subsidiary currency token coins of little or no actual value. I hope my hon. friend will follow me here. Parliament can and does create money as a profitable function of government. Through the mint, which is now a branch of the Department of Finance, the government creates and issues metal tokens as currency which take their money value from the law which parliament has passed. Therefore, parliament creates money by passing laws. More than that, parliament creates money as a highly profitable function of government when it mints metal coins. For example, the Minister of Finance can buy an ounce of silver at forty-four cents and it can be minted into coins having a value of $1.35, with sufficient left over to pay the cost of minting. Therefore, if the government gets value for its expenditures when such money is paid out to the civil service, to contractors, or for the purchase of governmental supplies, the government makes a profit of ninety-one cents.

Mr. DUNNING: Profit?

Mr. McGEER: A clear profit; it cannot make anything else.

Mr. DUNNING: Is not there some cost connected with building and operating the mint?

Mr. McGEER: Yes, there is, but if the minister had listened to me he would have heard me say that the government could create $1.35 worth of coins and have enough over to pay the cost of minting.

Mr. DUNNING: I do not agree.

[Mr. McGeer.]

Mr. McGEER: I do not suppose the minister has looked into the matter. The same thing applies proportionately to nickel and bronze coins. By making silver certificates legal tender and convertible into silver dollars, as has been done in the United States, the government can hold the silver coins in its vaults and issue convenient paper currency against them, get the same results and do away with the inconvenience of the carrying round of silver coins by the public.

My hon. friends talk rather glibly about the small change which they say is not important in the country, but let me give the value of that money which has actually been created by the government. Under the Currency Act and the Department of Finance, the government has created and issued silver coins up to the value of $34,210,267, nickel coins up to the value of $2,259,500, and bronze coins up to the value of $2,772,735. The total issue of subsidiary coins is valued at $39,242,502.

I should like to point out to hon. members of this committee that there has been a great change in the attitude of people and governments towards money. If we can do that with metal, we can do, and we are doing, the same thing with paper currency. I know men will say that you cannot create money without having something behind it; that you cannot create money without having a reserve into which it is convertible; that you cannot get something for nothing; there are a great many men in high positions of authority in the country who repeat these epigrams and think they are establishing a reputation of sophistication, but an examination of what this parliament is doing right now will prove otherwise.

This conclusion is confirmed by this particular bill under consideration. Section 24 of the Bank of Canada Act gives to the bank the sole right to issue Bank of Canada notes and makes them full legal tender. By the passage of the Bank of Canada Act provision was made for the repeal of chapter 41 of the Revised Statutes of Canada, the Dominion Notes Act, under which this parliament issued its own paper currency. In 1934 parliament transferred from the government to the Bank of Canada its constitutional obligation and constitutional right and duty to issue legal tender paper currency. Under section 26 of the Bank of Canada Act the gold reserves which the bank is required to hold is reduced to twenty-five per cent of the value of its notes in issue. Parliament has thus given to the Bank of Canada the power to expand $25 worth of gold into $100 worth of legal tender currency. In doing that, it

does exactly what it does when it authorizes the mint to take 26·4 cents worth of silver and mint it into a dollar. The proportion of the money value of the silver dollar to the money value of the gold dollar is almost identical with the proportion of the money value of the gold bill to its gold reserve support.

Mr. KINLEY: Was it not the conference at the League of Nations that established that twenty-five per cent should be the minimum?

Mr. McGEER: It was not the League of Nations; it was the economic conference of 1933. If there is any other information that my hon. friend would like, I shall be very glad to give it to him.

In a word, parliament, by the enactment of the Bank of Canada Act, has given away its power to create and issue paper currency to the Bank of Canada. As a result, the Bank of Canada is able to print for every $100 worth of gold that it holds, $400 worth of legal tender Canadian cash with which it may purchase, among other assets, gold and interest bearing bonds printed and issued by the government. Thus we see parliament giving away its power and its constitutional duty to print paper currency to a corporation that now enjoys this power.

At the end of 1935 the government had authorized the issue of Bank of Canada bills in denominations of $1, $2, $5, $10, $20, $50, $100, $500 and $1,000, and the bank had printed them up to the value of $99,000,000. Here then we see the Bank of Canada printing paper currency of little or no value and issuing it with a money value given to it by parliament. The Bank of Canada thus performs with paper currency the same function that the mint performs with metal; it creates Canadian legal tender money. There are very great differences in the results which occur when the government uses the mint, as a branch of the Department of Finance, to create money, and when the government delegates to the Bank of Canada its power to issue paper currency. One difference is that in the case of the mint all profit on the minting and issuing of metal coins goes to the government, while in the case of the Bank of Canada the profit on the printing and issuing of paper currency is shared between the government and private shareholders who have invested some $5,000,000 in the bank. I would point out that no group of shareholders offering $5,000,000 to an institution that can make money offers any contribution either to the business or to the power of that bank. What does a bank, which has power to issue $99,000,000, and has issued $99,000,000, receive from a group of shareholders who have invested $5,000,0000 in shares? But that is not the worst part of it. I know that every man who takes the position which I am taking must perforce run counter to public opinion and must be prepared to stand in the condemnation of those who will adhere to the traditions and conventions of the past, not only long after they have been proven to be useless but long after they have been proven to be disastrous to the well-being and the progress of humanity. I am aware that when men talk of such legislation as we are dealing with to-day they say that it is dictated by the need of security and by the necessities of sound finance. But in my opinion the time is not far distant when laws that give away to a private monopoly the power to create money, laws whereby parliament shares, with men who invest for private profit, its sacred and conspicuous duty of providing the people with an adequate volume of sound and uniform currency, will be looked upon not only as improvident but as thoroughly unsound and bad in constitutional procedure.

Mr. DUNNING: My hon. friend spoke of giving away something to a private monopoly. We are not doing anything of that sort in this bill.

Mr. McGEER: No, but what you are doing is this. You are—

Mr. DUNNING: That is what my hon. friend just a moment ago said that we were doing, if language means anything. Those were his exact words. Does he mean that?

Mr. McGEER: What I said was this, that by the Bank of Canada Act, which is under amendment now, we gave away to a private monopoly the right to print paper currency.

Mr. DUNNING: The hon. member did not say that.

Mr. McGEER: What I say now is that we are continuing that system, and I should like to deal with that feature of the bill, now that the minister has raised it, as to exactly what is taking place under the proposed amendment. I think the minister will agree with me when I say that under sections 13 and 14 of the Bank of Canada Act, which continue, the executive committee is an all powerful committee in control of the affairs of the Bank of Canada. Section 13 states that the business administration of the bank shall be under an executive committee which shall consist of the governor, the deputy gov-

ernor and one shareholder as director. Therefore the governor and the deputy governor, both appointed by the government and, under the act, holding office for seven years, are under the control of parliament, and that executive committee can carry on and does carry on the business of the bank. All that it does to-day is to report what it has done to the board of directors at their next sitting. But it will be seen that the act gives that executive committee all the powers of a board of directors. Now the board of directors sits only casually. I was talking to one of them the other day and he said, "I was at the Bank of Canada." I said, "Are your duties merely formal?" And he answered, "I am a business man; I have not the time to run the affairs of the Bank of Canada. The executive committee runs the bank." Parliament did not leave it to the board of directors. They gave to that three-man committee the absolute power possessed by bank directors and then said that no decision or action of the board of directors shall have any effect unless concurred in by the governor of the bank. Now what are you saying? You are saying, "We are going to increase the government's representation upon a powerless board of directors"; and then you say that you are going to vest in the governor in council a power of veto on the decision of the governor of the bank. But it is not stated anywhere in the legislation that the government shall have the power to initiate any action on the part of the bank, either to reduce or to increase the volume of credit or currency in issue. In my opinion there is not a single change in reality in changing the control which existed under the old act; there is no change proposed in these amendments. Let me put that fairly before the committee. Under the old act, if the governor and the deputy governor, holding a majority position on the executive committee, which had all the powers of the directors and the power to administer the bank, did not conform to the will of the government or of parliament, parliament could convene and by legislation dismiss the governor and the deputy governor and authorize the appointment of men who would carry out the wishes of the government. The Bank of Canada was a privately owned bank, subject to public control. You have not changed that fundamental feature of control; and if, as the hon. member for Rosthern (Mr. Tucker) says, the governor and the deputy governor under the new amendment decided to go with the directors of the bank who are there representing the shareholders, the only control that parliament could exercise over them would be to convene and to dismiss the governor and the deputy governor of the bank. In no other way could control be asserted, and that is why I say that this proposed amendment does not change in one iota the control of the bank which the government had before the amendment was introduced. The situation is an anomalous one. We are a gold country, and I am informed that on the record up to date this nation will produce this year possibly $140,000,000 in gold. The irrefutable facts as they stand out to-day show that the parliament which created the Bank of Canada is woefully short of money, yet the Bank of Canada has far more money than it knows what to do with. Such a situation, if allowed to continue, is certain to wreck the nation, because it is reducing democracy to a ghastly farce.

Mr. DUNNING: That is not so.

Mr. McGEER: All right; let me put the facts.

Mr. DUNNING: The statement of fact is not so.

Mr. McGEER: I say the facts show it. I am not giving it as my statement; and I am going to ask the committee to decide on the facts. We have only $99,000,000 of currency in issue to-day. The Bank of Canada has on hand $181,000,000 in gold, and our gold production is increasing. Under the Bank of Canada Act the bank can, if it wishes, print and issue bank notes to four times the value of its gold reserve. Therefore parliament has authorized the bank to issue full legal tender currency to the value of $724,000,000, and it is using only $99,000,000. According to established current banking practice that amount of legal tender currency is sufficient to support at least $2,400,000,000 of bank credit. Surely, in the face of those facts no one can deny that, if currency and credit were issued to the extent warranted, destitution would not be stalking the land, work crying to be done would not be neglected, and men in every walk of life anxious, ready and willing to go to work would not be denied work because the federal parliament, the federal government, provincial governments and municipal governments are all declaring: We have not the money to go on with the works that we need to carry out.

Mr. CAHAN: May I ask my hon. friend: Supposing he issued $720,000,000 of Canada bank bills—that is, to the extent he suggests—what would he do with it?

Mr. McGEER: What would I do with it?

Mr. CAHAN: Supposing the hon. member were Prime Minister; supposing he had com-

plete control of the currency and were czar and dictator of Canada, what would he do with the money?

Mr. McGEER: I would put people to work.

Mr. CAHAN: With what?

Mr. McGEER: With that money.

Mr. CAHAN: You would pay out that money in wages? I am fully convinced that if you did what you had in mind—

Mr. McGEER: You would ruin the currency of the country?

Mr. CAHAN —your dollars would not be worth cents. That is the whole trouble.

Mr. McGEER: If my hon. friend will just bear with me I may have an answer to that. I am going to deal with that question in just a moment, and I am going to deal with it just as fully as the committee will permit me. I have not overlooked such a simple problem in currency management as that. I grant you there are a great many difficulties in stabilizing the value of money, but I want the hon. member for St. Lawrence-St. George (Mr. Cahan) to remember that there were men like him who stood up in their places in the House of Commons in Great Britain and declared that any such thing as the management of international money could never take place unless the free use of gold was available, and that they were just as positive and just as convinced that no other system than an international gold system would operate, as he is that nothing can be done.

Mr. CAHAN: Will the hon. member allow me to reply to that? During that discussion there was no one in Great Britain, so far as I am aware, who made the contention of the hon. gentleman that you can create something of value out of nothing. The omnipotent creator is alleged to have that power, but I have never known a government or an individual to have it or to exercise it.

Mr. McGEER: I think that is a very glib statement. Being myself a lawyer, being a member of parliament, and knowing something about present methods of accumulating profit, I think it would be very unfortunate if things could not be created out of nothing, because if they could not, I believe most of the lawyers in the country would be in the poor-house.

Mr. CAHAN: That would apply to the hon. gentleman as well as to myself.

Mr. McGEER: Yes, of course it does. What I say is, it is not to be said that you are creating something out of nothing when you create by law something which is essentially a creature of law. There can be no money by any rule of nature. There can be money when people rise to the point that their intelligence will permit them to create laws by custom, or there may be such a thing as money when peoples rise to a standard of civilization where they can convene in parliaments for the purpose of enacting laws whereby collectively they can do for the people that which the people cannot do for themselves. My hon. friend should always keep in mind that money is only a simple tool of trade, created primarily to serve as a medium of exchange, created first by a law of custom to assist and advance commerce dependent upon barter, and now developed as the economic bloodstream of a civilization that is living for the first time when illiteracy has been eliminated and accountancy has come to be generally understood. That is why we have been able to abandon a money of fixed value based upon metal for a token currency whose value comes from law. That is why we are able to take a token currency in the form of paper money and print it upon a basis of twenty-five per cent, and vest in the government the power to withdraw that circulation—

The CHAIRMAN: I do not wish to interrupt the hon. member, but I must draw to his attention that he has spoken for more than forty minutes.

Some hon. MEMBERS: Go on.

Mr. McGEER: What I want to point out is this, that if there is one thing upon which this house could have spent a lot of time, and spent it to great advantage, not only to the house but to the whole of the people of Canada, it is that of finding some method to get our medium of exchange effectively into circulation. I venture to say that I have given this subject enough time and study to command the respect of some members of the House of Commons. I have not come to this house without having spent as much time as I could possibly give in the last five years to the study, not only of this particular legislation, but of the monetary system now in vogue throughout the world, the changes that have taken place in the management and control of money, the creation of currency and the credit medium of exchange during many hundred years. This is where I think parliament is making a great and fundamental mistake. We see parliament delegating to the Bank of Canada the identical power to create and issue money that the Department of Finance exercises through the mint. The difference is this, that in the case of the mint the profit from minting money goes to the government, and in the case of Bank of Canada bills it goes to others.

I have dealt with the way in which we create minted coins. I have dealt with the way in which we create Bank of Canada full legal tender money. That is not all the money created by parliament. Let me deal with section 60 of the Bank Act of 1934. Under that section parliament gives away the right to print as money bank note currency. To get a proper appreciation of what that section means the committee should understand that under our Companies Act a limited liability company is incorporated; it has, we shall say, a capital of $1,000,000. That capital is sold; when the capital is paid for, the money is in the treasury; that is the working capital of the company and the shareholders are liable to lose that much money. When you incorporate a bank for a million dollars, however, sell your stock and have a million dollars in the treasury, section 60 of the Bank Act gives the bank the power to print another million dollars in money, and there is no further security required. The only thing the Bank Act says is that where that power to double the capital is enjoyed the liability of the shareholders shall be in the same amount, which is not an additional security but merely an equitable and proper extension of the principle of limited liability which is involved in the Companies Act.

That is what we do when we give our banks the power to print paper money. They can and do buy government bonds with that money. They can and do advance bank loans with that money. They have created an amount of money as great as $140,000,000, and I think it is now somewhere in the vicinity of $118,000,000. I am not unmindful of the fact that under the Bank of Canada Act for five years that amount is to be reduced by five per cent and for another five years by ten per cent until the amount of bank note currency which the banks can issue is reduced to twenty-five per cent. On their present capital they will still be able to issue, free, $36,000,000 of money. Let me recapitulate those figures. At the end of the year 1935 the total money in existence in Canada consisted of:

(1) Gold coins	Nil
(2) Moneys minted and issued in pursuance to the provisions of the Currency Act, consisting of silver, nickel and bronze coins	$ 33,674,787
(3) Moneys issued by the Bank of Canada under the Bank of Canada Act	99,677,229
(4) Moneys issued under the Bank Act, chartered bank notes	118,928,662
	$252,280,678

There has been in the last year a drop of about $6,000,000 in the amount of silver, nickel and bronze coins, and another substantial drop in the total amount of money in issue. Thus we see that the Department of Finance, representing parliament, issues only $33,000,000 of the total of $252,000,000, in round figures, of token currency in circulation. Parliament creates thirteen per cent of the money and issues it for public use and in terms of public need, while giving away to bankers, who will issue not in terms of public need but only in terms of private gain, the right to issue eighty-seven per cent of the money now in use.

I ask the members of this committee to ponder the situation. In this dominion we have $252,000,000 of money; yet if we look up the records we find that our bank deposits total $2,400,000,000. We do not use either small change currency or large notes as the medium of exchange that carries on the business of this country to-day. The thing that has come to be the medium of exchange is a cheque transferring bank credit, which amounts to ten times the total money in issue in the dominion. I am aware of the fact that certain Canadian bankers have denied that they create money. It is true that they do not create money, but they do monetize credit and use it as a substitute for money, with a bookkeeping system. This is what a banker does when he wants a credit in a bank book, in order to finance a loan, in substitution for the old practice of taking his own capital or the capital that was left on deposit with him and appropriating it from himself or his depositors to a borrower; for that the banker substitutes the writing of a credit into a book, and in that way he just as effectively creates a medium of exchange as does the government when it mints silver coins, or as does the Bank of Canada when it prints bills, or as does a chartered bank when it prints bank note currency.

Let me show you how this works out. As I say, we had $39,000,000 of metal coins in 1934 and only $33,000,000 in 1935, but in Bank of Canada bills, bank notes and bank deposits we have $2,500,000,000. Thus we see that parliament creates only $33,000,000 out of a total of $2,600,000,000 of medium of exchange in common use, or 33/2600, which is just a little more than one per cent of our money in issue. It is true that those in industry and commerce through individual and collective effort can create wealth up to a point, but they cannot create the money which is necessary to permit a collective enterprise to be carried on in either the production or the distribution of wealth in

human service. When we give away to a banking monopoly that is not responsible to parliament and to the government of the day the power to create money; when we set up in private hands, as we have done, our own Bank of Canada; when we give the chartered banks the power to create paper currency and statements of account which, when transferred by cheque, effectively serve as money, we place the issue of money in the control of those who will not put it into circulation other than under a contract which guarantess its return with interest. Consequently, instead of issuing currency out of the power of government, to advance a general program of progress and the well-being of the community, we find ourselves bogged down under a load of national debts, provincial debts, municipal debts, corporation debts and private debts, that there is nothing available with which to pay.

So what are we going to do? The taxpayers groan under the confiscation of their real estate, and often throw it back on the hands of the municipalities. Men flee from industry because they say that the risk is too great and the taxes are too high. Men actually leave one section of the country to go to another; they are leaving some of our overtaxed cities to-day and are actually leaving our country rather than submit to the confiscation of wealth by taxation which is still increasing. We have done some extraordinary things in this parliament. We have put on an eight per cent sales tax, the highest ever imposed in the Dominion of Canada, and in addition we have proposed to invite the nine provinces to levy additional sales taxes. Well, I speak with some little experience as a municipal administrator, and I say that you can do to investment in business in this country what has already been done to investment in real estate in Canada. You can destroy it by taxation.

This Bank of Canada does not provide, as I thought we promised, a properly constituted central bank which would issue currency and credit in terms of public need, not in terms of private gain. We are not doing that at all; we are perpetuating the worst kind of system, under which the sort of thing I have indicated is carried on, and I just want to draw the attention of hon. members to what it has cost this nation to carry on a system of that kind. These figures should make every hon. member think seriously before he votes for a system to continue the issue of currency and credit in terms of private gain. At the close of the war our national debt stood at $1,400,000,000. Since then we have paid out from consolidated revenue fund $2,200,000,000 on account of interest. We have paid on account of principal $275,000,000, or, since 1918 a debt cost of $2,475,000,000. Notwithstanding that enormous contribution our national debt in the same period of time has risen from $1,400,000,000 to $3,200,000,000. Taking the average of our deficits and interest charges as we now face them in 1936, averaging them back to 1931, we are going behind at the rate of $2,400,000,000 a decade. And that is only the federal account. The municipal account is just as bad; the provincial account is just as bad, and the load of corporation and personal debt is bringing disaster everywhere.

What has parliament done in the past? Influenced and directed by those who claim a special knowledge of political economy and monetary control, it has said that parliament cannot be trusted with the issue of money; that it would spend too much, and that, therefore, we must put the brakes on by borrowing at interest and have the taxpayer stand behind to defy governments and put them out if they dare to spend too much.

But that did not work. Parliament said: Let us throw the burden on posterity. We borrowed to build roads, to build railways, and to build bridges across the St. Lawrence, believing that posterity was to carry the load. But, unfortunately for this generation, we have caught up to posterity, and the load which we thought posterity was going to bear we find that we cannot carry ourselves. A debt system is not a sound money system. A debt claim system, under which men interested in interest bearing bonds control the issue of currency and credit, is not a safe system. If we are going to have progress financed and democracy maintained we must do what has been done with the post office, administer it as a public utility largely free from partisan influence. We must do with our money system what we have done with out customs' system, administer it as a public undertaking largely free from partisan influence, and build it up until it earns the respect of everyone. We must establish the Bank of Canada as the supreme court of finance in the dominion and have men in charge of it who will serve just as honestly and efficiently and effectively as the men in the supreme court of Canada. That is not an impossible proposal. The Minister of Finance will agree that the Commonwealth Bank of Australia has no capital stock at all, and this kind of institution should not have any stock.

Mr. DUNNING: My hon. friend is right, but it had an advance from the treasury.

Mr. McGEER: But no capital stock, and it is wholly publicly owned. I think the Minister of Finance will agree that the Bank of New Zealand has been changed from one in part publicly owned and in part privately owned to a wholly publicly owned bank.

Mr. BENNETT: The Bank of Australia was started as an ordinary chartered bank.

Mr. McGEER: But that has been wiped out. I am talking about the Commonwealth Bank of Australia which stands to-day as a publicly owned institution.

Mr. BENNETT: And does a banking business.

Mr. McGEER: Quite true, and is doing it very effectively. A gentleman stopped off in Alberta the other day who said that he came to look at the farmers of that province; he said that he thought they would be prosperous but he found they were not prosperous at all. It is impossible for them to carry their load of debt. In Australia, he said, we have plenty of money; we have reduced the debt load of the farmer; we have cut the interest and taken care of the sale of his commodities; we have spent £500,000,000 in building roads, eliminating unemployment, and we are infinitely better off and have done this very largely through the assistance of the commonwealth bank. That is the kind of banking business they are doing. That is banking business which is public and banking business which is private, and I do not want anyone to think that when I suggest the creation of a nationally owned and controlled Bank of Canada I have any intention of interfering improperly with the commercial banking system. But there is an answer to the question which the leader of the opposition put to the Minister of Finance earlier in this debate, and that is that the Bank of Canada should be given power to stop the chartered banks from inflating with bank money. It should be able to keep them under control and force them to deposit with the Bank of Canada the amount of deposits that should not be used, in order to avoid inflation if necessary. That authority should be exercised by the Bank of Canada, and that is one way by which the amount of credit and currency issued by the chartered banks can be effectively controlled. The idea of talking of open market operations or raising the rate of interest on $99,000,000 when you have a chartered bank system that operates with $2,400,000,000 of bank deposits! Everyone knows to-day that the old idea of regulating the flow and withdrawal of bank credit by the bank rate and open market operations is utter nonsense. It has been abandoned in Great Britain, Australia, Japan, France and the United States, and direct control by those responsible for the administration of public credit is now in operation not only in the banks but in the stock market.

Progress reported.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

SUPPLY

The house in committee of supply, Mr. Sanderson in the chair.

DEPARTMENT OF TRADE AND COMMERCE

Commercial intelligence service, including miscellaneous expenditure in connection with Canada's trade, $733,400.

Mr. MacNICOL: Would the minister explain the reason for the increase?

Hon. W. D. EULER (Minister of Trade and Commerce): The increase is accounted for by some increases in salaries and in travelling expenses.

Mr. HEAPS: There is one word I should like to say before this item passes, and it is more in the form of a question to the minister. I know it is the policy of the government to try to extend our trade as much as they possibly can; in fact, that is one of the methods they are adopting to bring about a better state of affairs in this country. Canada still has an embargo, I believe, on trade with Russia. Earlier in the session a question was put to the minister by my colleague from Vancouver East (Mr. MacInnis), and at that time I think the minister's answer was that the matter was still under consideration. Personally I cannot see by what process of reasoning we still maintain an embargo on trade with Russia. It is true that politically we do not see eye to eye with her in respect to her institutions, but if that is going to be taken as the yardstick in judging what countries we shall trade with, we shall have to break off trading relations with many other countries of the world. We could very easily find an excuse, for example, for breaking off trade with Germany, for under its present regime it has committed more atrocities, I believe, than were committed in the last two hundred years in Russia, and yet we have never thought of breaking off trading relations with Germany. We have been compelled to apply sanctions to a certain extent to Italy, but we have not entirely broken off trading relations with her although she has violated world pacts. Japan

is doing things in Manchuria and northern China which are in violation of international agreements, but so far from breaking off trading relations with Japan, the present government has entered into negotiations to ease our trading relations with that country. When those are the conditions prevailing I cannot see any logical reason why there should be an embargo, so far as Canada is concerned, on trading with Russia. I should like to know if the minister has had the matter under consideration, and, if so, what steps he or the department or the government intends to take in regard to the matter.

Mr. EULER: I think I might agree with my hon. friend from Winnipeg North (Mr. Heaps) that certainly it is not one of the considerations, so far as trading with Russia is concerned, that Russia has a different system of government from ours. That does not enter into the question at all.

Mr. BENNETT: It never did.

Mr. EULER: I am speaking just for this government.

Mr. BENNETT: The statute contains special provisions, and that was not a provision of the statute.

Mr. EULER: I made no reference to the statute.

Mr. BENNETT: I was referring to the hon. member for Winnipeg North.

Mr. HEAPS: I made no reference to any statute.

Mr. EULER: I am referring to the subject merely because my hon. friend has brought it up, and I am simply making that observation. I do not know that I can add a great deal to what I said some time ago when a similar question was asked. Perhaps I can only repeat that so far as the government is concerned we would like to do business with every country in the world if the conditions were right and proper, and so far as trading with Russia and the removal of the embargo are concerned, at the moment that is still a matter for consideration. That is as far as I can go at present.

Mr. HEAPS: Would the minister state the difficulties in the way of establishing an understanding so far as trading with Russia is concerned, in just the same way that Great Britain and the United States are now trading with her?

Mr. EULER: I am afraid that I could not say that there are any particular difficulties. I would perhaps satisfy my hon. friend if I asked him just to possess his soul in patience for some little time because the matter is receiving consideration.

Mr. HEAPS: I am a very patient soul, and I shall content myself in patience until another session comes round, by which time I trust that some progress will have been made in that direction.

Mr. BLAIR: For some time, Mr. Chairman, I have been worried over the price of Canadian bacon in Great Britain. I have before me quotations showing that Danish bacon brings two cents a pound more in Great Britain than does our Canadian bacon, and those who will take the trouble to look up prices will find that the Danish farmer receives 4·7 cents a pound more for his bacon than we do in Canada. There are complaints that the bales in which bacon is shipped out of this country are not put up uniformly; that a poor piece of bacon will be put with a good piece, and for many years the type of bacon going out of Canada has not been regulated. There are five grades of No. 1 Canadian bacon, and we think the grading of bacon that is shipped out of Canada would help a great deal in this situation. We also feel that if our bacon were of a uniform quality, this would help a great deal. I should be glad if the minister would tell us how many different grades of bacon there are in No. 1 that is shipped out of this country.

There is another angle to the question. Those who are best informed on the matter tell us that we have not the right type of bacon hog. We have reports from a friend of the minister, Mr. Schneider in Kitchener, and from Mr. J. S. McLean, of Canada Packers that it would mean twelve millions of dollars to Canada if we got a different type of pig, say the Danish pig. The Danes have specialized in bacon and dairying for the last seventy years, and have surpassed other nations in that field. The Danish pigs have proven themselves to be the best breeding stock. While the trade agreement helped to a certain extent, the fact remains that the Danes are pushing us right off the British market and getting a better price for their bacon. One of the reasons why we want the Danish pig in Canada is that at birth they are twice the size of the Yorkshire pig. They are much better mothers and have smaller shoulders and necks. They have larger hams which will grow faster and will weigh 225 pounds four weeks earlier than the Yorkshire pig. The Danish pig is wanted by the Canadian packer. This may not be inter-

esting to some of the Toronto members, but it is interesting to the farmers who live north of Toronto, and it certainly is interesting to the people in my district. These people have been driven to extreme need, and it must not be forgotten that it is generally the pigs that pay the mortgage on the farm. Mr. J. S. McLean, President of Canada Packers Limited, has stated that if Canadian hogs had been as good as Danish hogs, during the last three years the Canadian farmer would have received $12,000,000 more for his hogs. That is a great deal of money, and I think attention should be directed to this statement.

For eight years I have tried to get the Danish hog into Canada, but there is an oligarchy in the Department of Agriculture past which it was impossible to get. There is a man in the department who occupies a room nearly as large as this chamber. Things have gone to his head and he believes he is Mussolini. I think it is time that the officials of this department should be told what they should do. Our ministers have had great difficulty. The hon. member for Melville (Mr. Motherwell), when he was minister, tried to get the Danish pig into Canada, but he was not successful. The former Minister of Agriculture, Mr. Weir, tried to get them in. The department agreed to let in the landrace pig from Sweden, but they would not let in the Danish pig. The Swedish pig is much inferior, but the former minister had to abide by the ruling of the oligarchy. The present Minister (Mr. Gardiner) has told me, both publicly and privately, that he will help me to get the Danish pig in. I know he has his battles to fight and I know those in the animal husbandry division will try hard to see that he does not get the Danish pig in. Nevertheless he has given his promise and I rely on it. This would mean many millions of dollars to the people of Canada. I think this matter comes under the Department of Trade and Commerce as it really means trying to get as much as we can for the production of our farmers.

Mr. LEADER: Mr. Chairman, I want to draw just one matter to the attention of the minister. At one time we enjoyed a promising trade in pure bred cattle with New Zealand and Australia, but this trade has been lost. At the present time most of it is going to the United States. I take some farm papers and I am well aware of the fact that the United States are very proud that they have been able to get the representatives of the governments of Australia and New Zealand to purchase suitable pure bred stock in that country. We have trade commissioners in New Zealand and Australia, and I think they should be notified that there is in Canada pure bred stock which will compare very favourably with anything there is in the United States. When the governments of those two countries again send their representatives abroad to secure pure bred stock, our trade commissioners should invite them to come to this country. It might be asked if this stock can be obtained in Canada. I may say that within the last three weeks I have had the opportunity of visiting some herds in Ontario and I say most definitely and emphatically that we have some wonderful pure bred cattle. I am a practical man and I know what I am talking about. I have reared stock which was good enough to go to Australia and New Zealand. I urge the minister to take up this matter with the trade commissioners who should ask the representatives of the governments of these countries at least to visit Canada to see what they can get from their sister dominion.

Mr. BARBER: Is the Commercial Intelligence Journal included in this vote? If so, what was the cost of publication?

Mr. EULER: That would come under printing. The hon. member for Wellington North (Mr. Blair) is interested in the breeding of Danish pigs, and he states that the Department of Trade and Commerce should attempt to promote the breeding of this particular type of animal. This department is always interested in the promotion of trade of all kinds with all countries, but I am afraid I am at a loss to answer any questions referring to the selection of any particular kind of pig as being the most suitable for production in this country. I think that would come under the live stock branch of the Department of Agriculture. With all respect to my hon. friend, perhaps he ought to make his representations to the Minister of Agriculture (Mr. Gardiner). He stated that the exports of bacon to Great Britain had fallen off, while those from Denmark had increased.

Mr. BENNETT: It is the exact opposite.

Mr. EULER: As a matter of fact, our exports to Great Britain have increased in greater proportion than have the exports from Denmark. With regard to quality, I am sure the hon. member would be interested in knowing that in a recent competition held in London, England, a firm of packers in the well known city of Kitchener took first prize.

Mr. BLAIR: Would the minister permit a correction? Until the imperial agreements our bacon exports fell off.

Mr. EULER: That is just exactly what I was going to say. I am sure the leader of the

opposition (Mr. Bennett) would have said that himself in a few minutes if he intended to speak on this matter.

I have not a great deal of information with regard to the sale of pure bred cattle, but I can say that there is a preference for that particular kind of cattle from the British isles. The Australian government are granting loans for the purchase of pure bred cattle in the United Kingdom. Rightly or wrongly, Australia is embarking upon a definite policy of buying from those who buy from them. There is a very heavy balance in favour of Canada in our trade with Australia, but for the benefit of my hon. friend from Manitoba, I may say that this country hopes to negotiate a new agreement with Australia and his representations will be borne in mind when that time comes.

Mr. DONNELLY: Is it a fact that the United States ship most of the hams entering England? Why is it that that country ships most of the hams to England while Canada ships few or none?

Mr. EULER: I have no information with regard to the matter.

Mr. STEVENS: There is a matter which I think should receive the minister's attention. The hon. member for Wellington North (Mr. Blair) very properly raised the question of the sides from the number of grades of hogs that are included in what is known as grade A export bacon, but I did not notice that the minister referred to that question at all.

Mr. EULER: Because it does not come under this department.

Mr. STEVENS: In a way, yes. Probably it comes under no department, but certainly it should come under the Department of Trade and Commerce in conjunction with the Department of Agriculture. I know that the Department of Agriculture undertakes to handle all the grading of live stock and all that sort of thing so far as Canada is concerned, and when any action is necessary in connection with the export of live stock or the grading of live stock products the Department of Agriculture is usually consulted and I believe its views and expert advice largely dominate. But if any action is taken it must be taken through the Department of Trade and Commerce, that is, action definitely fixing the grade of export products. Now this is what was found in the investigation by the price spreads commission. I will read a part of the evidence which bears out what my hon. friend from Wellington North had to say on the subject. I shall quote two or three paragraphs because I think it is desirable that this matter should be taken into consideration and some definite policy adopted. I quote from page 171 of the report of the commission:

> Summing up, we feel that the system at present in vogue in handling Canadian bacon on the British market operates primarily to the advantage of the packer exporter and the distributor concerns on the British market, and that there is insufficient consideration given to the interest of the primary producer. If, however, as the president of Canada Packers has declared, the price of bacon in Great Britain fixes the price of hogs in Canada, it is obviously of vital importance to the producer of hogs that the marketing of Canadian bacon should be on a fair and equitable basis.
>
> Evidence given us has shown that it was possible to secure for high class Canadian bacon a price substantially in advance of the prevailing price and a figure practically equivalent to that of Danish bacon.

I pause here to emphasize this particular point. The minister a moment ago referred to the firm of Schneiders, though he modestly refrained from mentioning the name, inasmuch as the firm happens to be in his own riding. There is another firm, Dumarts, which has just as good a record, but it was Schneiders' bacon with which an interesting test was made in London. One of those who carried out the test was a gentleman named Percival, I believe, though I am not sure of this, one of the most prominent in the marketing of bacon in London, and with him were Miss Cora Hinds of the Winnipeg Free Press and a third person. They were to be the judges. They took bacon from some of Schneiders' export, and they also took Danish, Irish and Dutch bacon, all leading brands. These samples they took to an expert chef in one of the outstanding hotels and after he had cooked the bacon and served it in the ordinary way this committee, without knowing where any particular sample came from, passed upon the best type, and they all agreed on a certain selection which proved to be Schneiders' bacon.

Another evidence that we can do as well or nearly as well as the Danish producers is the experience of the Ontario Department of Agriculture with what is known as the Big "O" Brand. In this connection I wish to commend the present provincial Minister of Agriculture, Mr. Duncan Marshall, for having carried on that experiment—because it was largely an experiment. The abattoir that produced that brand, with the assistance of the Ontario government, took select bacon hogs for the purpose of making export bacon. I shall come to the significance of that in a moment, but for the purpose of this recital it is sufficient to refer to that in passing. They then exported their bacon to a committee of British distributors among whom,

I believe, are two agents of Canada Packers, that is, British firms who are agents of Canada Packers in Great Britain, and other distributors. They constitute a marketing committee in England, and every Thursday they sit and determine what is to be the price of bacon for the following week. In other words, the price of Canadian bacon is fixed by a committee of British distributors of bacon, not only Canadian but other bacon as well. The Big "O" Brand was exported independently of that committee and one outstanding firm—I will not mention the name because they have been penalized and forced to abandon the handling of that brand—secured a price which equalled the Danish price in several instances, exceeded it in one or two instances, and in other instances was slightly below, a mere shilling or two below, whereas the prevailing rate for Canadian bacon was eight, ten, and sometimes fourteen shillings below the Danish. As a rule it is substantially below the rate for Danish bacon. I do not have the record, though, under my hand. But the Big "O" Brand, shipment after shipment, secured that market on a parity, either slightly above or slightly below the Danish price. It is safe to say that it was virtually on a parity with the Danish price. This committee to which I have referred served notice on the British firm that was distributing the Big "O" Brand—I have seen the letters, but here again one cannot use these things because it only penalizes people—directing them to desist and come into the committee again. And they did. I have no means of ascertaining how the Big "O" Brand has been marketed during the past year. That is not within my knowledge and I cannot therefore deal with it. Now, why is it that Canadian bacon has received a lower price on the British market than Danish bacon? I can give the answer by quoting further from the report dealing with the evidence before the price spreads commission. I shall repeat a part of what I have already read:

> Evidence given us has shown that it was possible to secure for high-class Canadian bacon a price substantially in advance of the prevailing price and a figure practically equivalent to that of Danish bacon. This, however, was secured only through British marketing agencies other than those included in the British Bacon Committee. It was also pointed out that predatory action had been taken by the bacon committee to discourage independent dealers from handling Canadian bacon, such as the Big 'O' Brand at a price obove the "official" price.

These are the facts. There is no question about them. I want the minister to follow this very carefully:

> The packing companies include in grade A, bacon made from several classes of hogs, including selects, butcher, light, heavies—

And bacon. That is, five grades of hogs included in the production of what is known as grade A bacon. Your bacon hog fixes the price of hogs in Canada. Selects get $1 per hundred above the bacon price.

An hon. MEMBER: A dollar per hog.

Mr. STEVENS: A dollar per hog above the bacon price. The lights are penalized a dollar a hog; the heavies are penalized one and a half to two dollars a hog, and the butchers are penalized a dollar a hog in the market. Mr. McLean swore very positively—I have his evidence before me—that the price of all Canadian hogs was fixed by the price of bacon on the British market. The best price for Canadian hogs is for what is known as the bacon grade. He, however, who exports about eighty to ninety per cent of the bacon, included in the class of bacon that fixes the price in England five grades of hogs, including those three lower grades. It must be evident to anyone that the inclusion of those three lower grades in their grade A bacon, which determined the price of bacon in England, reacted adversely upon the price of hogs in Canada. One cannot escape that conclusion.

I turn now to a fact affecting interdepartmental officials. When I occupied the office which is now held by the minister, this question of the export of Canadian bacon was before me, and I may say to the minister that he has in Mr. Wilson an expert excellently versed in the marketing of farm products. Through Mr. Wilson and other sources we learn that the type of Canadian bacon which was going forward to Great Britain was inferior, and that if we were to raise the price of bacon on the British market we should have to improve the export standard. So I asked for a conference, and a conference was held between officials of the Department of Agriculture and the minister of that department, and officials of the Trade and Commerce department and myself. Present at that conference were two representatives of Canada Packers. One was Mr. Todd, who claims to be the representative of the packers, but who, as everyone is aware who knows his connections, represents Mr. McLean, and the other was a gentleman who is not with that company but who at that time was its sales manager. At that conference it was demonstrated, from advices we had in the department, that it was the inferior type of bacon going forward which was responsible for the low price we were

receiving on the British market as contrasted with Danish bacon. My effort was to interest the Department of Agriculture in raising that standard, which could be done by eliminating the use in grade A of the three inferior grades of hogs and limiting it to bacon and select hogs. But at that conference the officials of the Department of Agriculture turned to Mr. Todd, and he it was who determined what the policy would be. His answer was along this line. He said, "There is a market in England for second bacon, and it is our opinion that it is better to export a substantial quantity of what might be determined second bacon, because there is a market for it." My argument was—and I believe that any expert in the Department of Trade and Commerce will endorse it—that if we were to raise the standard of our export bacon by including a larger proportion of select and bacon hogs in grade A or by limiting grade A to those two selections, we should raise the price of bacon in England and automatically raise the price of hogs in Canada, because, as Mr. McLean said, the price of hogs in Canada was fixed by the price of bacon in England. Do not let us forget that we export only about fifteen per cent and we consume in Canada eighty-five per cent. So that the price of hogs marketed in Canada as well as of those exported to Great Britain is fixed by British prices for our bacon.

It may and probably will be argued that there is not a sufficient quantity of select and bacon hogs in Canada to make this suggestion practicable. The evidence showed that about twenty per cent were selects and thirty per cent were bacon; in other words, about fifty per cent of the hogs marketed will grade bacon or select. So, as the total export is only about fifteen per cent, there is in Canada an abundant supply of high grade hogs to serve the market in Great Britain, the market we should most earnestly foster and develop, and yet to leave an adequate supply in this country for high class trade at home. But let us assume that the argument has some foundation, that there is not enough to supply our whole export requirements and attend to the demand in Canada. Then I submit—and this is what I rose to suggest to the minister—that there should be a definite regulation to limit the class of hogs used for the production of grade A bacon to selects and bacons; the others can go, if it is desired, into grade B bacon. But it is grade A bacon that fixes the price for Canada on the markets of Great Britain.

Let me read further from the report. After describing the types of hogs that go into the production of grade A bacon, the report continues:

> That the bacon committee in Great Britain is composed of British distributors who work in close collaboration with the Canadian packers, discloses, in our opinion, a condition in the marketing of Canadian bacon in Great Britain which demands the attention of an independent body with government authority in order that the producers' interests may be properly protected.

I think that is extremely important. They go on to say:

> We recommend that a board be set up to supervise the live stock and meat production industry. This board should, in our opinion—

I would say here, this board or some other body:

> —immediately on its appointment make a careful survey of the situation in the British market with a view to:
>
> (a) Ascertaining to what extent Canadian packers and the British bacon committee operate as a mutual body; and
>
> (b) To revise the grading of export bacon so as to ensure the highest possible price for Canadian selects and bacon hogs; and
>
> (c) To secure such a system of distribution as will satisfactorily meet the requirements of the British trade, while at the same time ensuring full and adequate protection to the producer of hogs in Canada.

As far as I know that has not been done. I am bringing it to the attention of the minister and of his colleague the Minister of Agriculture. I urge them to examine the report of the price spreads commission in this regard and to make a searching investigation of these facts, because the whole hog industry of Canada, that is the interests of the primary producers, is definitely adversely affected by the present method of marketing bacon in England. I had not any idea that this question would come up to-night, and I have not in my hand certain statistics, I will, however, quote from memory, and I am pretty sure that my memory will not be much astray. I believe the facts I am about to give will surprise the committee.

After this report was made I carried on some further investigations of my own to satisfy myself on this point because I believe that the price of hogs—and incidentally the price of cattle, though we are talking about bacon and hogs just now—is of tremendous importance not only to the farmer but also to the economic structure of Canada. I will tell the committee why I say so. One thing that is evident above everything else in our discussions of the monetary question, unemployment and so on is that there is a shortage of purchasing power in the country, particularly among the farmers. Inasmuch as the farming community constitutes nearly fifty per cent of our population it follows as day

follows night that if you can raise the prices of their products you increase the purchasing power of the farmers. In raising the prices of hogs we would be making one of the major, underlying, fundamental contributions towards recovery in this dominion.

Mr. HANSON: Would the hon. gentleman permit a question? I gather from his remarks that he thinks it would be necessary to import Danish hogs in order to produce English breakfast bacon in Canada. Is that my hon. friend's idea?

Mr. STEVENS: I was not talking about that.

Mr. HANSON: The hon. gentleman mentioned hogs being shipped in from Denmark.

Mr. STEVENS: I am entirely in favour of importing pure bred stock from either Denmark or Sweden, both of which are excellent types. I am entirely in favour of that being done in order to improve the stock in Canada, but I am trying to emphasize this: With the stock we have, without waiting for the improvement of the stock by the processes suggested, we can make a substantial contribution to the correction of this situation.

This is what I found, to which I was about to refer: I took Mr. McLean's statement that the price of Canadian hogs was fixed according to the price of bacon in the British market. Of course he went on to say that there were certain costs, spreads and so on which helped to determine the price, but the point was that it was the price we received on the British market which fixed the price of our hogs. Taking that as a basis I made an investigation; I said to myself: Well, if that applies to Canada it must apply also to Denmark and Holland, two of our chief competitors, and to other countries. I was able to get comparative figures from Denmark and Holland, and this is what I found: I have long sheets of these figures covering a period of two years, and the Danish farmer was receiving for his hogs about six, seven or eight cents a pound more than the Canadian farmer was receiving, using the same ratio in each case. The Dutch farmer received from three cents to five or six cents a pound more. The average for two years showed that these farmers received about 4½ cents per pound more for their hogs than did the Canadian farmer. There would have to be a slight deduction made in one case and an addition in another. In the case of Holland, which was the most comparable country with Canada, Holland was on a gold basis and there was the question of freight, but even if we make those allowances, it would vary only slightly the figure I gave a moment ago.

[Mr. Stevens.]

What I am coming to is this: Here in Canada we accept from the packers a dictum, if you like, a definite determining factor that fixes the price of hogs. It is not the government; it has nothing to do with the government. It is not parliament; parliament has nothing to do with it. The bare fact is that the price of bacon in England is so and so and the price of hogs in Canada will bear a certain relation to that price. Even accepting it on that basis we have a right to demand that the Canadian farmer should receive as fair a proportion of that British pound or dollar, as the case may be, as does the Dutch or Danish farmer, and that is not the case to-day.

I have gone into this matter in this way to demonstrate that in my opinion—and I have worked it out with the assistance of some very able statisticians—this runs into enormous sums of money. From memory I hesitate to intimate what the figures are, but they amount to millions and millions of dollars a year that I firmly believe the Canadian farmers at least are being deprived of, if not defrauded of, by the practice in force at the present time. In this report we have the finding, which as I recall it was fairly unanimous if not entirely so, that the government or some authority created by parliament should go into this whole question for the purpose of seeing that the Canadian farmer gets a fair price for his hogs. He is not receiving that fair price to-day. It is easy for statisticians representing the packers to say there is so much cost for this, so much for that and so much for the other thing, and then show a fraction of a cent a pound profit spread over all their operations. That is quite simple, but it is not the whole story. We have all the facts and figures in the report. Every table of statistics submitted shows that prices of farm products have dropped lower than those of any other major schedule. During the past six years, when the farmer has been subjected to the most difficult times of his history, the packers made more money than they ever did before. That is the point. Oh, I know the answer to that, that if you took all those profits and divided them among the millions of farmers, what would it amount to? That is not the point. On reflection we must always remember that when Canada Packers were organized in their present form they gathered in a number of independent packing concerns of which I think six were closed down, representing an investment of some millions of dollars. All that overhead is now taken out of the price of processing the hogs, but that plant is not operating.

Some of those great plants, which cost millions of dollars, such as the plant at Ingersoll, a portion of the Davis plant, and others of that kind, are used merely as storage yards. But the entire capital cost of the plants that were closed down remains in the capital structure, and the plants operating at present must provide through their processing charge the overhead for the whole structure.

In addition to that, the record shows that Canada Packers have created a reserve which in another five years will completely wipe out all the old investment, including that in the closed plants as well as the investment in the operating plants, as well as paying back dividends for some years, and of course they have also paid very handsome dividends and bonuses all through this period. Now I am not attacking a concern for being successful, but when that concern is so fabulously successful as it has been in the past five or six years during a time when the farmers suffered more than at any other time, that fact is worthy of consideration.

In the second place I say that they and they alone fix the price of hogs. No government body does it; the Department of Agriculture, the Department of Trade and Commerce, the provincial governments, the dominion government—none of them has a word to say, but at ten o'clock every morning the price is fixed, fixed by virtually the one man, and fixed, as he says, on the basis of the price of bacon in England.

Mr. EULER: Is it really a fact that it is fixed on that basis?

Mr. STEVENS: Yes, he swears to it. I have it before me somewhere. This is not the exact item I was going to quote, but this refers to it:

> Mr. McLean: You see if the British market advances the Canadian price here goes up immediately, and if the market declines, the Canadian price goes down immediately; and the hogs are bought on the basis of the English market practically all the time. Remember that is not an absolute rule, because there are a hundred variations to it. But the variation from the export basis is always small.

There is another quotation, which for the moment I cannot put my finger on, in which he makes it even more definite than that. However, I think that will serve the purpose for the moment.

Therefore I say in the second place, the price of hogs being fixed on the basis of the price of bacon in England is a very serious matter, but the most serious of all is the British bacon committee. That committee sits once a week and determines what the price of Canadian bacon on the British market shall be. There is no open market for Canadian bacon in Great Britain. Lest I should be misunderstood let me say at once that I do not wish to disparage the value of the British market to Canada; it is of tremendous importance, and we ought to cooperate with the British distributor in every possible way. I am not suggesting that we should do anything foolish or reckless, but I say that we have a right, in the interests of the producers of hogs in this country, whose price is subject to fixation in England, to have something to say on the fixing of that price. At the present time we have nothing to say. As is recommended in the report, the whole question should be carefully examined into. This should not be done in any reckless way; it should be done with great care. I understand that the minister is going over to England this year, and I think it is wise that he should. I suggest to him that while he is there he should look into this whole matter. He should not place himself wholly in the hands of the bacon committee; that might be more disastrous still. But if he goes over there suitably informed on the whole subject I believe that he will be able, with his well known sound common sense to see through the whole business.

I deprecate vigorously the restrictions that have been placed against independent exporters. I believe that there has been some improvement in that respect in the last year, but I am convinced that there is not the freedom of marketing which there ought to be. I believe that we should encourage exporters such as Schneider, Dumarts, and other smaller exporters, many of whom have established a reputation which we can well be proud of and whose bacon is equal to the best foreign bacon on that market.

Mr. EULER: Do they come under the control of that committee?

Mr. STEVENS: Speaking as to the past, I believe they were absolutely under its control. That statement may have to be modified as far as last year is concerned; I cannot speak as to that.

Mr. FAIR: I wish to endorse the remarks of the hon. member who has just taken his seat, having lived quite a number of years in the west where they raise hogs, and in a district which has done quite a lot to improve its breed of hogs in the past ten years, so much so that at the last Toronto Exhibition two of our boys took home the bacon for the swine judging competition. A few years ago I remember a number of my neighbours and myself taking hogs to the stockyards at Paradise Valley and selling them for 2¼ and

2½ cents a pound, the best hogs you could get. At the same time we learned that six executives of one packing plant were drawing $70,000 a year each yet we were told we were getting more than was coming to us. I think the matter raised by the hon. member for Kootenay East (Mr. Stevens) as to the grades permitted to be exported, that is bacon and selects, is a very good suggestion and should be followed up very carefully. If the proper officials will do their share to take the hogs out of the hog marketing business the farmers and those dependent upon them will be far more successful.

Mr. NEILL: Before this item carries I wish to raise what may be a point of order, but perhaps I might bring it within the ambit of the item under consideration by asking the Minister of Trade and Commerce how we come to be on estimates this evening in defiance of the announced program last Friday night. This is the program as announced:

> Mr. Bennett: What business will be taken up on Monday?
> Mr. Mackenzie (Vancouver)—

Who apparently was leading the house for the government—

> —We are prepared to proceed with any of the bills on the order paper.

It is a well known rule, although I cannot point to any paragraph in Beauchesne or Bourinot, but a rule sanctioned by perhaps forty years of usage in this house, that the last thing at night the leader of the opposition asks what is to be the program for the next day, and is advised by the minister who is leading the house. A habit had grown up to some extent—it was worse in the last house and it is worse in this—of departing from that procedure and taking up any item which happens to be convenient. This is not the first or second or third time this session that either estimates have been taken up when none was foretold, or certain estimates have been taken up that were not mentioned. It is absolutely essential that there be some faith in these matters. It is impossible for 245 men to be in the house all the time; they must go and attend to their letters and other business; a half empty house often does more efficient work, because the men are there who are interested in the subject, and if we are all to sit here all the time this will make for a great deal of delay. The hon. member for Kootenay East (Mr. Stevens), in the midst of his very able remarks a few minutes ago, said that he had not the slightest idea that this was coming up to-night or he would have had his data ready. Are we all to sit here without the slightest idea whether an item is coming up, and bring our notes morning, noon and night in case it should? Does that make for cooperation? The government may say: Oh, well, we are going to do it and what are you going to do about it? But not a day passes without some member of the government having to ask the consent of the house—and that means unanimous consent—to pass a bill through some stage. The Minister of Finance did this on Friday night. Any one man can block it. I am not suggesting that as a threat or a hold-up or a filibuster, for I want to go home. But this is an illustration of the truth that we need cooperation; cooperation can be founded only upon good faith, and good faith I take to mean that when it is announced that the program will be so and so the announcement should be adhered to. I would suggest that whoever is leading the house for the government make a note of that, and that when a statement is made it be adhered to. If we are going to take estimates, say so; and if we are going to take estimates, indicate which estimates, and then adhere to that program.

Mr. EULER: I was not in the house the other night when the announcement was made, but perhaps I should take any responsibility for what may appear to my hon. friend as a breach of faith. Certainly there is no intention whatsoever of taking any advantage of the committee in bringing up these estimates to-night. The explanation, as a matter of fact, is very, very simple indeed. It may be known to my hon. friend that there is some intention on the part of some of us to proceed abroad during the summer; as it happens, one of the officials of the Department of Trade and Commerce intends to proceed to Great Britain in the course of a very few days, and it was thought desirable, before he leaves, to take the estimates of the branch with which he is particularly concerned. That is the simple explanation. I would also say that if the committee feel that any advantage is being taken of hon. members and they prefer that we rise and report progress, I am quite willing to do so, but it never entered my mind that we were taking advantage of anyone in connection with the matter.

Mr. NEILL: I do not wish to push my objection to that extent, but the minister's explanation just illustrates the point I was making. Surely this gentleman knew on Friday night that he was going abroad. I do not wish to incur the odium of my fellow members by having the committee rise, but I say that the obligation is on the government to state their program at the adjournment and then adhere to that program. This is only one occasion. The gentleman in

question has not been going abroad four times in the last three weeks, and yet this same thing has happened four times in three weeks, although not in connection with these estimates.

Mr. EULER: I do not wish to delay matters unnecessarily, but the minister has been trying to get his estimates before the committee for some time. They have been announced repeatedly, at least on three former occasions, as coming up, but because of the length of the debate on some other matter it was quite impossible to bring on the estimates on the day arranged. Now it is getting to the time when it becomes almost imperative that something be done about the matter, and that is why these estimates were brought up to-night. If, however, the committee think there is any breach of faith, I do not wish to continue with these estimates to-night.

Mr. NEILL: It is the hon. gentlemen who have not come back from Toronto or elsewhere who would probably have more of a grievance.

Mr. BENNETT: Possibly, Mr. Chairman, we have overlooked the fact that the Prime Minister said the other evening that we should be prepared to take up any items on the order paper because we had reached that stage of the session. The other evening when the hon. gentleman who was leading the house said that we would take up any bills on the order paper I thought he had in mind anything on the order paper, as the Prime Minister had said on the previous evening, and this evening when it was mentioned to me that the discussion on the Bank of Canada Act was to be discontinued and Trade and Commerce estimates taken up, I am bound to say that I did not think this strange because when we are within perhaps two weeks or so of the end of the session the government usually says at the adjournment, when asked what will be the business of tomorrow: You must be prepared to take up any items on the order paper. I am sure that is what the minister leading the house the other evening had in mind when he said, "any bills on the order paper." We usually differentiate between estimates and bills, but in reality what we are now doing is preparing for the supply bill. If I had pressed the minister more closely the other evening he would no doubt have said that we must be prepared also to take up estimates, but that would not have answered the question of my hon. friend from Comox-Alberni (Mr. Neill) as to what particular estimates.

Mr. NEILL: The right hon. gentleman may have known what was in the mind of the hon. member for Vancouver Centre (Mr. Mackenzie), but unfortunately I only know what he said, and if one looks at the Prime Minister's remarks the night before it will be seen that he said "any bills on the order paper." I would have been quite satisfied if he had said that they were going into estimates to-night. But why not say so?

Mr. McIVOR: I can see a redeeming feature in this, if it works from the other end and gives those members who do considerable talking better control of their terminals so that we can speed up the business of the house.

Mr. SPENCE: I would ask the minister how many trade commissioners we have, and what is the total cost, including office expenses and so on.

Mr. EULER: There are thirty-six trade commissioners' offices and thirty-five trade commissioners, at a total of $733,400.

Mr. SPENCE: I was wondering if there were not some more economical system that we could adopt. We have so many trade commissioners and trade commissioners' offices all over the world. Surely we could get some man over there of high integrity to whom independent packers could send their stuff in competition with the other big packers, and who would help them realize a better price. Competition is the life of trade. Perhaps we are confining our business too much to one line.

Mr. POULIOT: Why not have peddlers, to please the hon. gentleman?

Mr. BENNETT: I should like to disabuse the mind of the hon. member for Winnipeg North (Mr. Heaps) as to there being an embargo on Russian trade. Apparently the reiteration of what took place has no effect on him. The former Liberal administration, it will be recalled, terminated diplomatic relations with Russia, but they did not in any way deal with the trade situation. The late government passed a statute empowering the governor in council to prohibit importations from any country that had not been a party to the treaty of Versailles, having regard to the labour provisions of that treaty, and subsequently there was a prohibition by order in council on the importation into Canada of anthracite coal, pulpwood, certain kinds of furs, and one other item. The reasons were obvious. These goods were being dumped on this market. There is no reason why trade with Russia may not be carried on to-day just as with any other country, or why Russia could not carry on trade with Canada just as any other country trades with Canada, except

with respect to the commodities I have mentioned. The reason for those items being dealt with as they were has been explained so frequently to the committee that I shall not bother restating it.

Mr. HEAPS: All I referred to was the embargo on trade. I made no further reference.

Mr. BENNETT: There is no embargo.

Mr. HEAPS: Then why are we not doing trade with Russia?

Mr. BENNETT: We are in certain commodities.

Mr. HEAPS: Then there is an embargo on other commodities. I did not say that there was an embargo on everything, but I say that the government, if they so desired, could remove the embargo which now exists. Now that the matter has been brought up again, perhaps the minister would inform the committee against what goods coming from Russia there is an embargo.

Mr. EULER: If you wish to call it an embargo, it is imposed against timber, asbestos, pulp and dressed furs.

Mr. BENNETT: Undressed furs.

Mr. EULER: Undressed furs come in. There have been serious protests from manufacturers in this country against dressed furs coming in.

Mr. BENNETT: Originally it was the whole class of dressed furs. Then there was a modification of it.

Mr. HEAPS: Have not the breaking off of diplomatic relations with Russia and the embargo, or call it what you will, had the effect of almost entirely disrupting trade between Canada and Russia?

Mr. EULER: Perhaps I could answer that by saying that the trade is not so large as it might be if the embargo, if you call it such, were not applied. There is a certain disruption of trade, but I cannot give any figures at the moment.

Mr. HEAPS: Has the minister any figures that would show the trade between this country and Russia in the last few years?

Mr. EULER: No, I have not.

Item agreed to.

An act to place Canadian coal used in the manufacture of iron and steel on a basis of equality with imported coal, administration of, $600.

Mr. MacNICOL: Could the minister give us an explanation of this item?

Mr. EULER: This is to cover administrative expenses.

Mr. MacNICOL: At head office?

Mr. EULER: Yes.

Item agreed to.

The Canada Grain Act, including management, operation and maintenance, also equipment of elevators, administration of, $1,927,200.

Mr. PERLEY (Qu'Appelle): Could the minister give us some of the particulars with respect to the distribution of seed grain in Saskatchewan, such as the amount required by the provincial government last spring, the price at which No. 1 northern was distributed, and also the price of oats, barley and rye?

Mr. EULER: I think that would properly come under the Department of Agriculture. It has nothing to do with the administration of the grain act.

Mr. PERLEY (Qu'Appelle): As long as an item is kept open in the Department of Agriculture under which this could be discussed.

Mr. EULER: I would not object to discussing it, but I have no information.

Item agreed to.

Dominion Bureau of Statistics, $375,200.

Mr. STEVENS: Is the bureau of statistics still housed in that old saw mill?

Mr. EULER: It still is.

Mr. STEVENS: Some two years ago I remember that conditions in this building were investigated and I think it was generally accepted that new quarters should be provided as soon as possible. I know the conditions in that building are certainly not fit for continuous occupation as an office building. This is more a humane matter than anything else, and I think some action ought to be taken.

Mr. EULER: I quite agree with my hon. friend.

Mr. LAPOINTE (Quebec East): Let us build the supreme court first.

Mr. BENNETT: A substantial sum of money was spent on improvements.

Mr. EULER: Yes, but conditions are pretty bad.

Item agreed to.

Exhibitions and fairs, $166,400.

Mr. MacNICOL: Does this item apply to work in connection with fairs in the old country?

Mr. EULER: Perhaps I could read my hon. friend a description of the work. This amount is required for shows and window displays when space has to be purchased in the British empire; for the purchase of goods in Canada for exhibition purposes; for the purchase of material used in the exhibition displays, including lumber, paint, oil, et cetera; for the removal of goods from Canada to London; for rentals, travelling expenses of staff, rental of sites for the exhibitions, warehouse and cold storage plants, and other expenses in connection with the operation of this branch. I might give some of the functions of the exhibition branch if the committee so desires.

Mr. MacNICOL: The minister referred to the purchase of goods. Would that be manufactured goods, canned goods and things of that kind?

Mr. EULER: These goods are largely supplied by the manufacturers, but I think these purchases would cover mostly food products which are displayed in the windows of different stores throughout Great Britain.

Mr. MacNICOL: It applies also to fairs, such as the Glasgow fair? I visited that fair and I saw a large display of goods.

Mr. EULER: That would come under this vote.

Mr. BARBER: What amount was spent in Canada and in the British isles last year?

Mr. EULER: There would be administration expenses in Canada.

Mr. BENNETT: There are also administration expenses in Great Britain.

Mr. EULER: Yes.

Mr. BARBER: We have been spending $10,000 or $11,000 per annum in this country; how much do we spend in the British isles?

Mr. EULER: I regret to say that the amounts are not segregated. There is an item of $33,880 for personal services, but I cannot say how much of that was spent in Canada and how much elsewhere. The item includes: Ottawa office, sundry expenditures, $1,920; warehouse at St. Catharines, $1,200; purchase of new exhibits, including grains, grasses, fruits and so forth, $3,000; exhibitions in the British isles, $49,965.30; general expenses, rental, land rates, taxes, water, maintenance, building, freight, wages, $23,434.70; expansion of cooperative policy to other empire countries, $6,000; participation in 1936 fairs, $15,000; participation in empire exhibition at Johannesburg, $30,000. I might say that we propose to increase that in the supplementaries. Then there is participation in the British empire trade fair, Hongkong, $2,000.

Item agreed to.

Electricity and Fluid Exportation Act, administration of, $750.

Mr. BENNETT: Could the minister give the licences outstanding for the export from Canada of electricity, and to what extent electricity is being exported under such licences?

Mr. STIRLING: Can electricity be exported from Canada through any other channel?

Mr. EULER: No; the federal government has complete control.

Mr. STIRLING: This would be the vehicle used?

Mr. EULER: Yes.

Mr. BENNETT: Could the minister give us the names of the companies that have licences and what amounts they are authorized to export?

Mr. EULER: I give the following particulars for 1934-35 in connection with the Hydro Electric Power Commission.

Mr. BENNETT: It would be well to have them all on Hansard.

Mr. EULER: The following are the figures for the various companies mentioned:

Hydro Electric Power Commission, Toronto, Ontario

Amount of licence in kilowatts	45,000
Amount of licence in horse power	60,322
Average kilowatts exported	42,827
Average horse power exported	57,409
Amount of licence in kilowatt hours	394,200,000
Kilowatt hours exported	375,164,600
Export tax	$112,549.38

Hydro Electric Power Commission, Toronto, Ontario (Surplus)

Amount of licence in kilowatts	80,000
Amount of licence in horse power	107,239
Average kilowatts exported	21,368
Average horse power exported	28,643
Amount of licence in kilowatt hours	700,800,000
Kilowatt hours exported	187,179,343
Export tax	$56,153.81

Cedar Rapids Manufacturing and Power Company, Montreal, P.Q.

Amount of licence in kilowatts	75,000
Amount of licence in horse power	100,536
Average kilowatts exported	36,897
Average horse power exported	49,460
Amount of licence in kilowatt hours	657,000,000
Kilowatt hours exported	323,221,439
Export tax	$96,966.42

Canadian Niagara Power Company, Niagara Falls, Ontario

Amount of licence in kilowatt hours.	45,000
Amount of licence in horse power..	60,322
Average kilowatts exported..	36,151
Average horse power exported.. ..	48,460
Amount of licence in kilowatt hours.	394,200,000
Kilowatt hours exported..	316,686,121
Export tax..	$95,005.86

Canadian Niagara Power Company, Niagara Falls, Ontario (Surplus)

Amount of licence in kilowatt hours.	20,000
Amount of licence in horse power..	26,810
Average kilowatts exported..	2,866.24
Average horse power exported.. ..	3,842.15
Amount of licence in kilowatt hours.	175,200,000
Kilowatt hours exported..	25,108,300
Export tax..	$7,532.49

Western Power Company of Canada Limited, Vancouver, B.C.

Amount of licence in kilowatts.. ..	10,000
Amount of licence in horse power..	....
Average kilowatts exported..	1.47
Average horse power exported.. ..	1.97
Amount of licence in kilowatt hours.	87,600,000
Kilowatt hours exported..	12,900
Export tax..	$3.87

Ontario & Minnesota Power Company, Minneapolis, Minn., U.S.A.

Amount of licence in kilowatts.. ..	3,000
Amount of licence in horse power..	4,021
Average kilowatts exported..	1,557
Average horse power exported.. ..	2,087
Amount of licence in kilowatt hours.	26,280,000
Kilowatt hours exported..	13,636,800
Export tax..	$4,901.04

B.C. Electric Railway Company, Vancouver, B.C.

Amount of licence in kilowatts.. ..	5,000
Amount of licence in horse power..	6,702
Average kilowatts exported..	19.06
Average horse power exported.. ..	24.21
Amount of licence in kilowatt hours.	43,800,000
Kilowatt hours exported..	158,220
Export tax..	$47.46

Maine & New Brunswick Electric Power Company, Presque Isle, Maine, U.S.A.

Amount of licence in kilowatts.. ..	2,500
Amount of licence in horse power..	3,351
Average kilowatts exported..	1,463.35
Average horse power exported.. ..	1,961.59
Amount of licence in kilowatt hours.	21,900,000
Kilowatt hours exported..	12,818,910
Export tax..	$3,845.67

Maine & New Brunswick Electric Power Company, Presque Isle, Maine, U.S.A. (Surplus)

No export.

Southern Canada Power Company, Montreal, P.Q.

Amount of licence in kilowatts.. ..	500
Amount of licence in horse power..	670.24
Average kilowatts exported..	42.06
Average horse power exported.. ..	56.38
Amount of licence in kilowatt hours.	4,380,000
Kilowatt hours exported..	368,448
Export tax..	$110.53

[Mr. Euler.]

Fraser Companies, Limited Edmundston, N.B.

Amount of licence in kilowatts.. ..	1,500
Amount of licence in horse power..	2,011
Average kilowatts exported..	647.8
Average horse power exported.. ..	868.4
Amount of licence in kilowatt hours.	13,140,000
Kilowatt hours exported..	5,675,000
Export tax..	$1,702.50

Northern B.C. Company, Stewart, B.C.

Amount of licence in kilowatts.. ..	25
Amount of licence in horse power..	33.51
Average kilowatts exported..	4.54
Average horse power exported.. ..	6.08
Amount of licence in kilowatt hours.	219,000
Kilowatt hours exported..	38,750
Export tax..	$11.92

Northport Power & Light Company, Rossland, B.C.

Amount of licence in kilowatts.. ..	1,500
Amount of licence in horse power..	2,011
Average kilowatts exported..	28.38
Average horse power exported.. ..	38.04
Amount of licence in kilowatt hours.	13,140,000
Kilowatt hours exported..	248,583
Export tax..	$74.49

Maritime Electric Company, St. Stephen, N.B.

Amount of licence in kilowatts.. ..	600
Amount of licence in horse power..	804.29
Average kilowatts exported..	96.05
Average horse power exported.. ..	128.76
Amount of licence in kilowatt hours.	5,256,000
Kilowatt hours exported..	841,440
Export tax..	$252.44

Detroit & Windsor Subway Company, Windsor, Ontario

Amount of licence in kilowatts.. ..	300
Amount of licence in horse power..	402.14
Average kilowatts exported..	27.99
Average horse power exported.. ..	37.52
Amout of licence in kilowatt hours.	2,628,000
Kilowatt hours exported..	245,200
Export tax..	$73.56

Gatineau Electric Company Limited, Ottawa, Ontario

No export.

Mr. STIRLING: What is the total amount of horse power exported?

Mr. EULER: The total amount exported is 1,391,883,980 kilowatt hours.

Mr. STEWART: Has the minister the horse power?

Mr. EULER: I do not have it before me.

Mr. BENNETT: What is the revenue?

Mr. EULER: The revenue is $305,709.67.

Mr. BENNETT: Are there any applications for licences now?

Mr. EULER: There are no new ones pending.

Item agreed to.

Electricity and gas inspection service, $220,300.

Mr. BENNETT: This is merely administrative. You collect the fees and this is advanced for it.

Mr. EULER: Yes. There is a considerable profit on the item, amounting to $115,000.

Item agreed to.

International customs tariffs bureau, $2,700.

Mr. DONNELLY: Will the minister explain this?

Mr. EULER: This is Canada's contribution to a bureau which is maintained at Brussels for providing information with regard to the tariffs of all countries.

Mr. BENNETT: Like the agricultural bureau at Rome?

Mr. EULER: Yes.

Item agreed to.

Motion picture bureau, $40,800.

Mr. MacNICOL: Does the department plan to extend the work done by the motion picture bureau?

Mr. EULER: Only in the matter of providing sound. There is an increase of $800.

Mr. MacNICOL: I went to the bureau where these pictures are being exhibited in Ottawa and it struck me that a great deal of good could be done if the pictures could be sent throughout the country. Many of them show the processing of various raw products from the very commencement. In the case of lumber, the process is shown from the log in the bush to the finished furniture. These pictures are not only very educative but indicate the wide diversity of activities in which the Canadian people are engaged in processing raw products of various kinds. What is the department doing to send these pictures all over the dominion?

Mr. EULER: These pictures go to practically all countries in the world, and perhaps the reason why they have not been seen more in our own picture houses in Canada is the fact that we did not have sound. Nowadays everything in connection with moving pictures is accompanied by sound, and we are correcting that defect.

Mr. MacNICOL: If there were some way of showing them in school houses, in small suburban communities or in small communities in the country, this would be of great benefit to the people. The sound would not be necessary. Electrical apparatus could be taken to show the pictures and this would give the people in the rural communities an idea of the great benefits that are derived from the urban centres where all these raw products are developed to the finished state for final sale.

Mr. EULER: We send them out for educational purposes, but precaution has to be taken to see that they are not admitted to places not properly protected as regards fire.

Mr. STEWART: Can the minister give a general statement of the scope of the activities which the department pursues in its work, particularly in connection with motion pictures?

Mrs. BLACK: One year the Canadian National gave me a dozen or fifteen moving pictures to take north. They included a great many scenes in the east: Nova Scotia during apple blossom time, New Brunswick hunting scenes, and various hunting and other scenes in Quebec. I had them shown in Mayo, White Horse and Dawson.

Mr. EULER: The organization and the functions of this branch are as follows: The branch was organized in 1917. The chief functions are: (1) to produce and circulate throughout the world motion pictures and pictorial material such as photographs, photographic enlargements, films and lantern slides, transparencies, et cetera, designed to disseminate information about Canada and to advertise the resources, industries, products, scenery, tourist attractions and other aspects of the dominion as a means of developing trade and tourist travel and to make Canada better known to people of other countries; (2) to operate as a central organization for the production of all kinds of motion pictures, photographic material and pictorial displays for all departments of the dominion government and allied organizations; (3) to act as technical consultants to all government departments and allied organizations in matters pertaining to motion pictures, photography and the purchase, use and upkeep of motion picture and photographic equipment; (4) to cooperate with the provincial governments, railways, steamship companies, tourist bureaux and similar organizations in the production and distribution of films and pictorial matter to be utilized for the development of trade, tourist travel, et cetera; (5) to furnish information to government departments on the motion picture industry and to cooperate with the motion picture industry in matters of mutual interest to the government, the industry and the general public.

Mr. STEWART: Just to complete that: through what channels are the distributions made?

Mr. EULER: Does my hon. friend desire the countries or territories?

Mr. STEWART: The channels through which the distribution is made. And while the minister is considering that, to what extent, if any, does this branch cooperate with the tourist branch in the attraction of tourists? The work which they carry on seems to a certain extent a duplication of this.

Mr. EULER: I cannot say that there is any particular relationship between the work of the tourist branch and this bureau.

Mr. BENNETT: There should be.

Mr. STEWART: I understood the minister to say that they cooperated with the tourist branch for the attraction of tourists, and I was just wondering through what channels they make distribution for that purpose.

Mr. EULER: We do, by supplying a number of films, certain films which they find useful.

Mr. STEWART: Supply the tourist branch?

Mr. EULER: So I believe. The territories in which films are in circulation are:

Australia, New Zealand, Tasmania, 150.
Austria, Czechoslovakia and other central European countries, 84.
Belgium, 31.
Canada, 1,215.
China, 51.
France and Switzerland, 51.
Germany, 120.
Greece, Turkey and the Near East, 28.
Hawaiian Islands, 20.
Holland, 51.
Italy, 70.
Japan, 30.
Norway, Sweden, Finland, Denmark, 62.
South Africa, 39.
South America, 100.
Straits Settlements and Netherlands East Indies, 12.
United Kingdom, 387.
United States, 3,216.
West Indies and Cuba, 36.

Or a total of 5,773 films.

Mr. STEWART: As to the extent to which these films are distributed in these countries, has the minister any information as to the number of showings or the use that is made of the films? It is all right to distribute them if they are kept in active circulation. I cannot think of any better channel or method of advertising Canadian production, Canadian scenery and Canadian conditions if these films are actually circulated, if they are working.

Mr. EULER: I cannot, perhaps, give entirely complete information. The films are handed out to agencies. I do not suppose there is an accurate check-up as to just the number of times they are exhibited.

Mr. BENNETT: It is usual to check up the number of people who visit the theatres during the period films are shown. That is what commercial films do.

Mrs. BLACK: When I had the films I had to state exactly where they were shown and how many people were present. That was about eight years ago, I think.

Mr. EULER: I understand there is a record of that, but I do not have it before me.

Mr. STEWART: Do I understand the minister to say that as far as possible the distribution is made through the trade commissioners, say our trade commissioner in Australia?

Mr. EULER: All the trade commissioners have them.

Mr. STEWART: The films are distributed through them?

Mr. EULER: Yes.

Item agreed to.

National Research Council, $500,000.

Mr. BENNETT: What increases in salaries have there been in that department since the first of the year?

Mr. EULER: The increase in salaries, less the five per cent, accounts for $54,038.45.

Mr. BENNETT: How is that money distributed? I have had some complaints about the unevenness of the increases. That is the reason I ask.

Mr. EULER: Just the increases or the total of salaries?

Mr. BENNETT: The increases. I mean raises in salaries.

Mr. EULER: Does my right hon. friend desire the names?

Mr. BENNETT: It does not make any difference. Just describe the office.

Mr. EULER: The secretary treasurer goes from $4,620 to $5,070; the assistant secretary treasurer, from $3,480 to $3,690; the head clerk, from $1,525 to $2,520—apparently that is merely a provision; the position has not been filled—principal clerk, no increase; another principal clerk, from $2,220 to $2,340; still another, from $1,425 to $1,980; clerks, grade 4, $1,800 to $1,860, $1,800 to $1,860, $1,500 to $1,650, $1,380 to $1,410; stenographers, grade 3, $1,560 to $1,620, $1,500 to $1,560, $1,200 to $1,410; typist, grade 2, no increase;

office appliance operator, grade 3, $1,260 to $1,320; clerk, grade 2, $990 to $1,155, $900 to $1,110; stenographers, grade 2, $1,200 to $1,260, $1,140 to $1,200, $1,012 to $1,110; office appliance operator, grade 2, $1,140 to $1,200.

Mr. BENNETT: Perhaps the minister will say what is the total staff this year as compared with last year, the total personnel. I ask that because under civil government the particulars of this item are not shown.

Mr. EULER: Does my right hon. friend want the increases or just the total·

Mr. BENNETT: The total personnel.

Mr. EULER: It does not seem to be available just at the moment. Perhaps I might be allowed to place it on Hansard later.

Mr. BENNETT: I should like the personnel this year and last year and, of that number, how many received increases and how many did not.

Mr. EULER: The number on the staff of the National Research Council on April 1, 1935, was 126; the number on the staff on April 1, 1936, was 145. The number receiving increases, other than satutory increases, is thirty-three; and the additional number who will receive statutory increases this year is seventy-two. There are forty on the staff who will receive no increases this year.

Mr. HEAPS: I observe a reduction of some $22,000 in this item. I am not going to ask the minister why this reduction has been made, but I am interested in the general work and activities of our research bureau. I think we all realize the tremendous importance of the work that can be performed by an organization of this kind. Personally I am not very well acquainted with the work of the bureau, but I wonder if the minister is in a position to give this committee some information in a general way as to the work that is being done, what they have accomplished and what they are attempting to accomplish in the way of research work. I understand that changes were made in the staff last year, and I should like to know whether in the opinion of the minister we have the most capable staff we can get for the class of work they are asked to perform. If that is the case, can the minister give the committee such information as will give us at least some idea as to what progress is being made in the various researches which have been undertaken.

Mr. BENNETT: An excellent report was issued only a week or two ago.

Mr. EULER: My right hon. friend has anticipated what I was about to say. The work of the research council is fully described in the annual report; perhaps my hon. friend might take time to read that. Probably the hon. gentleman knows in a general way the purposes of the council: general investigation, scientific development, and so on. Manufacturers, industrialists, farmers and others are invited to bring their problems to the council for investigation and report. Perhaps I might give one instance of a valuable work that has been done by the council in cooperation with the Department of Agriculture. I am told that they have developed a rustless wheat which in the course of another year or two can be pretty fully supplied to the wheat growers of Canada. If that is the case and this rustless wheat is a success it will certainly result in the saving of a tremendous amount of money. Last year, I believe, if it had not been for rust we would have had perhaps 200,000,000 bushels more of wheat. I am not quite sure that that would have been an unmixed blessing, however, when we have so much to sell.

Mr. MacNICOL: I should like to ask the minister if the research work carried on by the council in Ottawa is along the line of the research work carried on by the provincial bureaux. As the minister knows, we have in Toronto a large research bureau at Queen's Park, with a substantial staff, to which the manufacturers contribute large sums of money. I suppose they take some of their problems there and I assume they bring some of them here. I have gone down to the bureau here to make a survey of what is going on, just for my own satisfaction, for we vote a large sum of money each year for the upkeep of this bureau. I was greatly impressed with the work being done in Ottawa, but I wondered what was being done with the results of this research work. Is any effort made to encourage industry to apply those results? Is some group of capitalists invited to erect a plant to make use of what has been found here as a result of this work? I remember quite well when the research bureau in Toronto was established; I was then in business, and great things were predicted to the manufacturers when they were asked to contribute the initial $1,000,000 that was required in order to commence that work. I believe it was later when the bureau in Ottawa commenced operations.

Mr. EULER: No; I understand that Ottawa was first.

Mr. BENNETT: Work was commenced here but the building had not been constructed.

Mr. EULER: That is so.

Mr. MacNICOL: I should like to know if the country has obtained the real benefits from this research work that has been carried on. I am convinced that the bureau is doing splendid work and should be encouraged to go further, but I should like to know whether the greatest possible results as far as employment or the investment of capital are concerned are obtained from the good work that has been done by the bureau.

Mr. EULER: I am afraid I cannot make any comparison between the results obtained by the provincial organization and those obtained by the federal bureau. I am not familiar with the work of the provincial organization, and really not as familiar with the bureau here as I should like to be, because of lack of time. I believe, however, the Ottawa bureau was established first. We did not have the new building, but research work has been carried on for many years, and I think my hon. friend will know the line of work that is done. I do not know that I can say that the bureau originates certain processes and then hands them over to people who might enter into certain lines of manufacture as a result of that work, but manufacturers are encouraged to bring their problems to the research council, and I think they have been of considerable assistance.

I may say also that I think there is a tremendous scope for an institution of this kind to do a great deal of good in this country. I think also it will be found that the results are approximately commensurate with the amount of money we are willing to spend. This item is slightly reduced this year, as one hon. member stated a moment ago. I can only say that this is in line with the policy of economy, if you like to call it that, of this government. We felt that we had to restrict ourselves to a certain expenditure for the year, and frankly speaking that is why this item has been slightly reduced. I know there are some countries in the world, perhaps more particularly Russia, where millions and millions of dollars have been spent on research work, for which I think in the future they will be very well repaid. I hope that later on this branch may be still further developed, because I think there is a great deal to be done in that direction.

Mr. BENNETT: I was going to ask the minister to what extent rustless wheat was developed at Winnipeg. Where was the work done?

Mr. EULER: I am afraid I cannot answer that question. Perhaps my hon. friend the Minister of Agriculture might give the answer.

Mr. GARDINER: Rust resisting wheat has been developed at Winnipeg, and the department hopes to distribute it next year. I have seen samples of it, which show up very much to advantage over marquis, reward and any other wheats that were grown.

Mr. BENNETT: Who developed it?

Mr. GARDINER: The development was started at the time the hon. member for Melville (Mr. Motherwell) was Minister of Agriculture.

Mr. BENNETT: But I mean what scientist developed it?

Mr. GARDINER: I cannot give the name offhand. There are strains at Winnipeg, Brandon, Saskatchewan university. Different men have been working on the matter at different places.

Mr. BENNETT: Was it the research council of Canada that did the work?

Mr. GARDINER: I think the work was finally turned over to the research council after the vote had gone through the house and the laboratory was set up at Winnipeg through the activities of the Department of Agriculture.

Item agreed to.

Printing of departmental publications, $95,000.

Mr. BENNETT: How is the reduction brought about?

Mr. EULER: We felt that some of them might be eliminated in the interests of economy.

Mr. STIRLING: Does this apply to all departments?

Mr. EULER: Just the Department of Trade and Commerce.

Item agreed to.

Publicity and advertising in Canada and abroad, $54,100.

Mr. MacNICOL: If this applies to the advertising of the researches made by the department, then it would be along the line I had in mind a few minutes ago, of what the research department is doing to encourage the manufacture of new lines in Canada.

Mr. EULER: It is not.

Mr. MacNICOL: What is it for? I see no reason why the results of research should be published if not to induce investment or better manufacture.

Mr. EULER: This relates to the advertising in newspapers and journals for the development of trade.

Mr. MacNICOL: Advertising of what?

Mr. EULER: Advertising generally.

Mr. MacNICOL: I thought we were on research.

Mr. EULER: No; we passed that; we are on item 276.

Mr. BENNETT: The minister will remember that there was much discussion about this item. It was thought at one time that an appropriation of $100,000 was not sufficient for the purpose. If this covers the work of advertising abroad it is wholly inadequate, but I take it that this is in addition to the sum placed at the disposal of the high commissioner for advertising in Great Britain and Europe.

Mr. EULER: My right hon. friend is quite correct. There is a large sum, perhaps $200,000—I do not remember exactly—in the hands of the Canadian High Commissioner in London.

Item agreed to.

Weights and measures inspection service, $383,300.

Mr. PERLEY (Qu'Appelle): Why the increase?

Mr. EULER: Because it is needed, and I may say that this branch produces a very handsome profit, a profit of $90,000. But the work has increased; that is why there is an increasing expenditure.

Mr. PERLEY (Qu'Appelle): Is there a full staff of inspectors in all the different divisions?

Mr. EULER: Yes.

Mr. PERLEY (Qu'Appelle): How are they appointed?

Mr. EULER: By the civil service commission.

Mr. BENNETT: The minister no doubt recalls that during the progress of the investigation by the price spreads committee and commission it was apparent that there had been considerable abuse, and it was intended to strengthen this service in order that there might not be a repetition of those offences against the act which were punished during the last twelve or fifteen months. To what extent has the work gone forward? The minister will remember that a question was put on the order paper yesterday with regard to the matter. Have additional inspectors been appointed, and to what extent are efforts being made to enforce the law? There were very bitter complaints consequent upon the revelations that took place a year ago in connection with short weight, and the type of scale being used in some cases. The minister's predecessor took certain steps looking towards the improvement of those conditions. There are few things that concern the people more vitally than this.

Mr. EULER: Some time ago in reply to a question in regard to prosecutions I gave some figures to the house. I do not know whether that might be regarded as an indication of the vigilance of the branch. Quite frequently I sign authorizations for prosecutions under the Weights and Measures Act. I do not know whether that is necessarily an indication—

Mr. BENNETT: No; the essence is prevention.

Mr. EULER: But I think prosecutions are a means of prevention.

Mr. BENNETT: I agree.

Mr. EULER: The more those who are in business know that violation will mean prosecution, the greater the likelihood that there will not be offences. Prosecutions are ordered as they seem to be needed. If it is a more or less trivial matter there is a warning, after that prosecution, and prosecution in every case where the offence seems to be flagrant.

Mr. BENNETT: There is a small fee collected for testing scales, is there not? There used to be.

Mr. EULER: There is still a fee.

Mr. BENNETT: To what extent is the branch self-sustaining?

Mr. EULER: As I said, there is a profit of something like $90,000.

Mr. BENNETT: It seems to me that great vigilance should be exercised in testing scales, because with the best intentions in the world men sometimes find themselves with scales that are inaccurate, and if the inspectors receive a small fee for testing once a year and locking or marking the scale, it seems to me very important that that work should be stimulated and maintained. The essence of the whole conduct of the Weights and Measures Act is that there should be inspection

and that that inspection should be adequate, which means that the scales should be inspected at least once or twice a year.

Mr. EULER: They are inspected once a year.

Mr. CAMERON (Cape Breton): Is any provision made by the department for furnishing public weigh scales in towns and municipalities?

Mr. EULER: No, not by the department.

Item agreed to.

Port of London authority, $2,233.82.

Mr. DONNELLY: Will the minister explain this?

Mr. EULER: It is the annual payment to the port of London authority for defrosting facilities at Surrey dock for the Canadian government, as approved by order in council P.C. 1544.

Mr. STIRLING: What do they defrost?

Mr. EULER: Beef and poultry.

Item agreed to.

International bureau of exhibitions, $1,200.

Mr. BENNETT: How was the minister able to reduce this item? I thought there was a fixed fee which countries of a certain class pay.

Mr. EULER: It is owing to a difference in exchange, I am informed.

Item agreed to.

Miscellaneous—to provide for carrying into effect sections two and three of chapter 26 of the statutes of 1934, when the said sections came into force on August 1, 1935, the said statute being an act to amend the Canada Grain Act, whereby a statutory grade was established for Garnet wheat, and the statutory grade "No. 2 Manitoba Northern" was revised to exclude Garnet wheat by substituting "Marquis or equal to Marquis" for "red spring wheat of good milling quality" and to facilitate the efficient and orderly marketing of wheat now graded as No. 2 Manitoba Northern by providing that in respect of any such wheat which on the 31st July, 1935, was in elevators licensed under the Canada Grain Act, the governor in council may on the recommendation of the chairman of the board of grain commissioners indemnify any holder or owner thereof, for loss resulting directly from the revision of the statutory grade No. 2 Manitoba Northern aforesaid, $1,500,000.

Mr. EULER: This is a large sum which is payable under the statute. It is merely revoting an amount which was voted last year, which was not paid then but which should be paid this year, in connection with garnet wheat.

[Mr. Bennett.]

Mr. PERLEY (Qu'Appelle): I think we should have some information on this. Is this the amount that was paid to reimburse the elevator companies for the garnet wheat they had in store?

Mr. EULER: If my hon. friend will look at the details, the whole explanation is given there better perhaps than I could give it. It is a revote from last year.

Mr. BENNETT: Have any sums been paid under it yet?

Mr. EULER: I think not yet.

Mr. BENNETT: Should not some sums have been paid under it?

Mr. PERLEY (Qu'Appelle): Did the elevator companies ask for some adjustment on it?

Mr. EULER: I am informed that this wheat was scattered in many parts of the country and the board of grain commissioners had some difficulty in collecting the information necessary to enable them to make the payments, but they are still working on it.

Mr. BENNETT: What happened was that the board of grain commissioners came to Ottawa, and after certain action was taken with respect to garnet wheat, as indicated in the memorandum in the vote, they made a recommendation as to the appropriation by parliament of a sum of money to meet the situation that this memorandum discloses, but certainly I cannot understand why by this time nothing has been paid. If they furnished claims during 1935 there should be payments now arising out of that, because while wheat was scattered all over western Canada, as the minister says, it was shipped, and this was to be paid only in the event of a loss.

Mr. DUNNING: The loss has not yet been determined in many cases.

Mr. BENNETT: If the grain is shipped, surely the loss must be determined. The purpose was to maintain the standards of Canadian wheat abroad. The grain commission felt that we could not afford to take the risk of having the standards lowered, and they determined that this was the only way—perhaps other members of the committee are more familiar with the matter than I—by preventing this wheat being marketed, I shall not say under fase pretences, but under a misunderstanding. We made this appropriation accordingly, and what I cannot quite understand is how the crop year having ended July 31, 1935, and there having intervened the months since the first of August to the first of June of this year, we are still in the position of not having

paid out anything under the vote. It may be that there was no loss; I cannot say as to that, but I certainly find it difficult to understand why the whole sum should be revoted.

Mr. EULER: The facts were not all ascertained, and the intention was to make settlement of all these claims at one and the same time. I can assure the right hon. gentleman that nothing will be paid out unless it is fully justified after careful investigation.

Mr. BENNETT: I am sure of that, but the item reads:

—by providing that in respect of any such wheat which on the 31st July, 1935, was in elevators licensed under the Canada Grain Act, the governor in council may on the recommendation of the chairman of the board of grain commissioners indemnify any holder or owner thereof, for loss resulting directly from the revision of the statutory grade No. 2 Manitoba northern aforesaid.

Mr. DUNNING: It was moved out very slowly.

Mr. BENNETT: It would seem so, but whether or not that is a suggestion based upon knowledge I am not quite sure.

Mr. DUNNING: No; it is a very real problem getting rid of garnet wheat.

Mr. BENNETT: That was the only question I had in my mind, why no payment had already been paid.

Item agreed to.

MAIL SUBSIDIES AND STEAMSHIP SUBVENTIONS

Atlantic Ocean

Canada and the United Kingdom, on the Atlantic, service between, $250,000.

Canada and South Africa, service between, $112,500.

Pacific Ocean

British Columbia and China, service between, $118,800.

British Columbia and South Africa, service between, $84,000.

Canada, China and Japan, service between, $600,000.

Canada and New Zealand, on the Pacific, service between, $300,000.

Prince Rupert, B.C., and Queen Charlotte Islands, service between, $12,000.

Vancouver and the British West Indies, service between, $33,000.

Vancouver and northern ports of British Columbia, service between, $18,000.

Victoria, Vancouver, way ports and Skagway, service between, $12,000.

Victoria and west coast Vancouver island, service between, $10,000.

Local Services

Baddeck and Iona, service between, $8,000.

Charlottetown and Pictou, service between, $20,000.

Charlottetown, Victoria, and Hollidays wharf, service between, $6,000.

Chester and Tancook island, winter service between, $1,600.

Grand Manan and the mainland, service between, $33,000.

Halifax and Bay St. Lawrence, service between, $2,000.

Halifax, Canso and Guysboro, service between, $6,750.

Halifax and Sherbrooke, service between, $900.

Halifax, LaHave and LaHave river ports, service between, $2,000.

Halifax, South Cape Breton and Bras d'Or lake ports, service between, $3,500.

Halifax, Spry bay and Cape Breton ports, service between, $4,000.

Halifax and west coast of Cape Breton, service between, $4,000.

Ile-aux-Coudres and Les Eboulements, service between, $1,100.

Mulgrave, Arichat and Canso, service between, $33,750.

Mulgrave and Guysboro, calling at intermediate ports, service between, $9,500.

Murray Bay and North Shore, winter service between, $40,000.

Parrsboro, Kingsport and Wolfville, service between, $1,500.

Pelee island and the mainland, service between, $8,250.

Pictou, Mulgrave and Chéticamp, service between, $11,000.

Pictou, Souris and the Magdalen islands, service between, $37,500.

Quebec, Natashquan and Harrington, service between, $85,000.

Quebec, or Montreal, and Gaspé, calling at way ports, service between, $60,000.

Rimouski and Matane and points on the north shore of the St. Lawrence, service between, $50,000.

Rivière-du-Loup and Tadoussac, and other north shore ports, service between, $8,000.

St. Catherine's Bay and Tadoussac, service between, $3,500.

Saint John, Bear River, Annapolis and Granville and other way ports, service between, $1,500.

Saint John and Bridgetown, service between, $800.

Saint John and Margaretville, and other ports on the Bay of Fundy, service between, $2,500.

Saint John and Minas Basin ports, service between, $5,000.

Saint John and St. Andrews, calling at way ports, service between, $3,000.

Saint John, Westport and Yarmouth, and other way ports, service between, $13,000.

Saint John and Weymouth, service between, $1,000.

Summerville, Burlington and Windsor, N.S., service between, $500.

Sydney and Bay St. Lawrence, calling at way ports, service between, $25,000.

Sydney and Bras d'Or lake ports and west coast of Cape Breton, and Prince Edward Island, service between, $22,500.

Sydney and Whycocomagh, service between, $16,000.

Inspection of subsidized steamship services, $4,900.

Mr. REID: Has the minister any information to give the committee regarding the conference that was held in London recently, at which Canada was represented by Mr. Beatty and the Canadian High Commissioner? I noticed from the reports that it was the intention of the British government to help, if

they could, by means of a subsidy for the all red route from the Pacific coast. Can the minister make any statement on that to the committee?

Mr. EULER: The conference has not yet been held, but it is to be held. I cannot give any information at the moment as to just what is to be done.

Mr. FINN: What is the amount of the subsidy paid to the Canadian Pacific on their Atlantic service from Saint John to Liverpool, calling at Halifax?

Mr. EULER: We propose this year for the Canada-United Kingdom service on the Atlantic a subsidy of $250,000.

Mr. FINN: Does that include a subsidy to the freight boats?

Mr. EULER: That includes the Empress of Australia, the Empress of Britain—

Mr. FINN: She goes around the world in winter.

Mr. EULER: Of course, she does not get a subsidy when she makes her world cruise.

Mr. FINN: Are they paid by the trip or for the year?

Mr. EULER: The service also includes five freight liners, but in the winter, of course, the service is out of Saint John and Halifax.

Mr. FINN: Out of Saint John practically.

Mr. HEAPS: Can the minister inform the committee if there is any general basis upon which these subsidies are granted?

Mr. EULER: It is usually a matter of negotiation. I do not know that I would care to say that there is any absolutely definite basis which would apply to all the services; I am sure there is not. Perhaps some of it is a matter of inheritance; they got such and such a subsidy last year. In some cases I have cut the subsidy down because I felt conditions justified this, while in other cases the representation may have been very strong to maintain the present subsidy; in some cases it has been reduced, and in some cases increased. The basis is just about the same as with freight rates. I remember very well one time asking the head of the freight rates department of a certain Canadian railway upon what they based their rates; was it according to service rendered? He said no, just what the traffic would bear.

Mr. HEAPS: Is this a case of what the government will bear?

Mr. EULER: Perhaps so.

[Mr. Bennett.]

Mr. HEAPS: Is there not some way of arriving at an intelligent basis for granting these subsidies? We are granting a total of two million dollars in subsidies for this fiscal year, and I was wondering if the minister could tell us whether the individual subsidies were warranted by the actual amount of mail carried or other service rendered.

Mr. EULER: There are different factors entering into the matter, one of them, and a very important one, being the carriage of the mail. In other cases it may be that a service which is necessary could not be carried on at all except for this assistance obtained from the government. Various factors have to be taken into consideration in arriving at a figure. If the company is making a profit, the chances are that they would not get any subsidy at all. Very often the amount of the subsidy is based upon the returns received year to year from the steamship companies. They have to submit financial statements. For instance, the subsidies in a number of services were reduced. In one instance the reduction was substantial because the position of the company had improved materially during the year. In another case, where the competition had become extremely heavy and there was danger that the services would be discontinued, there was a slight increase. It is impossible to give my hon. friend any definite principle that would guide all along the line.

Mr. WOODSWORTH: What does the government require from these steamship companies by way of a statement?

Mr. EULER: We receive audited statements.

Mr. WOODSWORTH: Do those statements show the profits of the corporations, the costs of running the services, and so on?

Mr. EULER: They show the operating receipts and expenditures. I think in all cases, the statements showed deficits. Some of the companies showed a material reduction in their deficits, and in those cases the subsidies have been reduced.

Mr. WOODSWORTH: According to the press, the Canadian Pacific states that it is running behind on its Pacific services and that there is very great danger they will have to give up unless further public assistance is received. What steps would the Canadian Pacific take to secure greater public assistance? What submissions are made to the government?

Mr. EULER: My predecessor in office will know that in many cases we are asked for

an increased subsidy in the hope that it will be granted. This year there has been only one instance in which a substantial increase has been made. I think my hon. friend is referring to the rumours to the effect that the Canadian Pacific proposes to build two new vessels to operate from the west coast to New Zealand. This project is still in the air, to use that language, and I have no information to give with regard to it. Whether the company will come for a subsidy is on the knees of the gods, but when it does, whether a subsidy will be granted will have to be considered as a matter of policy.

Mr. HEAPS: Is the minister in a position to give us information with regard to the separate subsidy items? I take one at random from page 37 of the estimates, "Murray Bay and North Shore, winter service between, $40,000." I should like to know the services being performed by the company which receives this $40,000.

Mr. EULER: From December 1 to December 31, and from March 1 to March 31 in each year, two round trips each month between Murray Bay and Havre St. Pierre, calling at St. Simeon, Tadoussac, Les Escoumains, Baie des Cedres, Pentecost River, Clarke City, Rivière aux Graines, Thunder River, River St. Jean, Port Menier, Bersimis, Baie St. Nicholas, Comeau Bay, Godbout, Baie de la Trinite, Shelter Bay, Seven Islands, Sheldrake, Magpie, and Longue Point of Mingan, as weather and ice conditions permit. From January 1 to February 28, inclusive, in each year, a regular service consisting of two round trips per month between Murray Bay and Seven Islands, calling at a number of points and Anticosti, as weather and ice conditions permit. Steamer must call whenever possible at government wharves. Mails to be carried free.

Mr. HEAPS: How much material is carried for this $40,000?

Mr. EULER: In 1934-35 there were eight round trips; passengers carried, 1,064; tons of freight, 1,034; live stock, 183; bags of mail, 233 and sacks of mail, 2,217.

Mr. HANSON: Do these Pacific ocean subsidies refer to specific companies and specific ports? I notice in the case of the Canada-New Zealand service there has been an increase of $100,000. Is this for any particular steamship company or any particular port, or does it refer to British North American ports in general?

Mr. EULER: That is the subsidy to the Canadian Australasian line, half of which is owned by the Canadian Pacific and the other half by the Union Steamship Company.

[Mr. Euler.]

Mr. BENNETT: The Royal Mail, is it not?

Mr. STEVENS: The Union Steamship Company of New Zealand.

Mr. EULER: The ports of call are Vancouver, Victoria, Honolulu, Suva, and Auckland, New Zealand. Each voyage shall be extended to Sydney, Australia, without additional subsidy. The call at Suva is conditional upon the government of Fiji also continuing their contract for a like period and on the same terms as heretofore. The voyage to Auckland is not to exceed eighteen days, including one day at Honolulu.

Mr. HANSON: Is it so much a trip?

Mr. EULER: It is so much a year for thirteen trips a year.

Mr. HANSON: Do the Pacific ocean subsidies refer only to Vancouver or are other ports included?

Mr. EULER: Vancouver and Victoria.

Mr. HANSON: Is there no mention of Prince Rupert or New Westminster?

Mr. EULER: Not in this.

Mr. HANSON: Do other subsidies refer to other ports?

Mr. EULER: There may be calls at Prince Rupert in the British Columbia and China service.

Mr. HANSON: Just the China service?

Mr. EULER: But not the New Zealand.

Mr. NEILL: I did not quite catch the minister's explanation of the fifty per cent increase.

Mr. EULER: The statement was made by the ship owners that the competition from United States lines was becoming severe because of their better boats and also because of the fact that the United States government was subsidizing their vessels very heavily. I believe the Matson line is the one interested, and the Canadian company finds it very difficult to operate under these conditions.

Mr. HEAPS: Could the minister give us an idea of what subsidies the United States government are paying?

Mr. BENNETT: They pay on a speed basis.

Mr. EULER: The United States subsidies to the Matson line amount to $1,192,080.

Mr. HEAPS: To the one line only?

Mr. EULER: To the Matson line.

Mr. HEAPS: How many boats do they run between United States ports and the orient?

Mr. EULER: They run four.

Mr. TAYLOR (Nanaimo): Does the minister differentiate between ships of Canadian and ships of foreign registry in the granting of subsidies? I ask that question because when boats of foreign registry are chartered it is frequently agreed that they shall engage foreign masters and foreign crews, and if something could be done to secure ships of Canadian registry it would benefit Canadian trade and employment.

Mr. EULER: We do not discriminate with respect to registry. As a matter of fact there are not many vessels registered in Canada. The Canadian Pacific boats are registered in England. As regards the employment of men on boats, the matter was referred to a committee after the last occasion on which the estimates were under consideration, and the committee has not reported.

Mr. BENNETT: Has anything definite been arrived at yet as a result of the negotiations that have been going on for a faster service to Australia and New Zealand?

Mr. EULER: Not yet.

Mr. STEVENS: I suggest to the minister that the service between British Columbia Pacific ports and New Zealand and Australia is a very important one to Canada from the standpoint both of maintaining trade and of the mail service, and the subsidy which is paid is quite a modest one compared with the service that is involved. The vessels were excellent ten years ago but they are not now up to date; in fact they are obsolete. There is a good deal of business being lost to the Matson line. It is true that line receives a subsidy of over $1,000,000 and it has faster and more up to date vessels. The result is that Canada is losing business to that line. I have always had in mind that we should negotiate with the Union Steamship Company of New Zealand, of which the Canadian Pacific is now half-owner, for a faster and more efficient service with more modern vessels, even if it is necessary to increase the subsidy. Another factor that should be kept in mind with respect to these larger items is that these lines carry mail. I have figured it out on two or three occasions, and if we paid for the mail at the usual rate, so much per ton or hundredweight, or whatever the rate is, we should have to pay almost as much as many of these subsidies amount to. Therefore, when we discuss the question of subsidies we must remember that the service covers a very valuable mail service. I would suggest to the minister, now that he has increased the subsidy to $300,000, that a definite effort should be made to put on faster steamships and possibly to give a more frequent service. At any rate there should be faster and more modern ships. I certainly believe that the service is one which it is well worth sustaining. The minister himself referred to the pending negotiation for a revision of the trade treaty with Australia, which by the way has been a very valuable treaty to Canada, resulting in a considerable increase in business, and much in Canada's favour. All these matters ought to be safeguarded. But the question of subsidy should be considered in connection with these other points to which I have referred.

Mr. BENNETT: The minister will recall that when we last discussed this item we spent some time going into the relative merits of the Matson boats and our own. The Matson boats have a 22 knot sea speed and receive the subsidy based upon speed, plus loans from the government, to enable them to build ships by paying an interest of 1½ per cent, in one case. The Royal Mail have indicated in their published statement that they have an interest with the Canadian Pacific in this line that runs from our Pacific coast to Australia and New Zealand, not the Union Steamship Company of New Zealand but the Royal Mail as the second partner. They purchased their interest from the Canadian Pacific for preference shares in the Canadian Pacific, and in their last annual statement they indicated that they had not received interest this last year or two in connection with the shares they thus acquired. I saw the other day that negotiations were pending between the Royal Mail and the Canadian Pacific, and the government of Australia, the government of New Zealand, the government of Canada, and possibly the Fiji Islands, through their appropriate representatives, looking towards a more speedy service that would be more comparable with the 22 knot sea speed service of the Matson line. The minister says that negotiations are still pending and that nothing has yet been definitely concluded, but it is quite obvious that a great deal of our mail which comes from England and which ordinarily would go through Vancouver has been diverted to boats at San Francisco for the purpose of finding speedy transport to Australia. Perhaps the minister will recall that when a former Prime Minister of Australia came to this

country last he came to San Francisco because of difficulties of securing accommodation which would suit his plans at the time and because of the slow rate of speed at which he would travel as compared with the speed of the Matson line boats. If the minister is not in a position to say what negotiations have been carried on, or to what extent they have been proceeded with, I can quite understand his not having a statement to make. I may be wrong, but is it not the Royal Mail that has the interest to which I have referred?

Mr. EULER: I was going to correct my right hon. friend. The partnership exists between the Canadian Pacific and the Union Steamship Company of New Zealand. The Union Steamship Company, I am told, is owned by the P. & O.

Mr. BENNETT: P. & O. is what I meant to say, and not the Royal Mail. Mr. Shaw is chairman of the board.

Mr. EULER: All hon. members appreciate, and certainly the members of the government appreciate the extreme value of the service to Australia and New Zealand, largely because of the trade with those countries, which is very much in our favour. The boats which are now in the service, as the leader of the opposition says, are slower and more or less obsolete, and to my knowledge that is a matter of special concern to the owners. I cannot say anything more at the moment than that the situation is, to put it mildly, being explored thoroughly with the idea of putting on a better service. That is the position in which the matter stands now and I cannot give any other definite information at the moment.

Mr. BENNETT: We have only two, sometimes three boats, and the Matson line has four.

Mr. HANSON: It is not necessary to remind the minister, because he is familiar with the fact, that we have a Pacific port which is served by the Canadian National Railways, the port of Prince Rupert. That port is equal to any on the Pacific coast, and when the question of subsidies is under consideration by this or any future government I think we should at least give some consideration to a port that is served by the nationally owned railway, a port that has facilities to carry Canadian trade and to bring back the products of other countries. I have no criticism to offer with regard to subsidies, but I would impress upon the minister that when the question is under consideration Vancouver and Victoria are not the only ports which should receive attention, because we have another port which, as I say, is served by the nationally owned railway. Moreover, behind that railway system we have hinterland which statesmen in past years have regarded as valuable enough to warrant development, and it is up to the statesmen of to-day and of the future to find out whether that opinion is really sound and, if it is, to do something to assist in the development of that hinterland in British Columbia. I ask the minister to make a special note of that and to realize that we have on the Pacific British North American coast a port which is served by a nationally owned railway.

Mr. EULER: I wish to congratulate my hon. friend upon the case he puts up for his good port of Prince Rupert. As he knows, we are not prone to make promises, except this, that we shall certainly give every consideration to his representations when the time comes.

Mr. HEAPS: I observe that the minister has cut off half the subsidy on the steamships between this country and Great Britain. Is that going to affect in any way the services between Canada and Great Britain?

Mr. EULER: No; it will not affect them at all. I think I gave the explanation before. The cut has been made because the statement of the companies showed that they had done substantially better last year than they did the year before. In fact, if my memory serves me aright, prior to 1930 they were not receiving any subsidy at all.

Mr. NEILL: I notice there are nine items on the Pacific ocean. Might I ask if they all include the free carriage of mail on the routes indicated?

Mr. EULER: I cannot give the number of them, but in some of them the Post Office Department contributes towards the subsidy.

Mr. NEILL: Which ones?

Mr. EULER: The Post Office Department contributes to these services: Vancouver and northern ports of British Columbia; Victoria, Vancouver, way ports and Skagway; and Victoria and west coast Vancouver island.

Mr. NEILL: Is that all?

Mr. EULER: That is all.

Mr. NEILL: They draw a subsidy under this item, a mail subsidy it is called, and then the post office pays as well for the carrying of mail. Is that not a unique situation?

Mr. EULER: The post office assists.

Mr. NEILL: And so they draw two subsidies. One is a mail subsidy, and they are

paid for carrying the mail as well. Does the minister not think it should be either one or the other? If they get a mail subsidy for carrying the mail they should carry the mail, should they not? Or if they do not get the mail subsidy they are paid for carrying it according to weight and measurement. But apparently in these cases they get both subsidies. What is the explanation?

Mr. EULER: Nearly all subsidies are given not only for carrying the mail. That is merely a portion of the service which is rendered. We may say that, of a subsidy of $200,000 given a certain steamship company, $100,000 or $150,000 might fairly be for the carriage of the mails; the balance of it would be for the encouragement of the service itself, not necessarily having anything to do with the carriage of the mails. But in nearly all cases the total amount of the subsidy includes the cost of carrying the mails; over and beyond that it is for the service.

Mr. NEILL: I suppose the minister, not being connected with the department, would not have the amounts paid by the post office?

Mr. EULER: The Post Office Department would have to give that information.

Mr. MacNEIL: What is the total amount of the subsidy granted to the Union Steamship Company, Vancouver?

Mr. EULER: Eighteen thousand dollars.

Mr. FINN: I have a question to ask the minister. I notice that the Canadian Pacific Railway Company in their annual report have incorporated both their steamships and their railways. They are two separate corporations. One is Canadian Pacific Ocean Steamships Limited and the other is the Canadian Pacific Railway Company. It is impossible from their report to tell whether they are making their profits out of the railways or out of the steamships. Under steamship depreciation, in their Canadian Pacific Railway Company report to their shareholders, they have taken out of their profit and loss account $3,550,996 for depreciation, and I also find that they have lumped the number of ships which they have both on the Atlantic and on the Pacific. They start with their five freight boats of 10,000 tons dead weight capacity, called the Beaver boats: then they come to the Duchess boats; then they come to the Empress of Asia, the Empress of Australia, the Empress of Britain, the Empress of Canada, the Empress of Japan and the Empress of Russia; then they come to the Mont boats, the Montclair, the Montcalm and the Montrose. Some of these ships are operated on the Pacific. Five of them, freight ships, are operated from London, and the Duchess boats and the Mont boats are operated from Liverpool as passenger and freight boats. I should like to know whether the subsidy paid to the Canadian Pacific is paid to the Canadian Pacific Railway for their boats, or is it paid to the ocean steamship company?

Mr. EULER: The contract is with the railway company.

Mr. FINN: Well, Mr. Chairman, that seems to me to be a strange thing. They are two separate corporations. Sir George McL. Brown is in charge in London of the steamship service, and Sir Edward Beatty is in charge at Montreal of the railways. We pay $250,000 of a subsidy. Is that paid to the railway or is it paid to the ocean steamship company?

Mr. EULER: It is paid to the railway.

Mr. FINN: Well, I do not know of any railway in Canada that is subsidized.

Mr. POULIOT: Sixty millions to the Canadian Pacific Railway.

Mr. FINN: That is a small figure. They must have got on the inside. I am only asking for information as to what subsidy is paid to the Canadian Pacific Ocean Steamships Limited, which is a separate corporate entity, on their Atlantic service.

Mr. EULER: I am informed that they are the operating agents of the steamships for the Canadian Pacific Railway, and that is why the money is paid to the Canadian Pacific Railway.

Mr. FINN: Well, then, I can quite understand why in their report in reference to railways they have written off as depreciation over three and a half million dollars on the ships, and some of their ships are practically new. The Beaver boats are the freight ships, 10,000 tons dead weight capacity, and practically new, about three years old. The Duchess boats are not very old. Only the Mont ships are old. The Empress of Britain is almost new. I find too that they transfer to income account what should go to profit and loss account, $2,832,183, and they do not pay any dividend; they say they need that as ready cash in respect of their railways in the United States. I should like to know what amount the department pays for the Atlantic service of the Canadian Pacific Railway and what it pays for the service

on the Pacific? The right hon. leader of the opposition (Mr. Bennett) is correct when he says that the Matson Line is obsolete; they have obsolete boats.

Mr. STEVENS: No, no, not the Matson.

Mr. EULER: The Matson line is an American line.

Mr. FINN: I know, but the boats are obsolete.

Mr. BENNETT: No; they have new boats now.

Mr. FINN: Then I congratulate them. I think the two ships that are operated by the Canadian Pacific alternate; I believe they run one trip from Vancouver and the other trip from San Francisco. I think that is correct.

Mr. STEVENS: No.

Mr. FINN: Perhaps the ex-Minister of Trade and Commerce can tell us that.

Mr. STEVENS: Both from Vancouver.

Mr. FINN: Does the Aorangi not go from San Francisco, and did the other one, that was lost, not also alternate with San Francisco?

Mr. STEVENS: No.

Mr. FINN: What ships go from San Francisco?

Mr. STEVENS: None of the ships involved in these subventions.

Mr. FINN: Then I should like to know the amount paid to the Canadian Pacific, whether it is to the ocean steamship company or to the railway company, for the Atlantic service. Is it or is it not $250,000?

Mr. EULER: We pay $250,000 to the Canadian Pacific for their Atlantic service.

Mr. FINN: And what about the service to Japan?

Mr. EULER: The service to Japan costs us $600,000, reduced from $749,000.

Mr. FINN: That is a total of $850,000?

Mr. EULER: Yes.

Some hon. MEMBERS: Carried.

Mr. FINN: What is carried, the amount? I was going to suggest to the minister and the government that there is upon the statute books something we have been discussing lately. I refer to the Canadian Pacific-Canadian National act, which was passed in order to cut out duplication and pool interests. Why is it that the Canadian Pacific are not asked to have every alternate boat on their Atlantic service turn at Halifax and the other one turn at Saint John?

Mr. EULER: They all call there.

Mr. FINN: That is like knocking at a door and going away before the people can open the door and speak to you. The point is that if there is to be a pooling of interests it should be a genuine one. We are paying $250,000 for that service, and the freight boats go direct to Saint John. They are unloaded there, and remain in that port a week. Then they come around to Halifax, pick up the Canadian National freight there and go off to London. The passenger boats call at Halifax, land the mails and passengers, go around to Saint John, stay there a week, load up, come back to Halifax, pick up any Canadian National freight that may be there, and go off to Liverpool. I am suggesting that in the interests of the development of the two Atlantic ports, Saint John and Halifax, the boats should call at each port alternately. That is what they do at Montreal and Quebec. The Empress of Britain does not go to Montreal but goes only as far as Quebec. The other boats go to Montreal and then call at Quebec. Is there any sound reason why the boats should not alternate between the Atlantic ports and why the Minister of Trade and Commerce and the government should not take into consideration pooling these interests on the Atlantic coast? Prior to the retirement of Sir Henry Thornton an agreement was entered into and a subsidy was paid the Cunard-White Star line. They called at Halifax and worked up a freight business which inured to the benefit of the Canadian National system to the extent of four or five thousand tons of freight every week. Now that business is all lost. A great deal of money has been spent in the port of Halifax; I think when the right hon. leader of the opposition returned from England last year he opened a new pier costing $500,000, which is large enough to hold the Queen Mary and two or three other large ships at the same time. Here we are, paying subsidies of $250,000, and I do not think there should be any discrimination as between the two Atlantic ports, Saint John and Halifax, any more than there should be discrimination between Montreal and Quebec.

I should like to ask the minister whether, since he has been in office, he has discussed with the Canadian Pacific the possibility of having each alternate boat turn at Halifax. I am sure that if the subsidy of $250,000 were to be cut in two and one-half given the White Star line they would call at Halifax every week and the Canadian Pacific could call at Saint John, as they do now. Saint John is their terminus; Halifax is not. Halifax is just a port of call, in order to pick up what

other ships do not take. I think the two ports should be on a parity, at least in regard to those lines that are subsidized by the government, particularly in view of the act providing for the pooling of interests. They pool on land but they do not seem to pool on sea, and after all that is the right sort of pooling. The water makes the pool there, whereas the only water you get on land is the water that goes into stocks. The minister may not be prepared to answer my question to-night. I do not desire to hold up the estimates or to delay the business of the house—

Mr. EULER: I shall be very glad to give consideration to the representations of the hon. gentleman.

Mr. FINN: And to bring them to the attention of the government?

Mr. EULER: Yes.

Mr. ISNOR: I should like to support my colleague from Halifax—

The CHAIRMAN: The hon. member for Cape Breton North-Victoria has the floor.

Mr. CAMERON (Cape Breton): I should like some information in regard to the service between Baddeck and Iona. Are there any ports of call stipulated in the contract, between these two ports?

Mr. EULER: The contract reads:

Baddeck, Iona or Shenacadie, and MacKay's Point; calling at Kempt Head on the western end of Boularderie island on trips from Baddeck to Iona; such calls to be made on only those days on which the subsidized steamer from Sydney to Whycocomagh makes her westbound trip from Sydney to Whycocomagh; and calling at Grand Narrows whenever there is a reasonable amount of freight or automobiles to put on or take off at that place.

(a) Provided, however, that if weather conditions prevent the steamer making a landing at Iona at any time, she shall, if possible, proceed to Shenacadie to land and take on passengers and freight.

Note: Connections at Iona: the steamer must make connections at Iona with the afternoon eastbound train from Halifax to Sydney from April 1st to November 30th, in each year.

Mr. ISNOR: I should like to support the suggestion of my hon. friend from Halifax in connection with the port of call of the Canadian Pacific ships. It is true that the subsidy was reduced last year from $500,000 to $250,000. The contract ran out, if I remember rightly, on March 31, 1936, so that it is not this year's but future contracts which I should like to have the minister bear in mind. I do not know whether there is a clause in the contract as to calling at any particular port or ports, but I think the matter should be seriously considered and a clause inserted, if necessary, to the effect that calls should be made at both Saint John and Halifax on the Atlantic coast with the same amount of time spent in each. As already pointed out by my colleague, a direct benefit is to be gained by the Atlantic ports the same as in regard to boats operating out of Vancouver, where a large amount, $600,000, is paid in subsidies. I support my colleague in his contention; it is something that the minister would be well advised to consider in the future.

Mr. CAMERON (Cape Breton): I should like to direct the minister's attention to the item on page 38 of the estimates:

Sydney and Bras d'Or lake ports and west coast of Cape Breton and Prince Edward Island, service between, $22,500.

Who is operating that service now?

Mr. EULER: The contractors are the Straits Shipping and Contracting Company, Limited, of Sydney, Nova Scotia.

Mr. CAMERON (Cape Breton): When was this contract entered into?

Mr. EULER: August 1, 1935, and it runs to 1939.

Mr. CAMERON (Cape Breton): Were any tenders called for?

Mr. EULER: No, no tenders.

Mr. CAMERON (Cape Breton): What was the term of the previous contract, or had there been any contract immediately prior to this one?

Mr. EULER: I do not have it before me, but I am informed that the terms were about the same as this one.

Mr. CAMERON (Cape Breton): As to the period or as to the amount?

Mr. EULER: From 1932 to 1934 the subsidy was $21,225. For 1934-35 it was $20,000; for 1935-36 it was $22,500, and for this year it will be $22,500.

Mr. CAMERON (Cape Breton): But was there a contract?

Mr. EULER: Yes.

Mr. CAMERON (Cape Breton): For one season?

Mr. EULER: Apparently for two years, 1932 to 1934 at $21,225; then for one year, 1934-35, at $20,000, and then for one year, 1935-36 at $22,500.

Mr. CAMERON (Cape Breton): Then in August, 1935, it was renewed for four years?

Mr. EULER: Yes.

Mr. CAMERON (Cape Breton): Without any competition?

Mr. EULER: There was no tender.

Mr. CAMERON (Cape Breton): Had the previous contract expired when it was renewed?

Mr. EULER: Yes; I am informed that the old contract had expired at the end of the previous season.

Mr. CAMERON (Cape Breton): Then there was no contract. The previous contract expired at the end of the season of 1934?

Mr. EULER: Yes, when navigation closed.

Mr. CAMERON (Cape Breton): And there had been no new contract entered into?

Mr. EULER: The new contract was made August 1, 1935.

Item agreed to.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Tuesday, June 9, 1936

The house met at three o'clock.

CANADIAN PACIFIC RAILWAY

TABLING OF RETURN WITH REFERENCE TO GUARANTEE OF $60,000,000 LOAN

Hon. FERNAND RINFRET (Secretary of State): Mr. Speaker, I should like to refer to parliamentary reference No. 169, moved for by Mr. Pouliot. This order was for a photostat copy of the original copy of the letter of guarantee, dated May 31, 1933, signed by Right Hon. R. B. Bennett and addressed to Sir Charles Gordon, president of the Bank of Montreal, about the $60,000,000 loan to the Canadian Pacific Railway Company. Inquiries have been made in the Department of Finance, the Department of Railways and Canals, the Prime Minister's office and the privy council office, and the original copy of this letter could not be found in any of these departments.

Mr. POULIOT: Hear, hear.

PRIVATE BILLS

SUSPENSION OF STANDING ORDER 105

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That for the remainder of the session all private bills when presented be read a first and second time and referred forthwith, and that standing order 105 respecting the posting of private bills be suspended.

This is the motion which it is customary to make about this time in the session.

Motion agreed to.

FIRST AND SECOND READINGS—SENATE BILLS

Bill No. 91, for the relief of Margery Brunhilde Morphy Dunton.

Bill No. 92, for the relief of Mania Leizerson Oberman.

Bill No. 93, for the relief of Milton Sandford Enoch Chase.

Bill No. 94, for the relief of Jessie Dansky Glazer, otherwise known as Jobeth Dansky Glazer.

Bill No. 95, for the relief of Mildred Eileen Champion Webster.

QUEBEC AND MONTMORENCY RAILWAY COMPANY

On the order:

First reading of Senate bills—Bill No. 88 (letter O2 of the Senate), intituled: "An Act to incorporate Quebec and Montmorency Railway Company."—Mr. Parent (Quebec West and South).

Mr. W. A. WALSH (Mount Royal): This bill, Mr. Speaker, is in the name of the hon. member for Quebec West and South (Mr. Parent). I do not know exactly how to proceed; I am under instructions from the Chair. I should like to have the bill placed under my name and given first reading at this sitting in order that it may be taken up by the railway committee some time early next week.

Mr. SPEAKER: Mr. Walsh moves that Bill No. 88, from the Senate, to incorporate Quebec and Montmorency Railway Company, be read the first time.

Some hon. MEMBERS: Explain.

Mr. WALSH: The purpose of the bill is to divorce the railway operations of the Quebec Railway, Light and Power Company from the operations of the tramway lines operated in the city of Quebec. They are two separate and distinct enterprises owned by the same company. One operates as the result of a franchise from the city of Quebec and the other is a railway operating out of the city of Quebec for a distance of about thirty miles, the principal points on that line being Montmorency and Ste. Anne de Beaupré. The Canadian National Railways have rights over that line to connect with their line leading down to Murray Bay. The object of the

bill is to separate these enterprises into two distinct entities, owing to the interest of the city of Quebec in the operation of the Quebec street railway, and enable the parent company to maintain financial control of the two separately and to better advantage.

Mr. POULIOT: Remove the watered stock and let the bill dry to death.

Mr. WALSH: Something has to be used to float it.

Motion agreed to and bill read the first time.

PRIVILEGE—MR. McIVOR

On the orders of the day:

Mr. DANIEL McIVOR (Fort William): As a matter of privilege may I direct a question to the Minister of Finance? I have here a telegram from two specialists in the medical profession in the city of Fort William, who specialize along lines that are important to the community. They have sent a challenge to our baseball team—

Some hon. MEMBERS: Order.

Mr. McIVOR: —and would like to know whether the minister is prepared to finance a team coming from Fort William.

CANADIAN NATIONAL RAILWAYS

PROPOSED BRANCH LINE FROM SENNETERRE TO ROUYN, QUEBEC

Hon. C. D. HOWE (Minister of Railways) moved that the house go into committee to consider the following proposed resolution:

That it is expedient to bring in a measure to provide for the construction, prior to the 31st day of December, 1939, of the following Canadian National Railways branch line:—

From Senneterre to Rouyn in the province of Quebec—estimated mileage, 99 miles; average expenditure per mile, $60,000; estimated cost, $5,940,000.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Mr. STEWART: Will the minister give some particulars of the project and the reasons for undertaking it just now?

Mr. HOWE: This bill implements the application made by the Canadian National Railways to the Department of Railways for an appropriation to build a branch line from Rouyn, which as we know is the centre of Noranda activity to Senneterre, through an area which has to-day ten producing gold mines, two mines that will be in production within a month or two, and some thirty very promising prospects now under development.

The Canadian National Railways were the pioneers in this district, which first came into prominence ten years ago with the discovery of the Horne mine which is now the Noranda property. At that time those interested in Noranda applied to the railways for service to the area. I am informed that an application was first made to the Canadian Pacific Railway, which approached the area as closely as did the transcontinental. The Canadian Pacific Railway was not particularly interested at the time and application was then made to the Canadian National, and with the help of the province of Quebec and of the mining company a branch line was built into Rouyn through Taschereau on the transcontinental railway, which branch has been in operation since that time. The arrangement was that the operating deficit of the line was guaranteed by the province of Quebec up to $50,000 and by the mining company up to $20,000. Since that time there has been a very intensive mining development in that area. All these mines have been served by the National Transcontinental and they are all within thirty-five miles of that railway. They have been served by waterway down from the railway, by a highway that was built in the area, and by aeroplane. In any event the service there has been provided entirely from the Canadian National Railways. Recently two applications were made by private companies to the Quebec legislature for legislation permitting construction into this territory, one from a private company, controlled by private interests—called the Goldfields Company, I believe; however, that particular threat is not regarded very seriously. The other, a bill for the Temiskaming and Abitibi Company, is being sponsored by the Canadian Pacific Railway Company. That bill has passed the committee stage in the Quebec legislature. It was opposed by the Canadian National Railways, and it is to anticipate the construction of that line and to preserve territory which seems to be definitely the property of Canadian National Railways that the bill now before this committee is being hastened at the moment.

I have a long letter from Mr. Hungerford, the president of the railway, addressed to the chairman of the trustees, and I would be glad to put the entire letter on Hansard, but it is quite long.

I will quote this one paragraph:

The development of the territory has now reached a stage where it becomes attractive to private railway interests, and if the invasion by such interests is permitted, the people of Canada will be deprived of the benefits for which they have already paid in capital cost and operating deficits. Instead of reaping

the reward of a development project, boldly conceived, the people of Canada will have to recognize the National Transcontinental Railway as a permanent drag upon the finances of the country.

In the same letter the president goes on to say that the management has for many years planned to build an extension of the Noranda branch easterly to a junction with the National Transcontinental at Senneterre, and that the main reason for withholding such a recommendation has been the period of financial distress which has required that this desirable project be deferred.

The earnings of the Canadian National which would be placed in jeopardy by the construction of the Canadian Pacific into this field are very considerable. Limiting the territory affected to that between Senneterre and Noranda, the railway revenues for even the last four years of the depression have increased from $1,367,000 in 1932 to $2,066,000 in 1935, and the earnings for the first four months of 1936 are at the rate of $2,300,000 per annum. It is estimated that the earnings, apart from Noranda, will, five years hence, be much greater than those indicated for 1936, and in the view of Mr. Hungerford may reach $5,000,000—that is in addition to the earnings from the present development. Due to the fact that these earnings accrue from mining development which would be immediately adjacent to the projected lines, the railway authorities estimate that revenues commencing at $1,100,000 per annum in the first year, and rising to $3,000,000 in the fifth year, would be diverted from the Canadian National lines, while it would not be possible for the management to reduce operating expenses by more than forty per cent for each dollar of diverted revenue, so that the net damage to the publicly owned system would, on the president's estimate, be $660,000 the first year of competitive and duplicative service, rising to $1,800,000 by the fifth year. That loss, of course, would add just that much to the total deficits of the Canadian National Railways, with respect to which in recent years the chief executive of the Canadian Pacific Railway has been expressing such great concern.

There is the added and desirable feature that the proposal on the part of the Canadian Pacific flies in the face of the co-operative features of the Canadian National-Canadian Pacific legislation of 1933, under part III of which it is provided that there shall be arbitration in case of disagreement concerning railway plans and arrangements. For the purpose of this arbitration it is provided that an arbitral tribunal may be established whose power and jurisdiction should extend, among other things, to:

> Control and prohibition in respect of the construction of new lines and provision of facilities and additional services where no essential need of the public is involved, or where the result would be in the main the division of traffic already adequately provided for.

That provision of the 1933 act was intended to cover just such a case as the present, but the Canadian Pacific Railway, of course, escapes control by the act through recourse to a provincial government under the name of a subsidiary company.

I think, Mr. Chairman, that that covers the situation fairly well. I may say that when the Canadian National Railway built its line into Noranda it also took authority to build both east and west from Noranda. The line east from Noranda covers practically the territory in which it is proposed to build this line. The line west was taken by the Temiskaming and Northern Ontario Railway Company, which built into Noranda shortly after the Canadian National Railways completed their connection.

The situation resolves itself into this. The Canadian government have built a line through northern Quebec which is intended as a development and colonization line, and now, after all the years in which it has been operating at a deficit and when this particular area promises to produce traffic which will in a measure justify that construction. I hardly think it can be conceived that this territory thirty-five miles from the National Transcontinental, and which is now being served by that line, and fairly well served, should be allowed to pass into the control of a competing railway.

Mr. STEWART: Can the minister inform the committee whether the application to the provincial government by the private company to which he has referred has been successful, and whether the bill in question has been passed? The minister has informed the committee that the Canadian National Railway management have been active in endeavouring to preserve this territory for the Canadian National Railways. Has this government made any representations to the Quebec government along the same lines?

Mr. HOWE: The only knowledge I have of the position at Quebec is obtained from the newspapers, from which I gather that the Temiskaming and Abitibi railway bill was referred to the railway committee of the legislature, where it passed with some amendment, and was referred back to the house.

I have not heard whether the house has since dealt with it. So far as representations from the dominion government are concerned, beyond advising the Quebec government that we had an application from the Canadian National Railways for a bill and that we proposed to present that application to parliament, no representations have been made by this government.

Mr. STEWART: Then I take it that this government has up to the present taken no active steps to oppose the granting of the charter in the Quebec legislature.

Mr. HOWE: That is correct.

Mr. PELLETIER: I understood the minister to say that this measure would justify the construction of a certain line that had previously been built for development and colonization purposes. Am I correct in understanding that this new line is going to help out what has already been done for development and colonization purposes?

Mr. HOWE: I referred to the fact that the National Transcontinental has built through northern Quebec from Montreal and Quebec westward, with the hope of aiding development and colonization in northern Ontario. Of course this branch line we are now discussing is to serve a definite traffic in an area where there happen to be more than forty active mining developments. That territory will be directly served by the line covered by this particular bill.

Mr. WOODSWORTH: Mr. Chairman, the government is to be congratulated on bringing in a measure of this kind. The statement made by the minister, together with the letter from Mr. Hungerford, seem to me to make a very clear case indeed. We have heard so much about the deficits of the Canadian National Railways; we have been told that this system is a millstone hanging about the neck of Canada. Now it would appear that the great expenditures of the past may be justified, since this territory is beginning to develop. The public road has a perfect right to take advantage of that. When we hear so much about cooperation I do not see why the subsidiary of the Canadian Pacific should act as it has acted in this matter. This would seem to me to be a smart trick. The application was opposed by the Canadian National Railways, and I do not quite see why the government itself should have appeared earlier. The application was also opposed by the Ontario government. If the Canadian Pacific railway was sincere in its desire to cooperate the least it could have done was to bring the matter to the attention of the board of railway commissioners or before a tribunal such as is provided for, or to come to this house with a bill. When we are urged to adopt a policy of cooperation it seems ridiculous that the Canadian Pacific should now enter a territory which is generally recognized as belonging to the Canadian National. I do not quite see why there should have been two railways to serve that territory, yet now the Canadian Pacific want to get into the same territory. This goes on whilst in the west we have had tracks torn up and lines abandoned in order to promote some measure of cooperation. I think this proposal is very good business indeed from the standpoint of the people of Canada.

Mr. WALSH: May I ask the minister whether the measure now before the committee was brought to his attention prior to or subsequent to the introduction of the bill in the Quebec legislature?

Mr. HOWE: I will say at once that if the bill had not been introduced in Quebec this legislation would not have been introduced during this session. This matter was discussed last year with the executive, and my own feeling was that due to the position of the railways generally we should defer everything that possibly could be deferred, as we felt that we were giving reasonable service to this area as it was. I think next year in any event we would have applied for this power, but our hand is being forced at this time by the threat of a competing road to build into our territory.

Mr. WALSH: Was not the Canadian Pacific bill that was introduced in the Quebec legislature conceived on a much wider basis than the measure now before this committee? I understand that the Canadian Pacific bill dealt with a line of railway about twice the length of the one proposed here, running from the south to the north and covering a territory perhaps one hundred miles in length, through the Noranda district. That line, from seventy-six to one hundred miles in length, was to go through a colonization territory containing roughly seven thousand settlers, who would have been served by that branch line. Incidentally, the Canadian Pacific were going to extend eastward through the Noranda district in order to make the remainder of that line a paying proposition. As I understand it, these seven thousand settlers will not be served unless the Canadian Pacific get permission to build through the Noranda district. I am not encouraging the duplication of lines, by any means, but it seems to me, as the hon. member for Winni-

peg North Centre suggested, that this is a splendid opportunity for cooperation rather than competition. If one company would construct a line and give the other company running rights over it I imagine the seven thousand settlers in that area to the south of the Noranda district would get the service they have been seeking for a considerable length of time.

Mr. HOWE: The Canadian Pacific application was for a line from Angliers to Rouyn, some sixty miles in length; then from Rouyn to Senneterre, some ninety-eight miles, then continuing into the Chibougamau district perhaps another seventy or eighty miles. But when they appeared before the railway committee in Quebec the Canadian Pacific immediately stated that at present they were not interested in building into the Chibougamau district. That reduced the line to the sixty miles to Noranda, in exactly the same territory to be covered by the line now proposed. I may say that, having developed that territory from the start and brought it along to its present state of productivity over a ten year period—that is, the territory between Rouyn and Senneterre—it is not the intention of the Canadian National Railways to divide it in any case.

Mr. STEWART: The only suggestion I have to put forward is that the minister should make the strongest possible representations to the Quebec government against granting that charter, which up to the present time they have not done.

Mr. McDONALD (Pontiac): As a representative of the district that these projected lines are intended to serve probably I can throw a little light on the situation. As the minister has correctly stated, when the Noranda mine was first discovered and development took place there the Canadian Pacific line ran from Mattawa to Angliers, and Angliers was only sixty miles south of Noranda. At that time there was no railway communication whatever into the district. The opportunity was there at that time for the Canadian Pacific to construct a line. In their wisdom they did not consider it advisable to do so. As a result we had the line built from Taschereau down to Rouyn, financed, as the minister has said, by the Quebec government and the Noranda mine. Eventually the Temiskaming and Northern Ontario extended their line from the interprovincial boundary, from Cheminis into Noranda, though that was opposed by the Quebec government. The case was carried to the privy council, who decided that the T. & N.O. had the right to enter the Noranda district. Since then that district has been served by the two railways, the T. & N.O. connecting with their main line at Swastika and the branch line of the Canadian National to Taschereau.

The recent application of the Canadian Pacific for a provincial charter called for an extension from Angliers to Noranda, a distance of about sixty or seventy miles; a continuation eastward from Noranda to Senneterre, approximately a hundred miles, crossing the Canadian National main line there, and going northeasterly to the Chibougamau district. I had occasion to be present at the meeting of the railway committee in Quebec the week before last when the bill was under consideration. Having in mind the fact that the southern portion of Temiscamingue county from Angliers to Rouyn would be served by the construction of the Canadian Pacific, through a district now being settled under the Quebec colonization plan under which about fifteen thousand settlers have been placed within the last few years, and considering the necessity of providing markets for these people in that district, naturally I encouraged the projected construction of the Canadian Pacific line from Angliers to Rouyn. I also recognize the fact that once arrived at Noranda or Rouyn with permission to construct eastward, difficulty arises, inasmuch as the Canadian Pacific railway then infringes on what is presumed to be Canadian National territory. While I advocated the construction of this Canadian Pacific line from Angliers to Rouyn I suggested to the committee that, before proceeding any further, steps should be taken by the Temiskaming and Abitibi, which is really the Canadian Pacific Railway Company, to get in contact with the Canadian National management and try to arrive at an agreement whereby only one road should be constructed through that district. It is a foregone conclusion that only one road there could be made to pay, but an agreement might be made for running rights or some such arrangement. The committee adjourned that day to take that suggestion into consideration. The Canadian Pacific proposal to pass through the district as far as Senneterre has been approved, but the extension from Senneterre eastward to Chibougamau has been eliminated. The bill has passed through the railway committee of the Quebec legislature but has not yet passed the legislature. What action will be taken there I am not in a position to say. That is the situation as it exists to-day.

Personally as member for the district I should like to have seen the Canadian Pacific build from Angliers to Rouyn. The vice-

president of the company intimated to me very distinctly that if they were not given the charter from Noranda to Senneterre they would not consider building from Angliers to Rouyn.

An hon. MEMBER: They were not worrying about the settlers.

Mr. McDONALD (Pontiac): They claimed that the development to-day is not such as to warrant the expenditure in building merely to Noranda, which is already served by two railways. Personally, having regard to the development of the district, I should like to see the line built from Angliers to Rouyn, and I am also interested in seeing this line built eastward, whether it be by the Canadian Pacific or by the Canadian National, from Noranda to Senneterre, because in recent years the development of that section of the country, from the point of view of mining, has been phenomenal. And not only that, but in colonization also; because the Quebec government are sending into that district thousands of settlers, and eventually I believe they will all be successful farmers, finding a good market there in the mining districts. The minister referred to the number of prospects in the district, and also the producing mines. As evidence of the growth and development that is taking place I might say that the town of Val d'Or, which two years ago was not in existence, to-day has a population of about 3,000. The growth of that town is justified by the development that has taken place in the immediate neighbourhood—not prospects only, but producing mines.

I find myself in a rather difficult position. I am interested in the construction of the road by the Canadian Pacific from Angliers to Rouyn. I am also interested in the construction from Noranda to Senneterre, let it be by the Canadian National or by the Canadian Pacific. The decision rests with this committee. In any case I hope that when all is done we shall have both railways.

Mr. BERTRAND (Laurier): By the Canadian Pacific proposal we would have direct communication between Montreal and this northern region, which is in the province of Quebec but has no direct communication with Montreal. Has any attempt been made to have the construction proceeded with as a joint venture, so that there would be direct communication between Montreal and this district?

Mr. HOWE: The shortest and most direct line from the centre of this district to Montreal is via the National Transcontinental.

Mr. BERTRAND (Laurier): I was told that it is seventy-nine miles shorter between Noranda and Montreal than between Noranda going around by La Tuque.

Mr. HOWE: Possibly it is a trifle shorter, but I would not think it is seventy-nine miles shorter from Noranda. From the centre of this mining district it is a little shorter to Montreal via Senneterre and the transcontinental than by the Canadian Pacific, but the difference is so slight that I think the mileage would not affect the Montreal situation in the least.

Mr. BERTRAND (Laurier): I hope the government does not forget Montreal.

Mr. WALSH: I should like to congratulate the hon. member for Pontiac (Mr. McDonald) on the lucid explanation he has given in connection with the actual situation in that district. May I ask the minister if it is the intention of the Canadian National Railways to proceed immediately with the construction of this ninety-nine miles, or is this merely a covering bill to keep the territory for the Canadian National?

Mr. HOWE: I think the bill, when it is before the house, will make that quite clear.

Mr. BENNETT: Is there no method by which it would be possible to bring about cooperation in this matter? I remember the representations to which the minister refers as to the desirability of making some connection between—I am not sure whether it was the city of Montreal, but that district and this mining area. I was hopeful that something might be done through the action of the government to bring about what the hon. member for Pontiac (Mr. McDonald) described as the possible leasing of running rights. At any rate the construction of both roads would in my judgment be a calamity under present conditions, and if for traffic or other reasons the territory is entirely that of the Canadian National I think representations should be made to the Quebec government that it would be regarded as desirable not to charter the other road. If on the other hand it is possible to arrange running rights so that both roads might receive traffic which they justly believe to be their own, that might be worked out. I was struck by what the hon. member for Pontiac said in that regard.

Mr. HOWE: When this matter came to the attention of the Department of Railways, as minister I wrote to both railway companies urging that every attempt be made

to reach common ground, but I am sorry to say I was definitely advised that this could not be done.

Resolution reported, read the second time and concurred in. Mr. Howe thereupon moved for leave to introduce Bill No. 90, respecting the construction of a Canadian National railway line from Senneterre to Rouyn, in the province of Quebec.

Motion agreed to and bill read the first time.

DEPARTMENT OF MINES AND RESOURCES

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved the second reading of Bill No. 79, respecting the Department of Mines, Resources and Colonization.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Short title.

Mr. CRERAR: Mr. Chairman, hon. members might find less difficulty in discussing the bill if I furnished some details supporting the reorganization of these several departments into one administrative unit. It will be observed that the purport of the bill is to combine the Departments of Interior, Mines, Immigration and Colonization and Indian Affairs, and also the work entailed in connection with the administration of the soldier settlement board.

The chief work of the Department of the Interior at this time relates to parks, to the Yukon territory and to that vast area now known as the Northwest Territories. It has also to do with national surveys, dominion forest service, scientific investigation into forest growth, methods of conservation of our forests and the like. It has also to do with matters relating to water power and hydrometric surveys. In addition there are scientific surveys which come under the direction of that department. They relate particularly to the dominion observatories at Ottawa and Victoria.

The whole range of administration of Indian affairs from the Atlantic to the Pacific comes under the Department of Indian Affairs. At present there are approximately 112,000 Indians in Canada, and it is estimated that they increase at the rate of about 1,000 per year. That is probably due to the fact that better care is given in matters of medical attention and hospitalization, as well as in the field of education. In connection with Indian administration we have not only problems of health, in which are involved hospitalization and medical care, but there is involved the administration of reserves, and the question of bringing the Indians as nearly as possible to a point where they may be self-supporting.

In connection with the Department of Mines, geological surveys of a general character have been made covering the whole of Canada. As I stated earlier in the session when estimates of the Department of Mines were before the committee of supply, federal authorities are responsible for the maintenance of geological surveys in the provinces of Manitoba and British Columbia. There is also the matter of the geology of the Yukon where in recent years substantial progress has been made in the development of gold mining. Connected with the administration of the Department of Mines are certain technical services performed in the city of Ottawa. Those involve examination of complex ores, and the like, to find ready and sufficient means of ascertaining their proper treatment.

The work of the Department of Immigration and Colonization has slackened in the last four or five years. Probably it reached its peak in the early years of the century. Last year the number of immigrants arriving in Canada was less than it had been in any previous year since confederation. While in the past the Department of Immigration and Colonization was charged with the task of popularizing Canada, and making facts about Canada known to the people of other countries, naturally in the course of time that work has greatly changed. To-day immigration services are restricted to the examination of people coming to our country, and supplying them with the necessary entry, in accordance with the regulations laid down in immigration legislation.

I sometimes make the statement, humorously, that the soldier settlement board is operating the largest mortgage business in Canada. I need not go over the history of the board, because I am certain it must be well known to hon. members. It was formed in 1919, immediately following the war, and up to this time something more than $150,000,000 has been turned into its administration. That figure includes the costs of administration. As hon. members are no doubt aware, there have been various reductions in the obligations of soldier settlers, but it is estimated that with those reductions there is still a residual value of approximately $50,000,000. That is a vast estate to be administered by the federal government. I am not making

any prediction as to what ultimately may be realized, but I state these facts simply to impress the committee with the importance of that particular branch of the administration.

Mr. BENNETT: As it stands now, every dollar paid gets credit for two dollars?

Mr. CRERAR: Yes. In discussing the need for reorganization I may be in a position to give hon. members useful information. As they are no doubt aware, in the departments indicated there are four deputy ministers with salaries ranging from $8,000 to $10,000 per year and four assistant deputy ministers. There are thirteen executives in classes with a maximum salary of over $5,000 per year, and thirty-one executives in classes which have a maximum salary of over $4,000 per year. In the immigration department there is a director of publicity with a staff of three; in the national parks branch there is a director of publicity with a staff of eleven, and there is also a large and well organized bureau in the Department of Mines for the dissemination of geological information. There are four legal officers, three in the Department of the Interior and one in the Department of Indian Affairs. In the four departments there are five editors and three assistant editors with the necessary clerical assistance. These staffs look after the publicity work in the different departments. In addition there are other officers who perform editorial work incidental to their regular functions.

There are twenty-three people in the staffs of the deputy ministers. There are ten people engaged wholly in work relating to personnel, and in addition part of the time of many of the executive officers is taken up with this feature. There are chiefs of records in each of the departments. Three of the departments have purchasing agents. The central purchasing office of the Department of the Interior has a staff of twelve; the Department of Indian Affairs has a staff of five and the Department of Mines has a staff of four. Supplies for the Department of Immigration are looked after by the staff handling the mail. There is an architect in the Department of Indian Affairs with an engineering assistant, draftsman and stenographer. In the parks branch there is an architect with an assistant architect, draftsman and stenographer. There are three survey units in the Department of the Interior: there is the geodetic survey, the international boundary survey and the topographical and air survey bureau. In the Department of Mines there are the surveys relating to the work of that department. In connection with the Northwest Territories, we have the Northwest Territories council that looks after and advises in connection with the administration of that vast area. There is also a council in the Yukon which has to do with that particular phase of the work of the department.

All this will give the committee some of the cogent reasons why the unification of these departments into one administrative unit should in the course of time effect very considerable economies in the cost of administration. I have further details which might be placed before the committee when we are giving consideration to the different sections of the bill.

So far as the organization of the new department is concerned, I am free to confess that I have not as yet had sufficient time at my disposal to analyze thoroughly the work of these departments and, in conjunction with the responsible officers of the departments, work out the most effective and economical method of administration.

I may say that this reorganization will follow broadly the lines of having one deputy minister, and a number of directorships. The bill provides for eight directorships but I have in mind at the present time just seven. Without committing myself definitely to the branches to be set up, I might place before the committee the suggestions I have to make in this regard. There will be a mines branch, an immigration branch, a lands and colonization branch which will include soldier settlement administration, a branch for Indian affairs, a branch for surveys, a national parks branch, and a forestry and water power branch. As to the extent to which the various branches to which I referred a moment ago may fall into these particular directorships, I am not at present in a position to say. I am sure hon. members of the committee will appreciate the fact that in reorganization covering so many departments with so many related branches, the greatest care and study should be given to the matter if the maximum results in economy, efficiency and operation are to be achieved.

Mr. BENNETT: What is the total number of the staff in the various departments?

Mr. CRERAR: The total number in the Department of the Interior is 1,162; in the Department of Immigration, 804; in the Soldier Settlement branch, 336; in the Mines department, 448, and in the Department of Indian Affairs, 1,095.

Mr. BENNETT: That would include both inside and outside?

Mr. CRERAR: That includes all branches of the service. The total is 3,845.

Mr. NEILL: Could the minister give an estimate of what reductions in staff will be made possible by this reorganization?

Mr. CRERAR: I would not attempt to do that at the moment, but I shall have a word or two to say on this phase a little later.

Mr. NEILL: Would the minister suggest a twenty-five per cent cut?

Mr. CRERAR: I would suggest that ultimately it should be greater than that. Hon. members will appreciate that the readjustments which will be necessary cannot be made all at once. I am sure hon. members will also agree with me when I say that we must have regard to the positions of those already in the service. At this point I should like to pay tribute to many members of the service in these departments. There are many excellent civil servants in these departments, able and competent men.

Mr. BENNETT: And women.

Mr. CRERAR: Yes, and women. I do not think we always appreciate fully the difficulties under which some of our civil servants work. At times their position is one of considerable delicacy and difficulty, but notwithstanding the cynical criticism that one hears from time to time, I do think it is possible in our civil service to have efficient and economical administration. That certainly is the goal in this reorganization. I am not boastful enough to say that this reorganization can be worked out by the minister who happens to be in charge of the department, but I do believe it can be worked out in cooperation with the officers of the different departments. So far as I have been able to gather any opinion from the staffs of the departments, I can say that they are just as anxious to secure efficiency and economy as are hon. members of this committee. I feel certain that I shall have their full and hearty cooperation in working to that end.

Just a word or two about the principle of the bill. There are only one or two features to which I desire to direct the attention of the committee. Under the Civil Service Act the reorganization of a department is a matter for the civil service commission, but under this bill we are departing somewhat from that procedure. It is not intended that the doors shall be opened for the entry of new people into the service, except in one particular. In the appointment of the directors we take the power under this bill to go outside the civil service. I wish to say frankly to the committee that at the present moment I have no intention of doing that so far as my information goes. What I do desire to secure is efficiency in the operating heads of these various branches. What little experience I have had in business administration has led me definitely to one conclusion, and that is that the success of your administration depends in the main on the ability and character of the men whom you have in the responsible positions; and that is what we certainly aim at securing in the reorganization of this department. So far as the other members of the staff of the new department are concerned, I am asking the committee and the house to give me the authority to reorganize the department in the first instance without necessary reference to the civil service commission. In the making of appointments they must be drawn from the existing personnel in the different departments. It is not intended that new members of the staff will be introduced from outside of the civil service.

Mr. BENNETT: Outside of the existing civil service.

Mr. CRERAR: Yes. In the reorganization of the work of these four or five departments I flatter myself, without any disrespect to the civil service commission, that probably, in conjunction with the responsible officers of the department, we can make a better job of it than some representative whom the civil service commission might assign with the best will and intention in the world. I hope the committee will agree to the recommendations in the bill in that regard. I think that covers, briefly, what I have to say at this stage.

Reference was made the other day to the title as being too cumbersome and I think perhaps there was some foundation for the criticism. In that regard, therefore, we propose to shorten the title; and since the bill does not stand in my name but in the name of the Prime Minister I move, seconded by Mr. Lapointe, that section 1 be amended as follows: That the words, in line 5, "resources and colonization" be struck out, and that there be substituted therefor the words "and resources," and that the words "and resources" be substituted for the words "resources and colonization" wherever these words appear in the bill. The effect is to shorten the descriptive title from "Department of Mines, Resources and Colonization" to "Department of Mines and Resources."

Mr. BENNETT: In common with every other member of the committee, we feel grateful to the minister for the clear statement he has made regarding what he contemplates doing under the provisions of this measure. He probably does know that the

former Minister of Labour and the Minister of the Interior worked out a plan together, and it fell by the wayside for one reason and one reason only. Under the existing economic conditions it would involve the release from employment of too many people. That is a pretty poor reason to give—in fact, it is not a pretty poor reason but a very poor reason—and yet, having regard to the conditions that prevail, it happens to be the real reason why it was impossible to carry it out. If the minister carries out the plans he has suggested to-day he will undoubtedly be compelled to release from employment a substantial number of people. If he retains them in the service he has accomplished no purpose.

Mr. CRERAR: Except in getting started in the right direction.

Mr. BENNETT: Quite so, but he is handicapped from the very start. That is one of the anomalies of our position and it is a real one. I wonder if the minister has taken the soldier settlement department as it stood. The former minister reduced the personnel by a very large number and created in it a measure of efficiency which I think the minister will agree is very striking. I think he will be certain on that point. But it created for the government a great deal of difficulty, and under the conditions that exist it was almost impossible to contemplate the release of large numbers from the public service. I wonder if the minister realizes that during the five years from 1930 to 1935 nearly 12,000 civil servants were released from their positions in this country. That is a terrible thing to say, and yet the service was more efficient by reason of it. And that is a still more terrible thing to say. Part of that—we must be frank—was at once attributable to the transfer of the resources to the western provinces. But when I heard the minister reading the familiar story to me of the editors and the architects and other officers in each of the several departments I could not help thinking of the effort that was made at one time by a very able man in the public service so to establish matters as to have under his direction a department of such a character that it would be a very powerful organization. When the transfer of the resources took place it became essential to cut down the numbers remaining in the federal service, and that created an exceedingly unhappy condition from which needless to say the government suffered very greatly. Nevertheless the work was done and the lessening of the numbers was by some 12,000 in those five years. I need not say that that made 12,000 potential if not real opponents of the administration.

As to the policy of a deputy minister and seven directors, I can only say that the plan that had been worked out by the Minister of Labour and the Minister of the Interior in the late administration contemplated a somewhat lesser number than that. The minister has said he may use only seven and possibly he may not find it necessary to have that number when he concludes operations. I judge from what he has said that he has reached no definite conclusion in his own mind as to the number. But dealing with the question of mines, for instance, it is quite clear that the only mineral territory over which the dominion has jurisdiction is in the Yukon and in the Northwest Territories. We have no jurisdiction now over mines as such except in those territories, but we are carrying on geological survey work, under our constitutional obligation, in Manitoba and British Columbia. Unfortunately, however, there has grown up in this country the idea that while we did have vast mineral areas under our control and jurisdiction we should have issued valuable pamphlets and maps which the provinces did not care, and in fact could not at that time be called upon, to publish. We to-day are doing an enormous amount of work which normally would be done by the provinces of Ontario and Quebec. The minister knows to what I refer—the detail work. In British Columbia, having a constitutional obligation to maintain a geological survey, I suppose we are bound to publish the result of our observations and work in that territory from year to year. That is expensive. These books we get out, illustrated as they are and carefully prepared as they are, are expensive books to publish; they are not cheap books by any means. Geological maps require very great care in their preparation, and in the Department of the Interior, for instance, we have a map designer who is responsible for the preparation of the map that we use in connection with our electoral lists and the maps delimiting the boundaries of our electoral districts. Formerly that was not so; an officer attached to one of the other departments did that work.

The Department of Mines, to get back to what I was speaking of, has at the present moment a staff of between three and four hundred.

Mr. STIRLING: Four hundred and forty-eight.

Mr. BENNETT: Yes, and it is difficult to justify that staff on the basis of our con-

stitutional responsibility, having regard to the fact that we have parted with control over all our mining areas except in the Northwest Territories and the Yukon.

As to colonization and immigration, was I right in assuming the minister proposes that immigration shall be under the control of a director? I thought the statute made that clear.

Mr. CRERAR: Yes.

Mr. BENNETT: Colonization deals only with soldier settlement, and I have already mentioned what has been done in that regard. With respect to immigration, it seemed to be the settled view of the Canadian people as indicated in this parliament that no effort should be made to bring people into this country during the period of economic stress. In fact, there were very strong protests from some quarters against the numbers that did come in, and the number that came in last year, as the minister says, was less than it had been in any previous year since confederation. The fifteen or eighteen months preceding the beginning of the economic stress in Canada saw substantial numbers coming into our country, and I am sorry to say that a very large number of them have been under the care of the city of Winnipeg and other communities for the last four years, of which the minister perhaps has a clearer appreciation than I.

The Department of Indian Affairs obviously must have a director of its own. It is a special branch of our work, and I think one can say with perfect frankness, without going out of one's way, that that department has been very well conducted. It perhaps is overburdened with staff in some cases, but that I suppose is inevitable having regard to the fact that you have to carry on farming operations in some of the reserves; you carry on ranching operations in some of the reserves; you carry on coal mining operations in some of the reserves, and in some of the reserves the Indians have to depend on their hunting ability and the general activity of the members of the band to support themselves outside of the moneys that are paid to them and the rations supplied to them by the crown. I agree with the minister that a director of Indian affairs is essential in that he will have, whoever he is, a very great deal of work to do. Since the establishment of a medical service amongst the Indians, which was begun by the Minister of the Interior under the Prime Minister's last administration, and which has been extended since, there has been, strange as it may sound, an increase in the number of Indians in this country. For a substantial period of time the Indians were gradually decreasing in number, as the minister knows, but owing to the steps that have been taken, sanitary and medical, there has been an increase in the number of Indians in this country. I was surprised to find from what the minister said that the increase now reaches one thousand per annum.

Mr. CRERAR: That is estimated.

Mr. BENNETT: The figure was somewhat larger than I had expected. I shall not traverse the ground the minister has so well covered, but I do suggest to him that he will have great difficulty—not that I desire to magnify his difficulties—in dealing with this general situation. If he feels there is incumbent upon him the responsibility of maintaining all these staffs in their entirety, it would be far better to pay the staffs than keep them in the service. That may seem a very strange statement, but it will militate against the efficiency of the department if it is overstaffed, and it will be overstaffed as it now stands, and it would be better to make some arrangement in the way of the payment of a lump sum or of an annuity for a period of years than to continue people in the service who have no work or not enough work to do. I agree with the minister when he says that the selection of the director will determine the efficiency of the branch, and there can be no real efficiency if the director finds himself handicapped from the start with a staff which he cannot control as to numbers. These are hard words. They are not intended in any sense to indicate an unkind attitude of mind towards this problem, but there has grown up in the public service of this country in many departments an overmanning and overstaffing that can be dealt with only by the method I have suggested, because you cannot wait for the cruel hand of death and the superannuation act to take care of them all. I make that statement to the minister because I am confident that if we live another year and he comes back and tells us frankly what the situation is, he will admit, unless he deals with the situation in that manner or in somewhat the same manner that he has indicated with respect to other branches, that he has found great difficulties. I think no man who has been in business as he has been knows that better than the minister himself.

As to the name of the department, my colleague from Argenteuil (Sir George Per-

ley) the other day suggested what I feel, that the name is longer than it should be. In view of the fact that the government has committed itself to a name, and that it was intended to use the words "mines and resources," I think the compromise, if one might use that word, at which the government has arrived is a perfectly sound one. My preference—it is not a matter of importance now—is for Department of Internal Affairs. The Home Affairs department in Great Britain has been a distinctive branch of government for many years; it has been charged with responsibility for all home affairs as distinguished from foreign and other affairs, and it struck me, when I was giving some little attention to it, that as distinguished from external affairs you have here a department that has to do entirely with internal affairs—Indians and colonization, immigration, mines and minerals. It has to do with geology, with the observatory, with all the multifarious activities of the people under the control of governmental officers that might be summarized in the words "internal affairs."

I am not sure that the words "mines and resources" are sufficiently comprehensive as indicative of the range and activities of the new department. In fact to some extent they are words of limitation rather than of description, because in the very nature of things, having regard to the many activities with which the department has to deal in its seven or eight branches, it is quite clear that mines and resources is hardly indicative of the entire scope of those activities. In the Yukon and Northwest Territories the department is in a sense legislative; it creates a council which has power to enact ordinances, which ordinances, it is true, coming to the governor in council through the proper channels, have to be considered and dealt with; but in that case it has thrust upon it responsibility for the exercise of legislative powers. Then it has administrative powers. It has obligations with respect to education, obligations with respect to publicity. Above all else it has to do with an enormously important branch of our national life, namely our national parks, which in the redressing of an adverse trade balance have been singularly effective, inasmuch as every time a tourist tears from his cheque book a ten dollar banker's cheque he has contributed $10 to making up the adverse balance of trade between the United States and Canada, whatever it may be. That department of the public service is a branch that requires, shall I say, most painstaking effort and involves, I am sorry to say, the consideration of many problems that become too narrowly political. The minister will not misunderstand me, I am sure, when I say that success or failure, depending upon the factors to which I have alluded, will also depend to no small extent upon what I may call the purely political viewpoint. If in the selection of staff and in the administration which is proposed—not by the minister, because with the best intentions in the world these things will happen; not by the government, which with the best intentions in the world may find itself handicapped by pressure from without—that pressure is not withstood I am bound to say that I think the very conditions that have brought about the situation that now exists will continue to be imposed upon the administration with unfortunate results as far as the success of the effort is concerned.

I speak feelingly about that, because I do know whereof I speak. I could give striking illustrations that have come to my attention during the last three months. I do not think for a moment the minister desires that he should have a narrow political patronage viewpoint in connection with the administration of this great trust, but I am one of those who realize that no minister can get along at all unless he is aware that in the very nature of things his department and he personally represent a political party and that necessarily there must be some recognition of that fact. But if that becomes paramount to every other consideration the result is disastrous, and in many departments evidences are not lacking, which I could easily recall if it were thought desirable, that this pressure is becoming very great. In the very nature of things that was bound to be so. At another time this session I shall have something to say about that condition, which has manifested itself in many ways. Ever since 1896 we have had debates and discussions in this house about that matter, with efforts made to arrive at conclusions. We made a step forward in connection with our civil service commission and our merit plan in awarding positions to those who might be qualified, but of course there is still the difficulty as to who shall tender, who shall sell or who shall profit, and as long as human nature is as it is that is bound to continue. I only hope the minister will be able to resist it to the greatest possible extent. For instance, I could give an illustration in connection with insurance policies dealing with certain properties in this country, not under the minister. A notice is given terminating the insurance, with the short date return of premium. That means great loss. Instead

of allowing the policy to run out, as it should, and then renewing it with your friends it is cancelled at once with the short date return of premium, with added cost to the country, or in this instance to a harbour commission, and the additional expenditure for premiums.

I mention these things because unfortunately I have been through that experience. I hope the minister will be able to achieve his expectations and realize his hopes; for from the frank statement he has given the committee I think he has a clear appreciation of his difficulties and a determined mind in regard to accomplishing the improvements that he has designated. As far as the civil service commission is concerned in matters of this kind, with the limitation that the minister has mentioned—that is, having limited his field of choice—I think he should be permitted to make the necessary organization within that limited personnel, rather than submit it to someone else. I quite concur in the view that he has presented. It is the view that I should like to feel was held by any minister undertaking the work, or by myself if I were undertaking it. I think the limitation that he has imposed upon himself, that is, that he will make his choice as far as staff is concerned within the staff as it now exists, because of their vested rights, fulfils all that he might be reasonably asked to do, and the government have done all that might be reasonably expected of any administration under present conditions.

Amendment (Mr. Crerar) agreed to.

Section as amended agreed to.

On section 2—Definitions.

The CHAIRMAN: Shall section 2 carry?

Mr. BENNETT: With the necessary changes.

The CHAIRMAN: The amendment covers all the clauses, I think.

Section agreed to.

Section 3 agreed to.

On section 4—Chief officer.

Mr. WOODSWORTH: The minister has given the figure of $8,000 to $10,000 as the salary of the deputy minister. What will be the approximate salaries of the proposed directors?

Mr. CRERAR: The salary of the deputy minister of course will remain at the level of the salaries of other deputy ministers. As far as the salaries of the directors of branches or divisions are concerned, at the moment I am not in a position to give the house that information. I should say at once that probably they will not all be uniform, because I think the degree of responsibility will vary. As my own opinion in the matter I may say simply that with regard to the directors of these branches it would be a mistake to limit their salaries too greatly and as a consequence possibly fail to retain the services of efficient men.

Mr. WOODSWORTH: It seems to me that if we are to have the savings that the minister suggests, the directors would hardly receive the salary ordinarily received by deputy ministers.

Mr. CRERAR: No, they would not get the salary of a deputy minister.

Mr. WOODSWORTH: Then in determining the salary, or in advancing anyone from any other department of the civil service to the position of deputy, has the civil service commission anything to say?

Mr. CRERAR: Deputy ministers are appointed by the governor in council, not by the civil service commission.

Mr. WOODSWORTH: I understand that, but the directors of this new branch of the service I understand are not to be appointed by the governor in council.

Mr. CRERAR: Yes, they are.

Mr. WOODSWORTH: Then will they be appointed on the recommendation of the civil service commission?

Mr. CRERAR: No.

Mr. WOODSWORTH: Will the civil service commission have anything to do with determining their salaries?

Mr. CRERAR: No.

Mr. WOODSWORTH: It seems to me that is rather a retrograde move, a breaking in on the work of the civil service commission.

Mr. BOULANGER: Hurrah!

Mr. WOODSWORTH: The hon. member for Bellechasse (Mr. Boulanger) says "Hurrah!" He failed a little while ago with a particular bill, but I am well aware that he and a good many in this house would like to diminish the present work and importance of the civil service commission. This seems to me like another move by which that might be accomplished. I cannot see how efficiency can be maintained throughout the civil service if the higher positions are to be given to men or women from outside that service. If the civil service commission is to be relegated to the comparatively unimportant

work of appointing junior clerks, we ought to know it. I cannot see how men of ability can be expected to enter the civil service and remain in it if they know that the higher positions are to be granted to people from outside. I refer to positions as higher in the sense of being of more influence and responsibility, and, what generally goes with that, commanding higher salaries. It is unfortunate if we are to put this new type of official designated "director" in such a position as that. The minister admits that there are too many people on the staff of these departments now and that the staff should be considerably reduced. I think that if it be at all possible, if there are competent men available in the service, men who have proved their efficiency in the service, they should be chosen for the positions now being created.

Mr. CRERAR: The hon. member surely could not have been in his seat when I made my statement—

Mr. WOODSWORTH: I listened very attentively.

Mr. CRERAR: —because I definitely stated, or at any rate intended to, that that was precisely the intention of the administration in creating these positions. I said I did not wish to bind myself absolutely as far as the directorships were concerned, but I can say that I think the directorships can all be filled from the present staffs. And may I add a further word. My hon. friend probably has not had much experience in administration of this kind, but any minister, in a vast department such as this, would be very foolish if he did not seek to get experienced and efficient men at the head of the divisions and branches. If he should allow any other consideration than that to govern him he would be piling up trouble for himself. I can assure my hon. friend that I certainly do not want to do that. As I have already stated, in a reorganization of this large department there are bound to be some disappointments; that I think is inevitable. But I have already said, and I wish again to make it clear, that in the reclassification of these positions or the reorganization of the whole work of these five departments, or four departments and one branch, the aim will be to work as little hardship as possible. The leader of the opposition (Mr. Bennett) was good enough to refer to that point. I am fully conscious of the difficulties in that regard. I do not expect that the economies that can finally be brought about by the reorganization that is to take place will be achieved in the course of a few months, possibly not in a year. Certainly there will be no additions in the departments. There is the lessening of numbers in the ordinary course; servants reach the retiring age and take their superannuation allowance; some resign to take better positions elsewhere, and lady members of the staff get married—all these causes in course of time will operate to reduce the staff. It may be, and I want to thank the leader of the opposition for his suggestion, that in certain cases special arrangements may have to be made so as not to work a hardship on any member of the staff. But I should like the hon. member for Winnipeg North Centre to appreciate that as far as I am concerned we shall work this out with the minimum of hardship. I desire to get the highest degree of efficiency possible in the administration, and I must ask my hon. friend, whom I have known for a good many years, and who has known me, to accept that assurance.

Mr. WOODSWORTH: I am quite willing to accept the word of the minister; I have profound respect for his good intentions. But I want to be sure that the interests of the civil service are safeguarded, and I am always afraid when I see clauses introduced which contain the phrase, "notwithstanding anything in the Civil Service Act." We are constantly creating new types of service and new branches, and very often people from outside the service are brought in. It seems to me that, having a department that is overstaffed like this, when new services are created there should be found in the existing departments persons who are qualified to take the new positions. That is what I want to emphasize. I do want to keep that aspect of the case before the committee.

Mr. BENNETT: I think the minister has overlooked one thing. The minister of course holds office during pleasure, but it is not correct to say that the deputy minister and other employees hold office during pleasure; for they have acquired rights under the superannuation fund and the Civil Service Act. That was definitely dealt with in a case that came up from Australia, in which it was pointed out that all servants of the crown, military and civil, hold office only during pleasure; but where under the provisions of a civil service or other act they have acquired rights by reason of payments to a superannuation fund, they do not hold office during pleasure. The words "during pleasure" as applied to the deputy minister and the directors and others would be improperly used in this statute. I am certain that the Department of Justice will so advise, because already that question has come under consideration in connection with another matter. It was dealt with in the Reilly case, in which the privy council held

that as the office had been abolished there was no office to which the former employee could render service and therefore he could not maintain a claim. The question of contractual rights they disregarded for the moment, saying they would leave it for further consideration. But they referred to the Australian case—I do not carry the name in my mind, but I think one of the parties was Stroud. That case had to do with a very important matter, the question of the right of one who has paid into the superannuation fund not to have his position destroyed without his being able to claim the benefits that accrued to him by reason of that statute. And to say that he holds office during pleasure I am sure the minister will see is at variance with the provisions of the Superannuation Act and the Civil Service Act. That does not apply to other than those who hold office under the Civil Service Act, but under that act they have acquired vested rights—perhaps that is not the accurate legal term, but it carries my meaning to the minister—which cannot be terminated at pleasure.

For instance, there is the age question. A moment ago the minister referred to the fact that when a civil servant reaches the age of sixty-five he may retire, but when he reaches the age of seventy, unless special steps are taken to protect his position, he must retire. As this clause reads you could eliminate a deputy minister on the assumption that he holds office during pleasure, and that applies to the directors too. It is true that that was so until there were civil service and superannuation acts, but I must repeat that the effect of the combination of the two is to create a right which is not terminable at pleasure. It must be terminable in accordance with the terms and provisions of the statute in that behalf. That overcomes the very point made by the hon. member for Winnipeg North Centre. As it stands to-day, unless something is done the question raised a minute ago in connection with reaching the ages of sixty-five or seventy does not arise at all. Notwithstanding this, the employment of anyone could be terminated. The law has intervened to prevent that, and I do direct attention to the fact that in drafting the bill it has been overlooked.

Mr. MACKENZIE KING: May I say to my right hon. friend that the Department of Justice carefully reviewed the entire drafting of the measure, and the section in question was inserted deliberately. It would seem that the preceding words were sufficient. They are "shall be appointed or employed in the manner authorized by law." Surely that covers it.

Mr. BENNETT: From what is my right hon. friend reading?

Mr. MACKENZIE KING: From subsection 3 of section 4.

Mr. BENNETT: But that subsection is limited in application to officers, clerks and employees. At present I am talking about directors and deputy ministers who pay into the superannuation fund. I noticed the words to which my right hon. friend has directed attention.

Mr. MACKENZIE KING: I think it has always been recognized that when a deputy minister receives his appointment from the crown it is the prerogative of the crown to have the position terminated at any time it considers necessary.

Mr. BENNETT: There was a time when they did not pay into the superannuation fund. I shall cite the case. Mr. Sifton desired to get rid of the then deputy minister of the interior. Certain questions arose, and I think if the Prime Minister will look up the correspondence he will then become aware of the circumstances to which I have referred. The declaration of law is that it is the prerogative of the crown to dismiss at pleasure any servant, military or civil. That is the whole principle which underlies our system. But where there is a statutory provision—and in this case there is created a statutory right—to superannuation, to which the crown itself contributes every year with respect to every officer, as distinguished from the minister himself, it is proper to say that the minister holds office during pleasure for he does not contribute to such superannuation fund. Other officers who pay into the superannuation fund acquire rights upon such payments being made, and the crown recognizes it by making contributions to that fund. Therefore that constitutes a contract, and is the distinction between the Australian case and the Reilly case, as was pointed out in the judgment of the court. I shall be glad to give the minister the reference to which I have referred.

Mr. LAPOINTE (Quebec East): I have the Reilly case before me.

Mr. BENNETT: The Australian case referred to is Gould v. Stuart.

Mr. LAPOINTE (Quebec East): And is reported in 1896 appeal cases.

Mr. BENNETT: Have I made my point clear to the Prime Minister, namely that there is a vested right accrued by reason of the payment in of money to the fund? It would be all right if it were not for the fact that the minister has said he proposes to

make his choice from within the class that has acquired the right. Having acquired the right it cannot be taken from them at the pleasure of the crown, if there is a provision in the statute dealing with the situation. There is provision in the statute as to age, one a discretion which may be exercised by the servant and the other a right to termination by the crown. It is automatic termination by the crown when he reaches that age, unless action is taken to extend it. There are cases of that kind in the estimates, as is known, and other cases appearing in the record. A servant who had reached the age of seventy-two or seventy-three was released from such service on the ground that a certificate could not be given that his services were indispensable to the department. The Civil Service Act covering this situation, as it does, you can no longer use the words "during pleasure." I believe I can satisfy the minister upon the point.

Mr. MACKENZIE KING: Would it not be correct to say that any rights acquired by virtue of any statute and which were forfeited by the termination of a position would constitute a ground for compensation?

Mr. BENNETT: Yes.

Mr. MACKENZIE KING: And it should be done. But that is a very different thing from assuming that once an appointment is made the appointee acquires the right to office for an indefinite term simply because some statute either compels or permits him to be associated with the crown in making a contribution towards a fund, such as the superannuation fund.

Mr. BENNETT: The Prime Minister is quite correct when he states that it affords a ground for compensation. But it also deprives the crown of the right to dismiss at pleasure, because the basis of the claim for compensation is a breach of contract; that is the whole point in it. The headnote in the case of Gould v. Stuart states this:

> The crown has by law, whether in England or New South Wales, power to dismiss at pleasure either its civil or military officer, a condition to that effect being an implied term of the contract of service except where it is otherwise expressly provided:—
> But held, that certain provisions of the New South Wales Civil Service Act of 1884, being manifestly intended for the protection and benefit of the officer, are inconsistent with such a condition, and consequently restrict the power of the crown in that respect.

The judgment of the court I remember very well, because when the Reilly case was under consideration it came up. It reads as follows:

> It is the law in New South Wales as well as in this country that in a contract for service under the crown, civil as well as military, there is, except in certain cases where it is otherwise provided by law, imported into the contract a condition that the crown has the power to dismiss at its pleasure: Dunn v. Reg. (1); De Dohse v. Reg. (2) The question then to be determined is, Has the Civil Service Act, 1884, made an exception to this rule? Part I of the act provides for the classification of officers according to their salaries, the increase of salaries, and the appointment of a civil service board. Part II provides for the examination, appointment, and promotion of candidates for admission to the service. Part V for superannuation allowances, in which according to s. 48 an officer is not entitled to a superannuation allowance until he has served fifteen years. Part VI for the creation of a civil service superannuation fund, to which every officer is made to contribute by a deduction of four per cent from his salary. Sections 10 and 49, which were referred to in the argument for the appelant, are not applicable to the present case. Section 10 provides for the services of an officer being dispensed with in consequence of the abolition of his office or of any departmental change and not from any fault on his part; and section 49 to any officer not entitled to a superannuation allowance whose services may be dispensed with through no fault of his own, or who may be compelled through infirmity of body or mind to leave the service, giving power to the governor to grant a gratuity to him. The provisions in part III are the most material in the present case. Section 32 provides for the suspension of any officer who in the opinion of the minister or of any officer authorized by him to investigate any matters or accounts pending a report shall have committed any act which appears to him to justify suspension; but if the suspension is not made by the minister, the officer making it is immediately to lay before the minister a report stating his reasons for the suspension, and the minister may either confirm it or restore the officer to his office. Then section 33 enacts that if the minister orders or confirms the suspension he shall report the same to the governor, who, after calling on the officer to shew cause or make explanation, may remove the suspension, or according to the nature of the offence dismiss the officer from the service, or reduce him to a lower class therein or to a lower salary within his class, or deprive him of such future annual increase as he would otherwise have been entitled to receive or any part thereof during any specified time, or punish him by fine not exceeding £50; provided that the governor before deciding may direct the board, or appoint one or more persons to inquire into the matter, with authority to receive evidence and to summon and examine witnesses on oath. Section 34 provides for punishment by fine not exceeding £10 of an officer who is negligent or careless in the discharge of his duties; section 35 for the summary dismissal of any officer convicted of felony or any infamous offence, and the forfeiture of his office by becoming bankrupt or applying to take the benefit of an insolvent

act, or making an assignment for the benefit of his creditors; and section 37 for fine, suspension, or dismissal in case of dishonourable conduct or intemperance. These provisions, which are manifestly intended for the protection and benefit of the officer, are inconsistent with importing into the contract of service the term that the crown may put an end to it at its pleasure. In that case they would be superfluous, useless, and delusive. That is, in their Lordship's opinion, an exceptional case, in which it has been deemed for the public good that a civil service should be established under certain regulations with some qualification of the members of it, and that some restriction should be imposed on the power of the crown to dismiss them.

Their Lordships will therefore humbly advise Her Majesty to affirm the judgment of the Supreme Court and to dismiss the appeal.

That act of New South Wales in terms is not unlike our own. It provides, as does ours, for the creation of a superannuation fund, for payments into it, and for the methods that have to be pursued for the elimination of any person from the public service. For instance, section 55 of our act provides that if a member of the civil service is guilty of political activities during an election, he or she thereby forfeits his or her position and becomes subject to the punitive powers of the statute itself. There are other similar sections. One section deals with the question of age, the time when retirement is permissive and when retirement becomes obligatory. There are other provisions with respect to the termination of service in consequence of bodily or mental infirmities. These matters indicate how clearly our statute, in terms like all other civil service acts, recognizes that the pleasure of the crown shall not be exercised where appointments are made under the provisions of the Civil Service Act. As this bill now stands before the committee, to my mind at any rate, it is quite clear that the crown is still retaining the right to terminate the employment either of a deputy minister or of a director. However, I was going to say that there is a special exception with respect to subsection 3 of section 4.

Mr. LAPOINTE (Quebec East): Is the wording of our statute different from the wording used in other statutes with reference to deputy ministers?

Mr. BENNETT: I was sending out for the statute in order to satisfy myself on that point. When you come to subsection 3 of section 4 you find these words:

Such other officers, clerks and employees as are necessary for the proper conduct of the business of the department shall be appointed or employed in the manner authorized by law and shall hold office during pleasure.

That should read "according to the provisions of the Civil Service Act and shall hold office in accordance with the provisions of the Civil Service Act." That is the real truth about that. Sir Richard Couch, in the judgment from which I have just read, I think states the position of the civil servants in this country, as well as of those in New South Wales, as clearly as it is possible to state it—if they conduct themselves with that measure of propriety which the statute provides for, their services cannot be dispensed with at the caprice of successive ministers or at the pleasure of the crown. Sir Richard Couch has said that their position is one that involves an exception being made to the application of that doctrine.

Mr. LAPOINTE (Quebec East): I read in the explanatory note that this subsection is in the usual form. I have no objection to looking further into the matter.

Mr. BENNETT: But the Minister of Justice sees what I mean about subsection 3?

Mr. LAPOINTE (Quebec East): Yes.

Mr. BENNETT: They are slightly inconsistent.

Mr. LAPOINTE (Quebec East): Subsection 3 is in the usual form.

Mr. BENNETT: It certainly is not in the usual form in which we have passed such clauses.

Mr. LAPOINTE (Quebec East): That is what it says, but I am quite willing to look into the matter.

Mr. BENNETT: The Minister of Justice will recall that we had quite a considerable debate on one occasion in connection with a certain bill, the title of which I do not recall at the moment. At that time we provided that the provisions of the Civil Service Act should apply.

Mr. MACKENZIE KING: Perhaps this section could stand.

Mr. NEILL: I have no doubt that this reorganization will effect a very great economy, and I believe it will result in improved efficiency, but I am also afraid that it will mean the dismissal of a large number of employees, probably more than 1,000. If this happens the government and the minister are going to be very unpopular in certain circles. I congratulate the government and the minister upon having the courage to do this at this time, and I congratulate the government and the Minister of Railways and

Canals (Mr. Howe) upon carrying out the reorganization of the harbour boards, an equally politically unpopular move. However, I am certain that that move will be of benefit to the country at large. I am sorry the Minister of Fisheries (Mr. Michaud) is not in his place, because I should like again to urge the necessity of cutting out some of the dry rot and superfluities in his department. I am quite sure that if that were done it would result in greater efficiency and much economy. The fear has been expressed that these released men will be thrown upon the street, and I should like to ask the minister how many of them will be taken care of under the provisions of the Superannuation Act.

Mr. CRERAR: I cannot state the number at the moment. However, I know there are several who have reached the age of superannuation. Except in a few cases, these positions have not been filled for several months as we realized that when this consolidation took place we would probably have a superfluous number of employees. It is impossible for me to state at the moment just what reduction there will be in the staff of the new department as against the corresponding staffs in the other departments which are being merged. I can only say to my hon. friend that we propose to deal with this matter in the manner I have already suggested. The last thing on earth I desire to do is to work hardship on anyone who has been in the service for a number of years and has rendered faithful service during that period.

Mr. NEILL: That is not the point. I was under the impression that the large majority of civil servants in Ottawa were contributors to the superannuation fund and that if they put in ten years' service they were entitled to superannuation. Is it not a fact that the great majority will be eligible for superannuation?

Mr. CRERAR: Will receive superannuation if they retire?

Mr. NEILL: Yes.

Mr. CRERAR: Yes; I think that is true.

Mr. HEAPS: The question of superannuation has just come up. Is it intended to superannuate any of the employees affected by this amalgamation?

Mr. CRERAR: At present I cannot answer that definitely.

Mr. HEAPS: It is evident that some of the employees of the department will find themselves out of work when this amalgamation takes place. If I understand the superannuation act correctly, those persons who have been less than ten years in the service and have been paying into the superannuation fund are not entitled to receive back from that fund any of the moneys they have paid in. In the event of certain employees being no longer required, I am wondering whether some exception should not be made with respect to paying them back the money that they have paid into the fund.

Mr. CRERAR: I regret that I cannot give information on the point the hon. gentleman has raised. Whether there is a limit of time within which superannuation becomes effective, I cannot say.

Mr. BENNETT: There is.

Mr. HEAPS: I am under the impression that if a person pays into the fund for a period of less than ten years and is dismissed or retires he is not entitled to receive back any of the moneys he may have paid into the fund.

Mr. CRERAR: That, as I understand it, is only if he is dismissed for cause.

Mr. HEAPS: I believe it applies to all employees.

Mr. BENNETT: Section 3 of the Civil Service Superannuation Act reads:

> This part applies to every person who becomes a civil servant after the 19th day of July, one thousand nine hundred and twenty-four, and to such other civil servants as elect under the provisions of any of the other parts of this act to become contributors.

Section 6 provides:

> Except as hereinafter otherwise provided the superannuation allowance mentioned in the next preceding section shall be one-fiftieth of the average salary received by the contributor during the last ten years of his service multiplied by the number of years of his service, not, however, exceeding thirty-five years.

Then there is a provision as to how the calculation is to be made. Section 7 then provides:

> If a contributor becomes disabled or otherwise incapable of performing the duties of his office, or if his office is abolished, and if he is ineligible by reason of age or length of service for a superannuation or retiring allowance under this act, the governor in council may grant him a gratuity not exceeding one month's pay for each year of his service; or, if he is required to retire on marriage, a gratuity not exceeding the amount of his contributions made under this act without interest.

Then there is provision with regard to gratuities to widows, mothers and so on.

Mr. HEAPS: Suppose a person has paid into the fund for a period of years and is retired from the service. Is there no provision for returning the moneys paid in?

Mr. BENNETT: The whole basis of the fund is that there shall be appreciation to it by reason of the fact that people have paid in and left. Suppose I have a policy in an insurance company and do not pay the premium after a certain length of time: no one suggests that I can get my money back unless I have a contract. That is one of the factors which assist companies in paying claims, because the cost of carrying after five years is commensurate with the money paid in. One of the factors which add to the superannuation fund is these payments that cannot be handed back. There were half a dozen cases of that kind which we had to explain at some length, and with much unpleasantness.

Mr. HEAPS: Then a person who has paid in for seven or eight years might be retired by the government as a result of amalgamation of departments and would not be entitled to a refund of moneys paid in.

Mr. BENNETT: That is a special case, abolition of office.

Mr. HEAPS: Then the point is cleared up.

Mr. MACKENZIE KING: The provision which the leader of the opposition has read makes it clear that, where there is ground the governor in council may grant a gratuity to meet a case of that kind. And that is the general practice.

Mr. HEAPS: I assume that the general practice will follow in the case of amalgamation.

Mr. MACKENZIE KING: Surely.

Mr. HEAPS: Where individuals may be affected?

Mr. MACKENZIE KING: Surely.

Mr. LAPOINTE (Quebec East): I would point out that as regards deputy ministers the language of the Civil Service Act is the very same.

Mr. BENNETT: Yes, it is. I have it before me.

Mr. LAPOINTE (Quebec East): As regards other employees, section 20 has the words "and shall be during pleasure." Then section 52, with regard to dismissals, provides:

> Subject to the provisions of section 3 of this act, nothing herein contained shall impair the power of the governor in council to remove or dismiss any deputy head, officer, clerk or employee, but no such deputy head, officer, clerk or employee, whose appointment is of a permanent nature, shall be removed from office except by authority of the governor in council.

The authority exists, therefore, in virtue of the general law. The exception in section 3 merely mentions the commissioners of the civil service commission. I think that on the whole it is exactly the same wording.

Mr. BENNETT: The language is the same, but I submit that there has been no amendment of the statute, as there should have been when the Civil Service Act assumed its present form, because as pointed out in the judgment which I have read from New South Wales, the usual common law provision no longer obtains for the reason that by statute we have provided for this very contingency. However I am not going to argue the matter further. As the Prime Minister has indicated, the governor in council may grant:

> (a) to any contributor who has served in the civil service for ten years or upwards and
>
> (i) who has attained the age of sixty-five years, an annual superannuation allowance to the amount specified in section six of this act, or
>
> (ii) who before attaining the age of sixty-five years becomes disabled or otherwise incapable of performing the duties of his office, or who retires from the civil service by reason of the abolition of his office, an annual retiring allowance equal to the superannuation allowance to which he would have been entitled if he had attained the age of sixty-five years at the date of such disability or retirement.

In other words, the very contingency to which reference is made is provided for by the statute. That is abundantly clear.

Mr. HEAPS: Is there any special reference to contributors who have been less than ten years in the service?

Mr. BENNETT: Yes. If they have been less than ten years in the service they have to be dealt with in a special way.

Mr. MacNICOL: Will there be a special director who will have general jurisdiction over the development of resources?

Mr. CRERAR: There will probably be several. There will be a director of mines, which is one of the great resources; there may be a director of parks, which is another great resource, and there will be a director of Indian affairs. I do not know that the Indian administration can be described exactly as a resource. Then there are lands, forests and water powers.

Mr. BENNETT: Very few lands and forests, though.

Mr. CRERAR: Not a great deal. We have some, for instance, like the Petawawa forest reserve and others.

Mr. MacNICOL: What I had in mind was that under the former organization of the Department of Interior there was a branch set up specially to develop industry in this country. The minister does not appear to be familiar with this branch, and perhaps I should further explain.

In the course of making investigations as to the development of industry and discussing the matter with various industrial boards, the Toronto industrial commission, the Welland industrial commission and others, I learned from the directors of several of these boards that they had been helped considerably by a branch of the Department of Interior called, I am not sure that I have just the right name but I think it was the resources branch. One of these directors informed me that this particular branch of the Department of the Interior was more responsible than any other agency for the development in Canada of rayon, cellophane and allied industries.

Mr. BENNETT: I am afraid they were boosting for a job.

Mr. MacNICOL: Perhaps they were. Nevertheless if that is a fact, there is a branch of the department which can render considerable service in Canada in providing employment. In the course of the development of the resources branch of the department, which is now going to be under the minister, a great number of discoveries will be made throughout the country, new finds, new minerals, something new that can be manufactured, and if these discoveries could be presented to industrial boards like the Toronto industrial commission or the Montreal industrial commission, if Montreal has one, or the Welland industrial commission, or the Hamilton industrial commission, perhaps some new industries could be started. But if capital is not made conversant with discoveries of that kind, new industries cannot be started in consequence. It appears to me that if this particular branch of the department were developed to the limit, much new employment could be given to Canadians. All I have in mind is that there is an opportunity in the development of the resources branch of this proposed department to create new employment; certainly that is something which is greatly required in this country, and they could do it by bringing to the attention of manufacturers and investors, or groups of such men, the possibilities contained in such finds. If the industrial commissioners who informed me were correct—and I keep in mind what the right hon. leader of the opposition suggested—and if the resources branch of the Department of the Interior has done good work in bringing to their attention information whereby the development of industry in this dominion has been encouraged, then undoubtedly there is an opportunity to provide more employment in Canada by bringing to the notice of those interested the advantages of developing any new finds which the resources branch may discover. I am convinced that an opportunity exists there, and I urge the minister to develop this particular branch to the limit.

Mr. CRERAR: I think my hon. friend has reference to the work carried on by the forest products laboratories, which carry on quite extensive research work as to the uses that may be made of different woods. They have, so far as my information goes, rendered very useful service to various branches of industry associated with forest products.

Mr. BENNETT: That is largely a testing laboratory, though.

Mr. CRERAR: Yes, but it does investigational work. It is not the intention to do away with that. That work will be carried on. In fact, all the work carried on by the various departments will be carried on in the future, but we hope by organization to operate on a more economical basis, and, I trust, probably a more efficient basis, because, of course, one probably can never reach the maximum of efficiency.

Mr. McCANN: Does not the work outlined by the hon. member for Davenport (Mr. MacNicol) fall within the province of the national research council?

Mr. CRERAR: It has been carried on for years by the Department of the Interior, and I am informed that more recently it has been carried on more or less in conjunction with the work which is being done by the national research council.

Mr. BENNETT: It is in Montreal.

Mr. CRERAR: Yes. The leader of the opposition raised the point, when the estimates were under consideration, that there might be a further coordination, indeed a merging, of this work with that of the research council. I am not in a position at the moment

to say how advisable or inadvisable that might be. All I can do is to assure my hon. friend from Davenport that there is no intention to abandon that work.

Section agreed to.

Sections 5 and 6 agreed to.

On section 7—Organization of the department.

Mr. CRERAR: I have an amendment to move, Mr. Chairman, to section 7, as follows:

That in line 25, after the word "department" the following words be inserted, "and the classification of positions therein"; and that in line 28, after the word "department," the following words be inserted, "and the classification of positions therein including the establishment of rates of compensation for each class of position thereunder."

Mr. MACKENZIE KING: I might say, Mr. Chairman, that the proposed amendment is being inserted because of a suggestion made only to-day by the Department of Justice upon further reviewing the measure. The memorandum of the deputy minister states:

There may be some doubt as to the power of the governor in council to provide for the classification of the service in each department on the immediate organization thereof in view of the fact that the word "organization" may be restricted in its meaning to that as used in the Civil Service Act, and in order to remove this doubt it is suggested that the bill be amended in committee.

Mr. BENNETT: I was wondering whether it were necessary to add, "notwithstanding anything contained in the Civil Service Act."

Mr. MACKENZIE KING: I think this amendment will cover it.

Mr. BENNETT: I think perhaps it would.

Section as amended agreed to.

Section 8 agreed to.

On section 9—Department, minister and deputy minister substituted.

Mr. BENNETT: Might it not be desirable in subsection 2 of section 9 to say that the officer in charge of the branch of Indian Affairs may discharge all duties that have heretofore been discharged by the deputy superintendent general of Indian Affairs? I see that this has been provided for in one way, but perhaps the minister will recall that this official is called the deputy superintendent general of Indian Affairs, and it struck me as I read this section that it might be desirable to insert those words. Of course the minister will exercise his own view as to that.

Mr. MACKENZIE KING: He is a deputy minister just the same, is he not?

Mr. BENNETT: He has only the rank; he is referred to as the deputy superintendent general of Indian Affairs.

Mr. MACKENZIE KING: I think the note on the opposite page explains the matter.

Mr. CRERAR: As I understand it, subsection 2 of section 9 simply vests in the director who shall have charge of Indian Affairs the powers now vested in the deputy superintendent general.

Mr. BENNETT: Quite so. The only question I was raising was whether or not this is an adequate expression of that intention.

Mr. LAPOINTE (Quebec East): My right hon. friend suggests that we should replace the words "deputy minister" in line 37 on page 3 of the bill by the words "deputy superintendent general of Indian Affairs"?

Mr. BENNETT: Yes; that was my view.

Mr. MACKENZIE KING: I think that would be better.

Mr. CRERAR: Then I move, seconded by the Minister of Justice, that in line 37 on page 3 the words "deputy superintendent general" be substituted for the words "deputy minister."

Section as amended agreed to.

On section 10—Territories and crown lands.

Mr. STIRLING: Were not these lands under the control of the Department of the Interior?

Mr. CRERAR: Yes.

Mr. STIRLING: Then why particularly refer to them, after section 5? All those things which were previously under the Minister of the Interior now come under the Minister of Mines and Resources. Why mention these particularly?

Mr. BENNETT: Section 5 refers to powers and duties, and this section refers to physical property.

Mr. HEAPS: Would the minister be good enough to tell me the population of the Northwest Territories and the Yukon at the present time?

Mr. CRERAR: I am afraid I have not that information before me at the moment.

Mr. BENNETT: The minister put it on Hansard the other evening at my request.

Mr. CRERAR: My recollection is that the population of the Northwest Territories is about six thousand and that of the Yukon—

Mrs. BLACK: Not quite five thousand.

Section agreed to.

Section 11 agreed to.

On section 12—Coming into force.

Mr. BENNETT: I am not sure that it would not be desirable for the minister to have in this measure a provision that on proclamation the whole or parts of the statute may come into force. Once the statute is proclaimed there might be some difficulty in administration in respect of some of these branches, whereas if the minister brought the statute into effect by proclamation in respect to appointments and some other sections he might be able at a later date to deal with the question of directors. He does not want a hiatus between the time the statute is proclaimed and the time it is actually in effect. It will be recalled that we did that only the other evening in connection with another measure.

Mr. CRERAR: I think that is a good suggestion. I move, seconded by the Minister of Justice, that this section be amended in line 15 on page 4 of the bill to read as follows:

This act in whole or in part shall come into force upon a date or dates to be fixed—

And so forth.

Section as amended agreed to.

Bill reported, read the third time and passed.

DEPARTMENT OF TRANSPORT

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved the second reading of Bill No. 80, respecting the Department of Transport.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

Section 1 agreed to.

On section 2—Department of Transport.

Mr. BENNETT: I suggested that the name of this department should more appropriately be that of communications, for reasons which I think are apparent in section 5, but I am not going to do more than say I still believe that term would be more indicative of its real functions.

Mr. MACKENZIE KING: In speaking on the resolution on which the bill is based I drew attention to my right hon. friend's preference for the use of the word "communications," but the government's view is that "communications" relates rather to the transmitting of information than to the transporting of persons or commodities which is the function of transportation in its different forms. Communications would apply to such services as telephones, telegraphs and the postal service, but the word "transport" signifies rather the conveyance and transport of commodities or persons. As airways and highways and railways and waterways are largely for the purpose of the transport of commodities and persons it is considered that the word "transport" is more appropriate.

Also I might point out that a similar department in Great Britain is known as the Department of Transport.

Mr. BENNETT: Yes; I am familiar with that.

Mr. MACKENZIE KING: And the reasons which governed there in the selection of the designation to be given this department of the public service seem to be equally applicable here.

Section agreed to.

Sections 3 to 6 inclusive agreed to.

On section 7—Governor in council may make regulations.

Mr. BENNETT: I find it difficult to understand why in the old statute the word "ascertain" was used or is a correct word to use in connection with tolls. The section says "other works under the management or control of the minister, and for the ascertaining and collection of the tolls, dues and revenues thereon." That is taken from the old statute, but I cannot see how "ascertaining" is applicable. It should be "fixing." How can the governor in council "ascertain" the tolls except by fixing them as provided by statute? The minister of transport now makes a recommendation for the fixing of the tolls. The word "ascertaining" is in the original wording but I cannot think it is apt.

Mr. MACKENZIE KING: The reason for retaining it is because it was in the old section.

Mr. BENNETT: But is that a good reason?

Mr. MACKENZIE KING: There is no particular objection to changing it, but it has been deemed advisable to hold to the old language.

Mr. LAPOINTE (Quebec East): There must be some reason for it.

Mr. BENNETT: My hon. friend is more of a Conservative than I am.

Mr. LAPOINTE (Quebec East): If we are to change something I want to know why.

Mr. BENNETT: The minister must fix the tolls; there will be no "ascertaining."

Section agreed to.

On section 8—Organization of the department.

Mr. HOWE: There is an amendment required, exactly similar to that made in the previous bill.

Mr. CRERAR: I move:

That in clause 8, page 2, line 41, after the word "department" the following words be inserted:—

"and the classification of positions therein," and in line 44 after the word "transport" the following words be inserted:—

"and the classification of the positions therein, including the establishment of rates of compensation for each class of position thereunder."

Mr. BENNETT: What I said with respect to a previous bill applies with equal force to this. In previous statutes we have provided for a condition that has been modified by the enactment of three statutes, the Civil Service Act, the Civil Service Insurance Act and the Civil Service Superannuation Act, and the language should be modified to meet the new conditions. But I leave that for the moment. The only point I wish to make is: Have we the minister's assurance that in this measure, as in the Department of the Interior bill, all positions mentioned are to be filled from within the service as it now exists? That, I think, is provided for, but I want to be clear that that is the understanding.

Mr. HOWE: I am glad to give that assurance. In fact I am advised that under the wording of the clause it is necessarily so.

Mr. BENNETT: That is what I believe.

Section as amended agreed to.

On section 9—Officer to perform duties under act or contract.

Mr. FINN: I believe this is one of the most important bills that has been introduced, because it involves the merging of several departments, namely the Department of Railways and Canals, the Department of Marine, the branch of civil aviation and the radio branch. I have not had an opportunity to make a close study of the bill, but I should like to call the attention of the committee to the fact that the minister who is to administer the measure must do so in different departments. I understand there will be a special board to deal with harbours, a condition which has arisen out of the centralization of authority in Ottawa instead of decentralization in various ports. In the second place the bill gives the Minister of Railways and Canals, who is to be known as the Minister of Transport, control over the railways of Canada, and a section of railway in the United States running between Chicago and Detroit. Further, it places under his jurisdiction a piece of railway in Canada which is not part of the Canadian National railway system, namely the Intercolonial railway. The Canadian National Railways is a corporation, a specific entity in itself. A fair, broad interpretation of the measure shows that there will be an appointment of seven gentlemen of whom one is to be president and one is to be chairman of the board. My understanding is that those officers will be named, and that the remaining five will serve under them.

The minister has been asked whether in his administration he will follow the example set by the two Conservative administrations which preceded the one headed by the present leader of the opposition, namely, whether he will adopt a process of decentralization. He was asked whether directors would be appointed to represent each province. The Right Hon. Arthur Meighen, now Conservative leader in the Senate, at that time stated clearly and specifically that the representation of the various provinces by men who were competent to sit as directors constituted the best kind of management. Such representation would entail nine members, in addition to the president and the chairman of the board. I asked the minister, further, whether or not in the appointment of directors consideration would be had for territorial divisions. In my view it is impossible for gentlemen sitting at Ottawa, Montreal, Toronto, Halifax, or any other single point, to follow developments and to note the improvements necessary in the various ports, and to realize the significance of the recommendation in the report of Sir Alexander Gibb to the effect that port managers should be appointed.

Mr. MACKENZIE KING: The hon. member seems to be speaking with reference more particularly to certain provisions of the railway act. May I point out that this is a different measure, and provides only for the consolidation of existing departments. The situation to which the hon. member refers will not be affected one way or the other by the measure now under consideration. Possibly my hon. friend would not mind reserving any further observations he may have to make until we come to a discussion of the appropriate railway bill.

Mr. FINN: With all due deference to the Prime Minister, may I say that the minister of transport derives his authority from the present measure.

Mr. MACKENZIE KING: No, he already has authority, as Minister of Railways and Canals.

Mr. FINN: Under the act passed in 1933 control of the railways is taken out of the hands of the Minister of Railways and Canals and put in the hands of three trustees.

Mr. LAPOINTE (Quebec East): This bill has nothing to do with that.

Mr. FINN: I may be a bit hazy about the matter, but I do not think I am.

Mr. HEAPS: Carried.

Mr. FINN: My hon. friend says, "carried"; if he wishes to be carried he will find someone outside who will assist him. I am looking for light. I have no desire to delay the progress of the bill, but if hon. members will examine it they will find that the Minister of Railways and Canals will now become minister of transport and will have under his control railways and canals, Canadian National Railways and the administration of the Department of Marine and the branch of civil aviation, and radio. If it is the wish of the Prime Minister that the matter be discussed under the other measure, I would have no objection, but if the other measure does not offer an opportunity to discuss this subject I must ask the Prime Minister to permit a full discussion, so that we shall not be up against a condition whereby—

Mr. MACKENZIE KING: I am afraid the object sought to be served by my interruption is no longer possible as it is now six o'clock. When we reassemble, the hon. member may have all the latitude he wishes.

At six o'clock the Speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

DOMESTIC FINANCE CORPORATION

Mr. A. L. BEAUBIEN (Provencher) (for Mr. Chevrier, Ottawa East) moved the second reading of Bill No. 85, to incorporate Domestic Finance Corporation.

Hon. CHARLES A. DUNNING (Minister of Finance): Mr. Speaker, on behalf of the government I rise to oppose the second reading of this bill to incorporate this small loan company. The house will remember that on the statute books there is legislation dealing with small loans generally, and it is the opinion of the government that this legislation does not adequately control the rates of interest which companies of this class may charge. During this session a committee of the senate has been investigating the matter of small loans, with, I believe, the object of recommending to the government constructive amendments to the general legislation governing small loan companies. My information is that the committee of the other house has reached certain conclusions which, I must say, are not adequate from the standpoint of the government. So far as I can understand, the conclusions reached by the senate committee in reality involve an increase in the rates of interest which may be charged by these small loan companies. I must be fair and say that these conclusions do not involve increases all along the line, but according to the best calculation that could be made by departmental officials, it would indicate that the increases would involve about forty per cent of the loans at present outstanding and payable to the companies which fall within the purview of the small loans' legislation.

The government holds the view that in these times of declining interest rates it is doubtful wisdom for parliament to incorporate more companies empowered to charge these high rates of interest. It is true that the general legislation enacted a few sessions ago endeavoured to set maximum rates and it is natural that the companies incorporated by parliament should in their advertising attach some importance to that fact. The impression has gone abroad, among certain sections of the public at all events, that parliament, by the general legislation now on the statute books, has authorized the charging of the maximum rates. I know that such was not the intention, and for this, among other reasons, the government was gratified to see the study being given to this matter by a committee of the other house. However, for the reasons I have indicated, the government cannot accept the solution proposed by that committee.

It is evident, Mr. Speaker, that this matter of interest rates and the conditions applying to small loans must again engage the attention of parliament. It is the intention of the government to initiate, between now and the next session of parliament, a further examination of the matter with a view to

amending the existing general legislation. In the meantime, I must oppose the second reading of the bill now before the house which, to summarize, provides for effective annual rates of interest ranging from 24½ per cent up to 94 per cent. I am sure that the house will regard such rates as excessive. It is true that in the general legislation now governing the matter the rates are expressed in terms of monthly rates, but there are various other charges, such as chattel mortgages and so forth, which operate to add to the annual interest charge or the monthly interest charge which the borrower has to pay. In connection with this bill and the one that follows, the government suggests that the house should reject them at this session on the principle that we should not incorporate any more companies of this kind until the general legislation can be brought more into harmony with present day conditions, so far as the cost of money is concerned.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, I am glad to see the minister opposing this sort of bill at the first session of a new parliament. Ninety per cent of these loans are made to industrial workers who are charged as high as 120 per cent. Not even by the widest stretch of the imagination could anyone say that these bills are for the general advantage of Canada. They are purely provincial. These companies came to parliament ten years ago. They took themselves out of the Companies Act; they took themselves out of the Usury Act and out of the Interest Act; they got private bills put through and then they went back home and held up the industrial workers. I am opposed to permitting interest rates of 40, 50, 60, 70, 80 and 90 per cent.

I happened to be in a building in which one of these loan companies is located and I heard eight or ten poor women complaining about what they had to pay. The riding which I represent is overrun by these shark loan companies and I wish to protest against this particular type of legislation. The senate has proposed interest rates of two per cent per month, but 24 per cent per annum is too much. These companies not only charge exorbitant rates, but make the applicant take out chattel and other kinds of mortgages. This type of loan has been criticized by the county judges in the division courts of Ontario. I wonder how these bills got through parliament, and it is time parliament stopped this sort of thing. Farmers and fishermen are provided with loans at low rates, but the industrial worker who makes up fifty per cent of the people of this country has to depend upon this type of company for a loan, instead of a government loan. The industrial worker should be given reasonable rates of interest just as the farmer and the fisherman were under the Farmers' Creditors Arrangement Act.

I am glad to hear the minister oppose these bills. This legislation was enacted for the first time ten years ago when the present government was in office. These shark loan companies should never have been incorporated. They do not have them in England where the government is trying to help the poor man. We should put a stop to them in Canada and then we shall not be bothered any more with them in this parliament.

Motion negatived.

ATLANTIC LOAN AND FINANCE COMPANY

Mr. PAUL MARTIN (Essex East) moved the second reading of Bill No. 86, to incorporate Atlantic Loan and Finance Corporation.

Hon. CHARLES A. DUNNING (Minister of Finance): Mr. Speaker, the remarks I made on the previous bill have not the same application to this one, which seeks to join two companies now holding provincial charters in Nova Scotia and doing business in that province. Section 5(b) of the bill indicates that the rates of interest to be charged are lower than those authorized in the general legislation adopted by parliament in the session of 1934. Pending the revision of the existing legislation I would not have the same objection to this bill as I have to the former one. The terms of this bill are much more moderate, though not as moderate in my opinion as they should be under the terms of general legislation. At any rate the same objection does not apply to this bill, though it does apply to the next one on the order paper.

Mr. BENNETT: Wherein does this differ from the other?

Mr. DUNNING: Section 5(b) (i) provides that the rate of interest on loans less than $350 shall be two per cent per month. For loans of $350 and upwards the Money Lenders Act will apply and the charge will be limited to twelve per cent per annum. The provisions of this bill are much to be preferred to the provisions in the other bills for the reasons above indicated. The rate of two per cent per month is less than that being charged now by all operating companies for loans less than $350.

While I do not advocate the bill, I am indicating that because it falls within the scope of existing legislation I have not the same objection to it as I had to the former bill.

Mr. BENNETT: So does the other one. Whether we like it or not, the statute passed in 1934 brought the others under control. The interest rate was controlled.

Mr. DUNNING: These people are voluntarily asking for less than the law provides.

Motion negatived.

UNITED CREDIT ASSOCIATION

Mr. SAMUEL FACTOR (Spadina) moved the second reading of Bill No. 87, to incorporate the United Credit Association.

He said: With all that the Minister of Finance (Mr. Dunning) has said with reference to high rates of interest I thoroughly agree, and I agree with the remarks of the hon. member for Broadview (Mr. Church). But the minister's refusal to allow the incorporation of this company merely creates a monopoly for the existing companies, who will continue to charge the very rates proposed in this bill. Moreover, the legislation which is now being considered by the senate committee will apply to all companies that have received or that will hereafter receive incorporation from this parliament. In other words, if the senate and this house approve the recommendations of that committee they will apply to all companies now or hereafter to be incorporated. If this company is incorporated now and the government comes to the conclusion that the rates of interest recommended by the senate committee or by the committee of this house should apply, then they do apply to this company as well as to the five other companies. I wish to point out, however, that it is certainly not solving the problem to leave the five companies now operating to charge the very same rates of interest proposed to be charged by this company if incorporated, while refusing to allow the new concern to enter the business.

Hon. CHARLES A. DUNNING (Minister of Finance): With all that my hon. friend has said I agree. As I indicated with respect to the former bill, it is rather with a view to preventing the further extension of this evil that I take the attitude I have taken.

Mr. FACTOR: Why not apply it to the other companies?

Mr. DUNNING: I had hoped, as I indicated, that the study which was being made in another place would enable the matter to be dealt with at this session. It is now quite evident that this cannot be done. I admit that the action taken to-night is not constructive, especially having regard to the fact that the small loaning institution has a place and serves a purpose with respect to the needs of the industrial worker. In fact, I believe that one of the most capable studies of that subject, made by the Russell Sage Foundation of New York, opens up a very useful field of investigation for anyone who, like myself, is appalled at the rates of interest charged. The study which is being made of this subject by the Superintendent of Insurance, a very capable actuary on whose judgment in these matters committees of the house have placed a great deal of reliance in the past, indicates not only that these rates are too high but also that the business of small loans is relatively by far more profitable net than any other type of financial business in the country. It indicates the need for a careful study by parliament of the means to be taken properly to regulate this business. I am sorry to say that it has been impossible for me during this session to give this subject the time and attention which it merits. I relied upon receiving from another place something which would be helpful, but that apparently has not occurred. We can only look forward to dealing with the situation effectively at another session, in the meantime preventing the further spread of the evil by refusing to pass bills incorporating more companies to do business along these lines. Certainly the house, having been unwilling to pass Bill No. 86, cannot consistently vote for the one now under consideration.

Mr. NEILL: Will the rejection of this bill prevent these people from going to the provinces and getting provincial charters?

Mr. DUNNING: I am glad my hon. friend raises the point. It is difficult for federal legislation to deal adequately with this problem. Many such companies are incorporated provincially under the aegis of provincial law, to do business within the provinces and in accordance with provincial charters. As to the constitutional aspect of the matter, that I am not competent to discuss at the moment, but I know a number of provincially incorporated companies are doing business. The reason I spoke favourably with respect to Bill No. 86 was that it had the effect of bringing two provincial companies under federal jurisdiction and therefore within the scope of legislation enacted by this parliament. However the house has seen fit to turn down even Bill No. 86, and that being the case, I do not think there is any argument in support of the bill now before us.

Mr. T. L. CHURCH (Broadview): The wording of this bill is exactly the same as that of the first two. This company proposes to operate in Winnipeg. If these people want a charter, let them go to the Manitoba legislature. The head office is to be in Winnipeg

and the incorporators are David Slater, real estate agent, Gilmour F. Schoales, insurance agent, and Patrick Herman McNulty, surgeon. Well, by the time the surgeon operates on the industrial worker the rate will be about 50 to 300 per cent, because there are a good many foreigners in parts of Winnipeg. That is the trouble. These companies operate to some degree among the foreign population and the rates that are charged should not be allowed. This bill proposes to take the company out of the federal Interest Act, out of the federal act with regard to usury, out of the federal Companies Act, and to give them a charter from this parliament for what is mostly a purely municipal business in Winnipeg. I doubt whether the company will lend money outside Winnipeg, and the rates are prohibitive. This is the first session of this parliament and we should put our foot down on this sort of thing from the start. If these people want a charter, let them go to the provincial legislature.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): I suggest to the minister the advisability, not merely of studying the Russell Sage book on this subject, but when he is preparing further legislation, of giving careful attention to the question of fostering credit unions, some of which are being successfully worked in our own country both in Quebec and in Nova Scotia. That is much more nearly in keeping with our needs here than the American experiment.

Right Hon. R. B. BENNETT (Leader of the Opposition): When similar measures were before the house in 1934, I directed attention to the studies of the Russell Sage Foundation. I referred to a book that dealt with the matter at some length. I had no idea at that time of the extent to which the loan companies were serving, shall I say, a fairly useful purpose in the United States. But interest rates have so fallen since 1934 that a rate which then looked like a reasonable maximum one, now seems almost ridiculous to contemplate. In view of what was said by the hon. gentleman who is promoting this bill, I think the government would still have time to amend the statute as we did in 1934, and to reduce the maximum rate from 2½ to 1½ per cent per month or whatever figure the minister might consider reasonable under the circumstances.

Mr. DUNNING: That is my difficulty, lack of study.

Mr. BENNETT: Then for a year at least this would accomplish the amount of good that control over existing companies would bring about, because we at that time passed legislation affecting existing companies and others thereafter to be created. This bill provides for a low annual interest rate, but the implications lead to conclusions that are far from reasonable.

It occurs to me that there is much force in the arguments presented by the hon. gentleman in charge of the bill, and therefore I simply suggest that it might be desirable for the government to contemplate a short section dealing with what should be the maximum rate until such time as new legislation is enacted. Such a section would be very easy and simple to deal with. It is not true that the provinces have very much control over this matter because under item 19 of section 91 of the British North America Act exclusive jurisdiction with respect to interest rests with this parliament, and legislating on interest rates we have been able to control to a very great extent the whole situation. That is the reason we are here in parliament.

Mr. DUNNING: The legislation of 1934 does not control provincial companies.

Mr. BENNETT: No; but the general usury act and the other acts that we have relating to interest control all interest transactions, and no province can deal with the question of interest rates as such because they are solely under our control under item 19 of section 91 of the British North America Act. Under these circumstances it occurred to me, and I would at least make the suggestion, that a short section would be all that would be required to deal with the matter while the minister is contemplating the legislation he may hereafter introduce. The difficulty at the moment is that with interest rates as low as they are it is not easy to determine what is a reasonable maximum rate. I quite realize that.

Mr. DUNNING: I really have not sufficient information on which to base an opinion.

Mr. BENNETT: One might take the views of the officials of the insurance department in that regard.

Mr. DUNNING: The rates suggested are too high for me.

Mr. BENNETT: I realize the difficulty, but on the other hand there is much force in the contention that otherwise for a year at least there is given a wider licence than heretofore prevailed for the necessitous to be dealt with, as the hon. member for Broadview (Mr. Church) has suggested, on the basis of man's necessity being man's opportunity,

and the terrible necessity of some persons has sometimes offered the opportunity for exploitation and for—there is a word which is not elegant but which describes the situation—gouging to an extent which would otherwise be impossible. I think the bill must fall with the others.

Motion negatived.

CRIMINAL CODE AMENDMENT

PAYMENT OF FINES AND PENALTIES BY INSTALMENTS

On the order:

Resuming the adjourned debate on the motion of Mr. Church for the second reading of Bill No. 5, an act to amend the criminal code (fines and penalties).

Mr. T. L. CHURCH (Broadview): I just wish to ask the Minister of Justice a question. The debate on this motion was adjourned in March so that the minister might consult the attorneys general of the provinces. As I have said, this bill is an exact copy of the law of England. I was wondering whether the minister intends to include the amendments proposed by this bill with the other amendments he has in view when his general bill amending the criminal code is brought down.

Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, I have communicated with the various attorneys general about this bill and have received their replies, and I shall be pleased to communicate them along with my own views when the bill amending the criminal code is before the house. It will be introduced this week and given a second reading, I hope, next week.

Order stands.

DEPARTMENT OF TRANSPORT

The house resumed consideration in committee of Bill No. 80, respecting the Department of Transport—Mr. Mackenzie King—Mr. Sanderson in the chair.

On section 9—Officer to perform duties under act or contract.

Mr. FINN: Mr. Chairman, when the committee rose at six o'clock I was making some references to Bill No. 80, creating a Department of Transport, as introduced by my right hon. friend the Prime Minister. I have no desire to prevent the committee or the house from going ahead with this legislation, but the Prime Minister indicated that there was another bill called the railway act, and I know of no such act that is before the house except the Railway Act of Canada, passed in 1919. As the bill now before us relates to transportation, perhaps the Minister of Railways will be able to indicate which bill the Prime Minister referred to as the railway bill. Is it the act of 1919, which is a general act dealing with all railway matters, or is it the act dealing with the creation of the railway commission? I tried to look it up during the recess and I failed to accomplish two things, either to find the bill or to have something to eat. If the minister would indicate the particular bill the Prime Minister had in mind I should be in a better position to form a judgment.

Mr. HOWE: The hon. member may discuss the matter he has in mind on the railway estimates or on the bill which went into committee this afternoon and which will come before the committee of the whole at the next sitting of the house.

Mr. FINN: Which bill is that?

Mr. HOWE: The bill for a railway from Rouyn to Senneterre.

Mr. FINN: I should like to say to the hon. minister that this particular piece of railway of which he speaks is very much like that oriental railway in the province of Quebec. Perhaps my hon. friend the minister would tell me how it would be possible for me, after this bill has been passed, to discuss the questions that are involved in the bill and to bring forward any amendments I may have to suggest. That is a somersault I have never been able to make. In all kindness I would ask the minister to tell me on what other bill we could intelligently discuss certain provisions of this Bill No. 80, which is now before the committee for consideration.

Mr. HOWE: I do not think this bill provides a suitable opportunity for the discussion of the questions my hon. friend has in mind, for the reason that it does not change any existing situation at all. It simply groups in one department various powers now exercised by the Minister of Railways and the Minister of Marine. I should say that the hon. member could very well discuss the point he has in mind at the moment, on any railway legislation that may be brought down this session or on the railway estimates.

Mr. FINN: This is the point that strikes me: We have two classes of railways coming under the minister under this bill. One is the Canadian National system, which is a company, and the other is the Intercolonial, which was given to the maritime provinces under section 145 of the British North America

Act. I find that subsequently there was passed in this house a bill which said that the Intercolonial railway included not only the road from Halifax to Montreal but also some included lines in the province of Quebec, and were put around the necks of the people of the maritimes.

Mr. HOWE: I dislike to interrupt my hon. friend, but I feel that he is out of order. May I suggest that as yet we have not passed the appropriation under the Maritime Freight Rates Act, and I should think that would be a splendid time to discuss this matter.

Mr. FINN: That may provide a splendid opportunity to discuss it but my point is that under this bill my hon. friend, as Minister of Transport, takes over control of the Department of Railways and Canals, which has jurisdiction over the Canadian National Railways, through a board of directors. I want to be open and above board with hon. gentlemen in this house, with the right hon. the Prime Minister and with the Minister of Railways. I am not satisfied, in fact I am far from satisfied, with the condition of the Intercolonial railway to-day. As I said once before in this house this session—

The CHAIRMAN: Order. I must inform the hon. member for Halifax that he is out of order.

Mr. FINN: For what reason?

The CHAIRMAN: We are now on Bill No. 80, respecting the Department of Transport. The Minister of Railways has intimated to the hon. member for Halifax that the matter the hon. gentleman wishes to discuss may be brought up when the railway estimates are under consideration or when the house considers a certain bill having to do with the proposed construction of a branch line. Therefore I must tell the hon. member for Halifax that he must confine his remarks to the bill under discussion and not go on with regard to something which is not relevant.

Mr. FINN: With all due deference to your ruling, Mr. Chairman, I say that I am within the four corners of Bill No. 80. If you will look at section 2 of the bill, it will be seen that this section takes the place of the Department of Railways and Canals Act.

The CHAIRMAN: I would point out to the hon. member for Halifax that we are on section 9 of Bill No. 80, and if he desires to make some remarks he must confine himself to this section of the bill; otherwise he will be out of order.

Shall section 9 carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN: Carried.

Section agreed to.

Section 10 agreed to.

On section 11—Coming into force.

Mr. FINN: I do not propose to be put off by all the "carrieds" or "Carrie Nations'" of some hon. members. I have a place in this house; I have a privilege and a right, which I propose to exercise. That is what I came here for, and when I am not able to do that I shall go home. I understand that we are on section 10.

The CHAIRMAN: I do not want to interrupt the hon. member for Halifax but while he is here he must comply with the rules of the house. In acting as he is the hon. gentleman is not conforming to the rules, and he is out of order.

Mr. FINN: I have not started.

The CHAIRMAN: Sections 10 and 11 have passed.

Mr. FINN: I should like to ask you, Mr. Chairman, when they passed. I thought we were on section 9 when the house took recess.

Mr. HOWE: I have an amendment to section 11.

The CHAIRMAN: The Minister of Railways moves that section 11 be amended by inserting after the word "act" in line 38 the words "in whole or in part" and by inserting after the word "date" in the same line the words "or dates."

Mr. FINN: I should like to ask the minister for an explanation as to what that means.

Mr. HOWE: The purpose of this amendment is to provide that the act may be proclaimed either in whole or in part. It is felt that in the organization of the department circumstances may arise which will make it desirable to proclaim one part of the act and not another, and this makes provision for that to be done.

Mr. FINN: Then, Mr. Chairman, I think I am perfectly in order under this amendment which has been proposed by the minister. This bill deals with the Canadian National system and also with the government

owned road, the Intercolonial railway. It might be the desire of the minister or of the government to deal with one part, the Canadian National, and not to deal with the other part, the Intercolonial.

Amendment agreed to.

Mr. FINN: I should like to ask how I am out of order. The Minister of Railways has submitted an amendment in which he divides this bill up; one part may become operative and the other not. I have a right to assume that it may be the part dealing with the "Intercolonial" that does not become operative; therefore, under this amendment I have a right to discuss the Intercolonial. If I am out of order I should like to know why, and under what rule.

Mr. STEVENS: I should like to ask the minister this question. Before this legislation is proclaimed, under the present administration of the Department of Railways, which of course is still operative under the existing law, does the department recognize any difference between the Intercolonial railway and the Canadian National railway system?

Mr. HOWE: There is a difference in the matter of property. The property of the Intercolonial is vested in the crown, and all transfers of property, leases, et cetera, must be signed by the Minister of Railways. Otherwise there is no difference. The operation of the Intercolonial has been turned over to the Canadian National.

Mr. STEVENS: Under what act?

Mr. FINN: The Railway Act of 1919.

Mr. STEVENS: Is it under the Canadian National Railways Act that the Intercolonial railway was turned over to the Canadian National for operation?

Mr. HOWE: Yes, the Canadian National Railways Act of 1919.

Mr. FINN: The Railway Act of 1919 came into effect in 1922. It specifically stated that when the Grand Trunk in the United States was turned over, the Intercolonial should come under the jurisdiction of the railway commission and be subject to the same rates as applied to all other railway companies in Canada. The Railway Act of 1919 was brought into effect in 1922, and as far as I have read it—and I have read it often and critically—I cannot find any provision in the act that the Canadian National railway management shall operate the Intercolonial. If there were any such provision, it would be absolutely in conflict with section 145 of The British North America Act, and that act cannot be repealed by implication; therefore the provisions of that section stand. The Intercolonial is vested in the Crown and is to be operated by the Minister of Railways and Canals in the interests of and for the benefit of the maritime provinces. I think it was in 1932 or 1933 an act was passed in which it was declared that the Intercolonial railway shall extend from Halifax and Sydney to Montreal. But to-day it is cut off at Rivière du Loup going west and the rest of the road is operated under the central division or eastern lines from Montreal or Toronto.

I have no desire whatever to retard the progress of this bill, but the people of the maritime provinces have some rights, if I desired to protest for a moment I would quote the words of the late Sir Charles Tupper in his memoirs written by himself in which he said that if Nova Scotia went out of confederation we were going to deny ourselves that great destiny which was ahead of us. He pictured the flow of traffic from the orient and said that the port of Halifax would become a forest of masts. If it seceded, it would be better that we were picked up and hurled behind the Rocky mountains. If we are to be picked up and hurled there I do not know who is going to catch us, but I hope before that happens I shall be under the sod and shall not have to go along.

It is in no spirit of carping criticism that I say this, but I have always felt very strongly on this subject. I have always felt that a great wrong has been done to the maritime provinces in regard to the Intercolonial, and I know of no better time than the present that the committee or this house and parliament should make up its mind whether or not we are going to be left in the middle of the lake so to speak, with no oars to row ashore, because they cut us off at Rivière du Loup and put the rest of the road in what they call the eastern lines. I want to see the Intercolonial railway operated as it was under the Prime Minister's predecessor, Sir Wilfrid Laurier, and under Hon. A. G. Blair and Hon. H. R. Emmerson, a through road from Halifax to Montreal, splendidly equipped and the pride of the people of the maritime provinces. We are not denying anything to the west, but I think there is no more opportune time than the present, when a new board is being set up and the whole management is to be changed, for us to find out exactly where we stand in reference to the Intercolonial railway. If the Minister of Railways will say to me that if a good case can be made out, as I believe it can, he will give it careful consideration, and that subject to the decision of the house a bill shall be

introduced subsequently to deal with the Intercolonial railway separately and apart from the Canadian National railways system, this legislation can go through. To save expense I believe the Intercolonial should be operated by the Canadian National management, but we should have, as we are supposed to have to-day, an Atlantic local manager. Mr. Appleton in Moncton is a vice-president and is supposed to be local Atlantic manager, but he has no more control over the Atlantic division than the Minister of Railways has to-day over the whole system. Mr. D. E. Galloway of Montreal or Toronto is in control of the eastern lines. I have had letters from home asking me how it is that we are charged with over $5,000,000 deficit, for that deficit is not on the Intercolonial railway. Part of it is on two lines of about 210 miles, in the province of Quebec, that never was a part of the Intercolonial and is not to-day except for operating purposes.

If this matter can be cleared up later I do not wish to retard this or any other legislation. I know hon. gentlemen want to get home, and so do I, but any person who comes to this parliament and whose first desire is to get home rather than stay here and attend to his duties should be left at home and should not have been sent here at all. That is what I conceive to be the duty of public representatives and that is the course which I have always tried to follow, and which I shall continue to follow until the people cease to follow me. So, if I can get some assurance from my hon. friend the Minister of Railways, I would feel better. I do not sleep very well, and if I get this assurance it may help me to sleep better to-night.

Section as amended agreed to.

Bill reported, read the third time and passed.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

The house resumed from Monday, June 8, consideration in committee of Bill No. 82, to amend the Bank of Canada Act—Mr. Dunning —Mr. Sanderson in the chair.

On section 6—Directors.

Hon. CHARLES A. DUNNING (Minister of Finance): Before proceeding to the consideration of section 9 of the original act may I say that the government has given consideration to the suggestion made yesterday by the hon. member for Rosthern (Mr. Tucker) to the effect that a larger number of directors should be appointed by the government than is provided in the draft of the bill. The government has considered the matter, and as a result I shall ask my colleague to move an amendment to section 6 of the bill which involves a redrafting of the whole section. The purpose of the amendment is simply that of changing the number of directors appointed by the government from four to six. The other provisions of the section are amended in conformity with that change. The change ensures absolute control by the government even under the contingencies imagined by the hon. member for Rosthern.

Mr. McGEER: What is the change in the votes? Are the six directors to have two votes each?

Mr. DUNNING: Yes, for the length of time necessary.

Mr. MACKENZIE KING: I move the following amendment:

That the bill be amended by striking out section six thereof and substituting therefor the following:

"6. Section nine of the said act is repealed and the following is substituted therefor:—

Directors

9. (1) The following persons shall be directors of the bank:

(i) directors holding office at the date of the coming into force of this subsection, who shall continue as directors until the expiration of their several terms of office;

(ii) six directors to be appointed by the holder of the class "B" shares of the bank, with the approval of the governor in council, to hold office as follows: two until the annual general meeting in 1940; two until the annual general meeting in 1941; and two until the annual general meeting in 1942;

(iii) one director to be elected by the holders of the class "A" shares of the bank at the annual general meeting in 1940, to hold office for a term of two years;

(iv) two directors to be elected by the holders of the class "A" shares of the bank at the annual general meeting in 1941, to hold office for terms of two years and three years respectively;

(v) directors, each of whom shall hold office for a term of three years, to be elected by the holders of the class "A" shares of the bank, one at the annual general meeting in 1942 and one at each annual general meeting thereafter;

(vi) directors, each of whom shall hold office for a term of three years, to be appointed by the holder of the class "B" shares of the bank, with the approval of the governor in council, two as of the day of the annual general meeting in 1940, and two as of the day of each annual general meeting thereafter.

Vacancies

(2) In the event of a vacancy amongst the directors elected by the class "A" shareholders, the board shall appoint a qualified person to hold office until the next annual general meeting, when the shareholders shall elect a person to fill the vacancy for the remainder of the term: Provided, however, that no director in

office at the date of the coming into force of this subsection shall be so replaced if there are three or more directors elected by shareholders in office.

(3) In the event of a vacancy amongst the directors appointed by the holder of the class "B" shares of the bank, the holder of the said shares shall, with the approval of the governor in council, appoint a qualified person to hold office for the remainder of the term.

Number of votes

(4) In the transaction of the business of the bank, each director shall have one vote: Provided, however, that prior to the annual general meeting in 1940 each of the directors appointed by the holder of the class "B" shares of the bank shall be entitled to two votes.

Reelection and reappointment

(5) The directors shall on the expiration of their terms of office be eligible for reelection or reappointment."

Mr. McGEER: The amendment does not change the general principle I was discussing at the close of the last sitting of the committee. At that time I dealt with the fundamental principle that the control of the bank should be directed to dominate, namely the issue of currency and credit in terms of public need.

By the amendment the government is given control over the board of directors, but unfortunately the directors do not control the bank. In proof of that fact I should like to draw the attention of the committee to certain provisions in the Bank of Canada Act. First I direct the attention of hon. members to section 8, which states that the governor, deputy governor and assistant deputy governor shall each be appointed as in the act provided for a term of several years. They are to be appointed by the governor in council. The actual clauses of the act which define and establish the control of the affairs of the bank are sections 13 and 14, the first of which reads as follows:

13. (1) There shall be an executive committee of the board, consisting of the governor, the deputy governor and one director selected by the board.

Then subsection 3 provides:

The executive committee shall be competent to deal with any matter within the competence of the board but every decision of the committee shall be submitted to the board at its next meeting.

14. No action or decision of the board of directors, or of the executive committee, shall have any effect unless the same is concurred in by the governor, or in his absence or incapacity, the deputy governor.

As a matter of fact, these sections place the actual control of the administration of the bank's affairs in the hands of the executive committee, two of whom are appointed by governor in council, and who hold office at the will of parliament. Parliament could dismiss them by amending the act, or by repealing the act, just as has been done in connection with the trustees of the Canadian National Railways.

It does not matter how many members there are on the board of directors, the board of directors have nothing whatever to say about the administration of the affairs of the bank unless what they suggest is concurred in by the governor, who along with the deputy governor, is under the control of parliament because parliament may dismiss or remove them from office. They form the majority of an executive committee which today has full control over the administration of the bank's affairs. They are superior to the board of directors and, consequently, the board of directors is not a group of men the majority of whom can dominate or control the affairs of the bank. A majority of the board of directors appointed by the governments' shareholders means absolutely nothing.

During the course of my remarks yesterday the hon. member for St. Lawrence-St. George (Mr. Cahan) asked this question: What would you do with the $724,000,000 that the Bank of Canada now has the power under the act to issue; would you issue that money as a means of putting people to work? In answer to that, I should like to say that if proper control were established in the Bank of Canada it should be such control that the government, the Bank of Canada, the chartered banks and the financial institutions could get together to create the means of financing those sound public works, national, provincial and municipal, which would be the means of eliminating unemployment and putting people to work at work that is needed to be done. Of course, you would not use the legal tender currency of the Bank of Canada; you would be able to make arrangements with the chartered banks and the financial institutions by which short term treasury bills at minimum cost would be issued to carry on this work.

It may be said that it is impossible to do that, but I want to point out that that is exactly what is being done by the federal reserve board in the United States. A great deal of the money which has been used to put people in that country to work has been simply the credit of the member banks of the United States federal reserve system which has been issued for the use of the government as loans bearing interest rates as low as one-tenth of one per cent. I quite agree that the federal reserve system is far from perfection. I do not suggest for one moment that the mere fact that under the act, with the reserves of gold that the Bank of Canada

has available, a sufficient number of Bank of Canada bills to support upwards of $7,000,000,000 of bank credit can be issued, would afford a complete panacea for all the social and economic and political ills of the Dominion of Canada. What I do say is that we have the necessary credit machinery now established and if it can be controlled so that currency and credit can be issued in terms of public need, there would be no necessity for the terrible conditions which now exist in Montreal, for the bankrupt conditions now continuing in Alberta and for the plight of our cities from one end of this dominion to the other.

The reason why the government should establish complete ownership of and control over the Bank of Canada is simply because it is not a bank of issue solely for the service of the chartered banks. It should be established as a bank of issue and as a national bank serving the public interests nationally, provincially and municipally, through which bank issues of public money and public credit for expenditure by national, provincial and municipal governments could be brought under proper and regulated control. We do not need to go to the senate or to the British parliament for an amendment to the British North America Act in order to establish a system under which coordination, regulation and control of public expenditures by all political executives throughout the Dominion of Canada could be brought within the control of the national authority.

There is one other matter which I should like to mention, a matter which has been raised time and again. If we issue through our Bank of Canada the money necessary to finance, without the appalling interest costs that public moneys now have to pay, what would happen to our international exchange? How could that be sustained? I hope I appreciate that when one advocates a substantial change in an existing system, he should have some authority which is recognized as one speaking with knowledge. In this regard, I think the statement of Mr. Beaudry Leman, who was once President of the Canadian Bankers' Association and who is the head of one of our largest French Canadian banks, the Banque Canadienne Nationale, should be accepted. This gentleman filed a report which was not in concurrence with the reports of the English members of the Macmillan commission. Mr. Leman said:

> Certain features of the suggested constitution of a central bank for Canada, should one be established ultimately, appear unacceptable and do not afford sufficient safeguards in regard to currency and monetary matters: (a) In addition to minor objections to a number of clauses, notably to clause No. 8, which fails to differentiate between the ratio of deposits to be made in the central bank in respect of notice deposits on the one hand, and of demand deposits on the other, I do take strong exception to clause No. 13, which states that: "The bank should maintain a proportion of 25 per cent in gold and foreign exchange against its outstanding note issue and sight liabilities." This clause makes no provision for the holding by the bank of a minimum amount of gold, or of a minimum percentage of gold against liabilities, nor does it even provide that the foreign exchange held by the bank should be convertible into gold. It will be argued that the governors and directors of the central bank would exercise their authority with prudence, skill and discretion, and that, in practice, sufficient gold would be held in reserve, and that a judicious choice would be made of the foreign exchange held by the central bank. The clause appears all the more surprising at a time when no one can have forgotten what befell the sterling, French franc and United States dollar exchange. Shall the currency of Canada be exposed to the uncertainties which might arise from possible errors of judgment on the part of the central bank? Can we be so sanguine as to hope that those who will guide the central bank and determine its policies will be men of such calibre that they will be at all times above human frailty, and will outclass in ability and foresight the bankers now at the head of the oldest and most powerful central banking institutions in the world? (b) Paragraph No. 207 of our report acknowledges that the state "must necessarily retain ultimate sovereignty in matters affecting the currency," and I find it difficult to reconcile this fundamental consideration with the power proposed to be given to the central bank under clause No. 13. Surely the parliament of Canada would not confer upon any organization, much less one privately owned, the right, implied in this clause, to strip this country bare of every ounce or dollar of gold and ship it abroad, holding in exchange, as the sole backing of the currency of Canada and as the bulk of its cash reserves, a claim on some inconvertible outside or foreign currency.
>
> The mere suggestion that such a situation might develop would be more than enough to wreck the credit standing of this country and undermine the confidence which long years of faithful and sound banking have brought to Canadian institutions both public and private.

I read that for this reason. Here we have from the pen of one of Canada's outstanding bankers a statement condemning the methods, the practices and the securities which exist for the stabilizing of our international exchange under the present Bank of Canada Act. In Great Britain they did not rely, or they found it impossible to rely upon the Bank of England for the stabilization of the pound sterling after the collapse of 1931. When the stabilization fund was set up it was not set up in the Bank of England. The fund was administered by the Chancellor of the Exchequer and the power of the nation was given in an inflationary issue of sterling totalling $1,750,000,000. That power was given to the Chancellor of the Exchequer to

go into the money markets of the world to maintain the value of the pound sterling as a function of the British government. In that regard the same gentleman, Mr. Leman, has this to say:

It is difficult to conceive how and to what extent, under present conditions, a monetary system can be placed beyond political influence. In Great Britain, the government, and not the Bank of England, provided the funds to establish and operate the "equalization fund" in which some seventeen hundred millions of dollars are now involved; in the United States the provisions of the statutes governing the activities of the federal reserve banks have been profoundly altered, this year, to conform with the policies and exigencies of the government of the United States; in France, only last year, parliament voted some ninety millions of dollars to guarantee the losses sustained by the Bank of France in pursuance of the instructions issued by the government of France to the effect that credit balances were not to be withdrawn from Great Britain; these instances of what is happening in the wealthiest and most powerful countries in the world, each provided with a central bank, should offer sufficient evidence as to what must inevitably happen in countries of lesser financial importance.

What has happened since Mr. Leman as a member of the Royal Commission on Banking and Currency issued this statement? Great Britain has maintained successfully the operation of the stabilization fund, which Mr. Winston Churchill, in the British House of Commons, the other day described as "the secret processes" that had successfully taken the place of the very kind of system which has been set up in the Bank of Canada. What has happened in the United States?

Mr. DUNNING: Mr. Churchill did not say that.

Mr. McGEER: He did not say that they were secret processes?

Mr. DUNNING: He did not say that it was the same system.

Mr. McGEER: I am saying that.

Mr. DUNNING: Let us understand that.

Mr. McGEER: I do not want to have any confusion between what I say and what Mr. Churchill says; I think I made that clear. He said that they were secret processes.

Mr. DUNNING: So are our own stabilization operations.

Mr. McGEER: I understood the other day, when the leader of the opposition asked the Minister of Finance whether the provisions and powers contained in the stabilization legislation passed a year ago had been put into operation by proclamation, that the answer was, "No; they are not in operation yet."

Mr. DUNNING: That is quite right.

[Mr. McGeer.]

Mr. McGEER: Then you are operating under the Bank of Canada unless you are doing something yourself. Of course, I do not profess to know what secret processes are going on in Canada any more than I profess to know what secret processes are going on in England, but I know that in the United States the federal reserve bank has nothing to do with the stabilization fund. It is a function of the Treasury department conducted by the Secretary of the Treasury, Mr. Morgenthau, as a personal duty and a personal obligation. When you come to the question whether or not you can maintain the internal economy of the country by managing your domestic currency without interfering with the value of the buying power of your unit of exchange in world markets, I think you come to the question whether or not you can manage your domestic currency from a central bank like the Bank of Canada and your international buying power in world markets as a direct function of the government itself through the Department of Finance, with nothing more than those connecting links that exist and must of necessity exist between the Department of Finance in all its activities and the Bank of Canada. But let me say further that when it comes to the question of maintaining the international value of the unit of exchange it is less a monetary matter than it is a trade matter. If our government, as the government of Great Britain has done, can successfully set up the means of regulating its international trade, its transactions in international credit and currency, its transactions in tourist trade, so that we can maintain a balance or something close to a balance of trade internationally, then we shall have no difficulty in maintaining the value of our Canadian dollar in those countries with which we intend to trade. But those who confuse domestic currency—that is, silver coins or copper coins or nickel coins and paper currencies such as silver certificates or bank notes or bank deposits transferable by cheque—with international currency, are developing in their minds a difficulty and a hindrance to internal prosperity and progress which really does not exist. There are two real problems; one is international exchange and the buying power of our unit of exchange abroad, and the other is putting into circulation the domestic currency and credit that will permit our people to produce and distribute wealth in their own service, and producing surpluses which they can use in exchange with people in foreign lands for the things that will make for a higher

standard of living of our people in our own country. What I am putting forward is not new.

An hon. MEMBER: Hear, hear.

Mr. McGEER: Well, it is not new as far as other countries are concerned but it has yet to be adopted in Canada. The hon. member for St. Lawrence-St. George asked me what I would do if I were Prime Minister of Canada. One of the first things I would do would be to convert the Minister of Finance (Mr. Dunning) to some of the things that are now fairly current. For instance, one of the first acts would be to get a full appreciation of what the British Macmillan report meant when it said to the British government in 1913, in section 280:

> The monetary system of this country must be a managed system. It is not advisable, or indeed practicable, to regard our monetary system as an automatic system grinding out the right result by the operation of natural forces aided by a few maxims of general application and some well worn rules of thumb. The major objectives of a sound monetary policy—for example, the maintenance of the parity of the foreign exchanges without unnecessary disturbance to domestic business, the avoidance of the credit cycle, and the stability of the price level—cannot be attained except by the constant exercise of knowledge, judgment and authority, by individuals placed in a position of unchallengeable independence, with great resources and every technical advice at their disposition.

I think we have, in the Dominion Bureau of Statistics, an exceptionally fine group of fairly well trained men who, with the limited resources at their disposal, are able to present a remarkable but not by any means complete picture whereby it is possible for us to see where we are going in this Dominion of Canada. But when we have statements presented as we did in the budget that with our sales of gold abroad we had approximately a favourable balance of trade of $435,000,000, one wonders why this nation should have shipped abroad to exchange for the non-convertible paper currency of a foreign nation or a non-convertible bank deposit the monetary gold reserves and resources of our own nation. The two do not work together. Either we shipped that gold abroad foolishly or we had to ship it abroad because we did not have available foreign paper currencies convertible into American money with which to liquidate the obligations that were currently due during the year in which the gold payments were made. I do not think there is anybody in this country who can say whether our adverse balance of trade was not more, and considerably more, last year than $200,000,000, and when we shipped that gold abroad we shipped it abroad as at least an indication of the minimum of our foreign unfavourable balance of trade.

I do not know all that must be done but I believe that we should make some attempt to set up a monetary system with wide control under which we can balance not only the national budget but provincial budgets and municipal budgets as well because I do not think it is going to accomplish very much to balance the national budget if provincial and municipal governments are going to continue to face bankruptcy. I think budgets should be balanced and I also think debts should be properly serviced. I believe that we should command the respect of the financial communities and the lenders, but I also believe that we should respect the confidence of the taxpayer. If we can hold the confidence of lenders only by sacrificing the wealth of taxpayers through confiscatory taxation, then I am afraid the confidence of the lenders is going to be of very little value to this nation.

I believe, in addition, that we should be able to finance the construction of those things which will add to the national revenue. I believe that our great tourist resources in the maritime provinces, in Quebec, in Ontario and in the west should be developed as a means of inducing Americans to exchange for Canadian goods and services American dollars, and in addition, I believe that we should be able to finance the development of our resources and the maintenance of law and order so that those in the United States and elsewhere who can afford to live in a country in which they would prefer to bring up their families will come to Canada and settle and bring their wealth to us.

That is one way in which I believe we can meet a foreign exchange situation that will always confront the Dominion of Canada. The moment we get prosperous one of our most difficult problems in international exchange is going to be how to prevent our Canadians in such times from going south of the line in the winter time and to the attractions which the Americans present and spending more of Canadian currency in the American tourist trade than the American tourists are spending with us. I do not believe that the Americans should be exploited, but I do feel there is much we can do in the way of an intelligent administration of currency and credit to put our own people to work developing honest attractions that will bring about a movement northward in the summer time that will affect our movement southward in the winter. In that way I believe we can use the national currency and credit to increase the security of the unit of exchange abroad.

More than that. I believe that we must rehabilitate our railroad systems. We cannot afford to allow the Canadian National and the Canadian Pacific railway systems to operate in competition with the magnificent roads that are operating now in the United States without assisting our railways to bring their road beds, their equipment and their time schedules up to the transcontinental standards now in operation south of the line. These things can all be done. We can do what New Zealand is doing. New Zealand has now gone forward, after years of bonusing and building up her foreign trade in butter, to set up an agricultural governmental institution wherein all of her agricultural products are going to be taken over at a price, and then are going to be bartered for the things which the government of New Zealand feels it can secure for the benefit of the people of that country. We cannot progress in Canada unless we are prepared to raise the standard of living of the farmers of western Canada to the same level that obtains for our governmental employees and for the people in our cities and industrial communities.

Yes, these things can be done, but they require a great deal of work, a great deal of courage, and a great deal of attention, and attempts to bring them about will not be perfect at their inception. While I am quite aware that monetary reform is not the whole answer; that it is merely one step, I do suggest, however, that if a properly constituted national bank were created that would operate as a public utility issuing currency and credit in terms of public need, many of the political, economic and social problems which now seem to be insurmountable would, I believe, fall well within the limits of practical administration.

We should I agree, assume that because certain institutions have been sanctified in the past they should be changed only with care and caution, but I think, now that we are well advanced into the new era, what we are asking the government to do in making the Bank of Canada a national institution is only what other nations have found by experience to be a sound and necessary thing to do. If I can read reports at all I think the principle of public ownership for the Bank of Canada was recommended by Mr. Leman, Sir Thomas White and Mr. Brownlee who constituted a majority of the Canadian Macmillan Commission. That is so because the cost of public finance must be reduced through the issue of currency as a state function. That conclusion is in line with the following passage of the English Macmillan report:

[Mr. McGeer.]

The greatest difficulty, however, which we foresee is the fulfilment of the second task, namely, to remedy the shortage of definitely sound borrowers for the purpose of new enterprise. The vicious circle is complete. The decline of new enterprise has reacted adversely on profits and prices, and the low level of profits and prices stands in the way of new enterprise. It is for this reason that some of us think that in the domestic field it may be necessary to invoke governmental enterprise to break the vicious circle. In the international field measures of an analogous kind would have to take a somewhat different form. In this case also the vicious circle is complete. The unwillingness to lend, coupled with the frequently unwise use of borrowed funds, has destroyed the credit of borrowers, which reinforces the unwillingness to lend. In many cases, no single creditor is ready to take the risk which is absolutely required in the interest of creditors as a whole, since this report was written.

In Great Britain they have gone into public spending; in the United States and Australia they have also gone into public spending, and as a result confidence has been restored and private enterprise is again beginning to move. If we had the courage to take over the Bank of Canada and to put the necessary medium of exchange into circulation through the proper employment of men engaged in public works, social services and public enterprises, we shall soon find that we have restored the circulation of consumers' buying power and created an effective demand which will inspire private enterprise to go to work. But until we do that we are going to slough along, picking up only the crumbs that fall from the tables of other countries where expansion and public work is going forward, and doing nothing to secure for our own people those great benefits which have come to the people of other nations through governmental action.

I do not for one moment think the tasks are simple, but I do think there is plenty of reason now for parliament to set up the machinery and to engage the best, most competent men available to carry out the work parliament wishes to see done; that is, to put the people to work creating and distributing wealth, so that the cultural heritage of mankind can be placed on a higher standard than it enjoys to-day. I think every man in this chamber is imbued with that desire just as much as I am, possibly, in some cases, even more, and that is why I say that this is the paramount political issue of to-day. It is above party politics and calls upon men of all parties, in the commons, in the senate, and in business, to unite to stabilize our finance so that our social and economic security may be restored.

Now let me say this: I know it is easy to say, "Oh, I don't know anything about finance.

It is above me. It is a highly complex problem. It is an academic issue." I think many are beginning to realize that Keynes of Cambridge has performed a great service to the academic world by writing his book A General Theory of Employment, Interest and Money.

Mr. BENNETT: He goes back, in terms, on all his previous opinions.

Mr. DUNNING: And says so.

Mr. McGEER: That is what I say; we have to abandon some of the opinions of the past and adjust ourselves to the necessities of the twentieth century. I do not think we should hope to have the same economic system and the same monetary system serving the needs of the twentieth century that worked in the days of the ox cart, of hand labour and of the crinoline skirt.

Mr. DUNNING: My hon. friend surely forgets that John Maynard Keynes, to my certain knowledge, has been writing authoritatively on these subjects each year. He did not start with the days of the ox cart; he has been gradually developing and instructing his readers, of whom I am one and my hon. friend is another, all in the twentieth century. In the book to which my hon. friend refers Keynes says he knows it is completely out of line with all that he has formerly taught us. I have no objection to a man changing his mind, but surely if we are to look for light and leadership from my hon. friend from Vancouver-Burrard to-day we do not expect that the day after to-morrow he will be telling us something definitely contrary to the opinions expressed to-day, and still expecting us to regard him as progressive and sound because he has done so. I am not criticizing Keynes, but I am saying that a teacher who changes virtually overnight in some of his cardinal teachings, I would hesitate to quote personally as an authority to-day as readily as I would before I read that book, and I say this without derogating at all from his right to change his mind. I am referring rather to his reliability as a teacher either yesterday or to-day.

Mr. McGEER: I should like to say, now that the Minister of Finance has assumed the right to criticize John Maynard Keynes, that John Maynard Keynes, as monetary adviser of the British government at Versailles, had the courage to resign because at that time he said the impositions that the allied governments were exacting from Germany contained the fruits of future disaster and the seeds of another war.

Mr. DUNNING: And the hon. member and I agreed with him.

Mr. McGEER: And he wrote his book The Economic Consequences of the Peace. Do not let any man of ordinary position stand up and say that Keynes is a teacher who changes his mind from day to day, because by his writings and his work John Maynard Keynes has earned the respect of the British people from one end of the empire to the other, and by his service to humanity he has earned the respect of every man who believes that government should work towards the furtherance of human happiness. I have been a student of Keynes for a great many years in a humble and possibly a loose and inadequate way, but I defy any man to say that from 1918 on John Maynard Keynes has ever changed his views as to the necessity of a managed currency. He may have said this: "I have changed my views with regard to some of my theories on employment and interest," but his fundamental conclusions have been growing and confirming his stand which is set out in the Macmillan report in this declaration for the establishment of a managed currency administered by men of unchallengable independence equipped with every available facility. Notwithstanding what the Minister of Finance or the right hon. leader of the opposition (Mr. Bennett) may think of John Maynard Keynes, I still hold to the view that he has made a great contribution to economic study in his book A General Theory of Employment, Interest and Money.

Mr. DUNNING: I agree; I said so.

Mr. McGEER: This is what he says:

> —professional economists ... were apparently unmoved by the lack of correspondence between the results of their theory and the facts of observation;—a discrepancy which the ordinary man has not failed to observe, with the result of his growing unwillingness to accord to economists that measure of respect which he gives to other groups of scientists whose theoretical results are confirmed by observation when they are applied to the facts.
>
> The celebrated optimism of traditional economists ... who having left this world for the cultivation of their gardens, teach that all is for the best in the best of all possible worlds provided we will let well enough alone, is also to be traced, I think, to their having neglected to take account the dragon prosperity which can be exercised by an insufficiency of effective demand.

The CHAIRMAN: Order. I must inform the hon. member for Vancouver-Burrard that he has spoken for forty minutes.

Mr. McGEER: Well, I can finish my remarks on the other sections of the bill, but I should like to complete them on this section.

Mr. DUNNING: Another hon. member has a right to the floor if he wants it.

Mr. McGEER: Very well; I can conclude on some other section.

Mr. CLARK (York-Sunbury): In speaking on this Bank of Canada bill the hon. member for Vancouver-Burrard brought in the chartered banks to a great extent and gave some figures in respect to them that are not correct. On page 3331 of Hansard he is reported as saying:

I have checked the figures and I find that in 1934, on a capital investment of $144,000,000, the banks made an actual profit of $18,000,000 which figures out roughly to twelve per cent—not bad for a depression year.

In the first place the hon. member has not added the rest account to the capital. Instead of $144,000,000 invested it was $276,000,000, a difference of some forty-eight per cent. Then, where he said that the banks made an actual profit of $18,000,000, that is before deducting the taxes and other things which had to come out of it, so that the actual return on that capital investment, instead of being, as he states, some twelve per cent, is only some four and a half per cent.

Then he goes on to say:

... profit was paid out by the Bank of Montreal at the rate of eight per cent.... The other banks ranged from six per cent to twelve per cent, but the average stood at about twelve per cent.

How could figures from six to twelve average twelve? So the hon. member is wrong in that respect. Then he goes on to say:

—then they put aside as rest account an amount almost as great.

That is referring to the year 1934. But in fact none of the banks put any amount in the rest account at all; they have not put anything into rest or reserve for several years. In fact they have lost some of their reserves during these years of stress. Surely we are entitled to have a fair report about these banks.

Then the hon. member goes on to say:

Last year, in 1935, their profits were a little better, and the preliminary dividend paid by the Bank of Montreal in the first quarter of this year, 1936, is, I believe, four per cent.

Well, to be accurate, it was two per cent, or rather 3·75 per cent per annum on the total capital employed, rest and reserve. It might be said that the rest is not part of the capital, but it was largely provided by the shareholders as part of the capital of the banks. In many cases they issued their stock at a premium of 100 per cent and added that premium to their rest. So that sum was mostly provided by the stockholders.

[Mr. McGeer.]

It is, therefore, fair to correct the hon. member's figures in these respects; that is instead of $144,000,000 being the capital invested they had $276,000,000, a mistake on the part of the hon. member of some forty-eight per cent. When he referred to the banks having made $18,000,000 profit he figured that before taking off taxes, pension fund and other deductions, a mistake there of some thirty per cent. When he says that the dividend figures range from six to twelve per cent and calls that an average of twelve per cent he makes a mistake of some twenty-five per cent. When he says that they put aside as rest account an amount almost as great, the fact is that they did not put anything aside for rest account, so there he makes a mistake beyond measurement in percentage. When he says that the Bank of Montreal in the first quarter of 1936 paid four per cent when they paid only two per cent or rather at the rate of 3·75 per cent per annum on their actual capital he made another mistake of some fifty per cent. So in those few lines we find five mistakes, on the average fifty per cent wrong. If in respect to other things which he has stated before this committee the hon. member is as wrong as in these to which I have called attention, how much dependence can this committee place upon his statements?

We know that the chartered banks have been the bulwark of the financial system of this country, and they should be treated fairly. They are regulated by this parliament, and surely it is unfair that a wrong impression should be given about their earnings, which earnings are as small as is safe under the conditions under which they operate. I think it is only fair that these corrections should be put upon Hansard, because I have looked up the figures from the bank returns and I assure my hon. friend that they are in accordance with the facts.

Mr. WOODSWORTH: The amendment before us may be some slight improvement, but I submit that it will not enable the Bank of Canada to perform the functions which the Bank of Canada should perform. Again I believe that the government in introducing a measure of this kind is not keeping faith with the electorate who sent them to power. Reference has already been made in this parliament to the address of the present Prime Minister (Mr. Mackenzie King) on the night of the general election, October 14, 1935. On that occasion he said:

The election is an endorsation of the Liberal view that credit is a public matter not of interest to bankers only but of direct concern to every citizen.

I heartily concur in the latter part of that statement. I hoped that that might be the

Liberal view. But under this legislation credit does not become a public matter; credit still remains under private control. We shall never have credit fully a public matter until the government of this country is prepared to take over not merely the central bank but the chartered banks as well. However I quite admit that a properly constituted and controlled central bank may have a very great effect in the control of credit. We argued for such a bank years ago. Two years ago when the Conservative government introduced the Bank of Canada Act we supported it, not because we liked the private control, which we believed the act maintained, but because we believed in the principle of a central bank and we thought the Bank of Canada Act was one step in the right direction. The Liberals at that time refused to have anything to do with the central bank as then constituted; they criticized it most severely, put themselves on record as opposed to it and pleaded for a publicly controlled bank. Yet now they introduce legislation which, as I said when the resolution was under discussion, does not implement the statements that were made on behalf of the Liberal party from one end of this country to the other. I repeat: On the eve of an election the Prime Minister said that credit is a public matter. The legislation now before us and the directorate we are setting up does not ensure that even the control of credit will be a public matter. We are setting up a private bank or, if we may so describe it, a hybrid institution, half public and half private.

The present Prime Minister went on to say:

> It is a verdict against a privately owned and controlled central bank.

Undoubtedly, as it has existed so far, the bank has been privately owned and controlled, but I suggest that the bank we are to have after this measure is passed will not be publicly owned and controlled. It is not fair to permit the impression to go out that we believe the bank which we shall have as a result of this bill is going to merit that designation, or that in this legislation the government is making good its pledges to the people.

I propose to vote for the measure; what else can I do? It may be a slight improvement over what we had before. We believed that the setting up of a central bank, even as it existed previously, was an improvement on no central bank. However this measure is not what we are after. As I shall try to point out later in my observations, this bank in my judgment will not fulfil the function a central bank ought to fulfil.

The Prime Minister said:

> It is a verdict in favour of a properly constituted national bank to perform the functions of rediscount and the control of currency issue considered in terms of public need.

There is nothing in this legislation, as has been pointed out by the hon. member for Vancouver-Burrard (Mr. McGeer), which would seem to suggest that the bank is to be given control in order that it may function in terms of public need. That is a point which ought to be driven home upon the people of Canada. The Prime Minister went on to say:

> There can be no mistaking the demand for a restoration to the government of Canada of control over credit and currency issue.

It is for government control over credit and currency issue that a good many of us have been pleading for years. But this measure does not give it. The Minister of Finance (Mr. Dunning) cannot say that this measure gives government control over credit and currency issue. In this instance the government passes over its control to another body, on which it is merely represented. That is not government control. Only recently in railway matters we have got rid of a board of trustees in order that we may more effectively bring the railways under public control, and to do that we are now setting up a board of directors. Even under the new arrangement the railway does not come immediately and directly under departmental control. This Liberal government protested against the old arrangement in railway matters in that such an arrangement set up a body the government could not control. Now, in the present instance, in this central bank legislation, the government is setting up another body which it does not control. There is no use blinking that fact; the government does not control the Bank of Canada. It simply has certain representatives on the board.

Mr. DUNNING: Then, who does control it?

Mr. WOODSWORTH: The government does not control it; the government has certain representatives on the board, and the minister is now offering an amendment so that the government may have more control. But surely this measure does not carry out the idea the Prime Minister had in mind when he made the statements I have read.

Mr. DUNNING: Would the hon. member answer a question?

Mr. WOODSWORTH: I wish I could be allowed to go on.

Mr. DUNNING: I wish to know who does control the bank.

Mr. WOODSWORTH: The Prime Minister said:

> There can be no mistaking the demand for a restoration to the government of Canada of control over credit and currency issue.

This measure does not restore to the government control over credit or the issue of currency; there is no doubt about that. Even the Minister of Finance would not say that the government is issuing credit.

Mr. DUNNING: The government is controlling it.

Mr. WOODSWORTH: The Prime Minister's statement refers to issuing. We have witnessed just now a first-class example of the way in which we play around words. The right hon. gentleman refers to credit and currency issue, not control. I take it that the issue of currency ought never to be given to any other body. Some years ago we had one dollar and two dollar bills on which appeared the king's head, and we had five dollar and ten dollar bills and higher on which appeared the heads of the presidents of the various banks which issued paper money. I said that I hoped the time would come when the king's head would be placed on every piece of money issued in Canada. But we are not putting the king's head on the Bank of Canada bills; we are putting on them the head of the president of the Bank of Canada. The money is not issued by the government. In fact, the impression has been given that it would not be safe to entrust a government with issuing its own currency. I am not saying whether or not that is so, but I say that immediately after the election the Prime Minister said:

> There can be no mistaking the demand for a restoration to the government of Canada of control over credit and currency issue.

Mr. MACKENZIE KING: What is the meaning and significance of the word "restoration"?

Mr. WOODSWORTH: I will leave the Prime Minister to answer that question. He is an adept at giving definitions. Perhaps he would answer it to-night. He proceeds:

> As the campaign proceeded, the issue of control, by the people, of all functions of government, through their representatives in parliament, and not by any other power, became increasingly clear.

One of the functions of government is that of issuing money. According to the Prime Minister that function was to be in the hands of parliament. It is not placed in the hands of parliament by this legislation. I would have been content if we had set up a board directly under control of parliament, but we have not done that. The Prime Minister concludes:

> The electorate has declared that a responsible ministry, not organized finance and international money power, is to control in all matters of state.

Well, he may reply that under this measure there is control by the responsible ministry, but he shares that control with the financial powers. As I study this legislation—and I have been trying to read something of the history of central banks—I believe that a central bank can perform its functions only as it is independent of business pressure. We know how the present board of directors of the Bank of Canada was selected. The chamber of commerce put up a slate. It is quite true there was a wide distribution of the shares, but as everybody knows shareholders cannot be got together easily, and for that reason the chamber of commerce put over a slate on which business men predominated. It may be said that we have a farmer on the board; yes, but he does not act as a farmers' representative. As my colleague points out, many of the directors were strictly financial people directly concerned in other financial matters.

If I understand aright, one of the main functions of a central bank is to maintain general price levels. It can do that more or less by restricting or expanding credit. The central bank is required to do the very thing that is unpopular at a given time. It must expand when there is a tendency to contract, and it must contract when there is overexpansion. Do we think it is possible for men trained in business, and having outside business interests, to perform that function? I believe that is one of the weaknesses of the old board. We did not get an independent board, but rather a board of business men who looked at the matter from a financial standpoint.

We now have provision for some government appointees. I cannot say who will be appointed, but if I were a betting man I would be willing to wager quite a sum that we would have the same class of people put on the board to represent the government. That has been the history in the past, whether Conservatives or Liberals were in power. We shall have financial men put on that board. Of course, there will be one or two others to give colour to the idea that it represents all classes, but it will be a board essentially dominated by the present financial interests. Just recently we had the nationalization of the central bank of Denmark. The legislation by which that bank was nationalized provided that no directors might be directors or managers of any private undertaking. Just let me put this to the Prime

Minister: If he wants his board, poorly instituted as it is, to be thoroughly free from business influences, will he place on this board no one who is connected with private undertakings? Dare he do that?

Mr. MACKENZIE KING: May I say at once to my hon. friend I do not believe that every man who has to do with private business is dishonest and dishonourable. I believe that most men who are in business and who are successful owe a great deal of their success to their probity and integrity. I resent altogether the idea that because a man is in private interests, he is not to be trusted.

Mr. WOODSWORTH: Will the Prime Minister just hold himself for a minute?

Mr. MACKENZIE KING: No; it is my hon. friend who should hold himself.

Mr. WOODSWORTH: I shall not permit the Prime Minister to try to put words into my mouth or to put ideas into my speech which never were contemplated. The Prime Minister stated that he resents my statement; he speaks on behalf of the financial people. Well, he can resent my statement all he likes, but that is not what I am talking about.

Mr. MACKENZIE KING: I am not speaking on behalf of the financial people. My hon. friend directed a remark to me to the effect that I would not dare to have a board upon which there was no one connected with private business.

Mr. WOODSWORTH: Quite so.

Mr. MACKENZIE KING: I said that I resented the idea that one dealing with private interests was necessarily dishonest.

Mr. WOODSWORTH: That is not my implication, and it never was. I do not for one minute hold that all men in private enterprise are crooks or anything of the kind. I can well agree with the Prime Minister that a great many of them are actuated by very high motives. I am not suggesting anything else and the Prime Minister is not going to divert me from my argument. I do say, and I have felt for a long time, that directors of chartered banks ought not to be interested in other private concerns. That is my opinion with regard to that phase of the question. I taught school out in the west forty years ago and I can remember the instance of a man who had timberland and who was delivering wood to the school, who was not eligible as a trustee. The idea was not that all men who teamed wood were cranks or crooks; the idea was that if a man was to be independent as a trustee he ought not to be mixed up with many other things. That idea is carried out in a great many departments of public life. I should like to see the time come when a man could not be a director of a chartered bank when he was director of a number of other private concerns. That is all. I am not attacking the probity of these men, but at the same time I do not think they are angels. I do not think they are exempt from the weakness of other human beings.

I come now to the directorate of this central bank. This directorate ought to be able on occasion, and especially at a time of crisis, to go directly counter to prevailing financial opinion. A board of directors selected from those who are interested in financial undertakings is not likely to do that. That is all I am trying to say and the Prime Minister need not try to divert me. I said with regard to the bank of Denmark, that in that legislation the directors of the new bank were not to be directors or managers of any private undertaking. I said to the Prime Minister—and I say it again—that I could not imagine his putting such legislation upon the statute books of Canada.

I believe that the issuance of currency and the control of credit should be a state function. I agree largely with the hon. member for Vancouver-Burrard (Mr. McGeer), although I do not know that I can follow him in all details. When he was speaking yesterday the hon. member for St. Lawrence-St. George (Mr. Cahan) asked him whether he thought he could create something of value out of nothing. That was another of those little remarks which are thrown in and which may so easily mislead the public. I should like to quote from an address made by the hon. member before the Canadian Club in Toronto on November 13, 1933, when he was Secretary of State. This is contained in a pamphlet entitled The Depression, Its Monetary Problems. I should like to answer the hon. member for St. Lawrence-St. George with his own words. He said:

> The prevalent conception that bank deposits may only be created by actual deposits of specie, or its equivalent in dominion notes or foreign exchange, is quite erroneous.

I think that is what the hon. member for Vancouver-Burrard was trying to say. The hon. member for St. Lawrence-St. George gave certain figures as of that date three years ago, and went on to say:

> The credit extended by the Canadian banks is secured in less than one-fourth part by the capital and surplus of the banks, but largely

by the good faith, property, administrative efficiency and business capacity of the customers to whom such loans are made.

Mr. DUNNING: That is right.

Mr. WOODSWORTH: The Minister of Finance says that that is right, and I believe that he is in sympathy with a good deal of it. The former Secretary of State continued:

The aggregate of these loans, by which the bulk of all deposits are created, largely represents advances of credit made by the banks to their customers.

That is the very thing which many of us seem to find it so difficult to get into our heads. Every loan creates a deposit. Again and again it has been said on the floor of this chamber that the banks are simply lending out savings deposits. The word "savings" is not always used, but the idea is that the loans are deposits—real money—placed at the disposal of the banks by their customers. The hon. gentleman continued:

In more modern times the invention and adoption of the cheque system has effected a radical revolution in monetary policy. The cheque has now largely usurped the function of metallic coins and government notes as currency.

After reviewing some monetary history, he went on to say:

The result is that, in modern practice, seventy to eighty per cent of the aggregate of all deposits, shown in the Canadian bank returns, represent in reality the amount of loans made by the banks and then outstanding.

In order that there might be no mistake about his meaning, he said later on:

The cheque system, which has been developed, enables the banks to create—

"Create" was the word he used.

—money without the issue of their printed notes.

Last night the hon. member suggested that only the creator could create something out of nothing, but in that case he used the very word "create." He continued:

But the cheque system, which now prevails, enables the banks, as I have stated, to create credit money at will for many hundreds of millions of dollars in excess of their note issues. $1,428,000,000 of such credit money was issued and outstanding on September 30 last. In comparison with this bank credit money, the amount of all other money in circulation is quite insignificant.

One more paragraph of the same kind:

The fact remains, however, that the banks now have an almost complete monopoly of the credit facilities of the country. They may restrict or extend credit at will within the limitations which I have mentioned; and the question has arisen whether the control of credit should continue to be exercised in the sole discretion of the directors and officials of the banks.

[Mr. Woodsworth.]

Without going into the theory of the matter, I think I will just leave that statement of the former Secretary of State to speak for itself. In brief, what is the situation that we have before us? In the Bank of Canada, it has been pretty clearly recognized, there is no need of capital, and yet this government is proceeding to extend the capital of the bank. Under the present arrangements a few shareholders—that is, few in comparison with all the citizens of Canada—are given certain guaranteed profits. I do not know why it is that a few people should have 4½ per cent while, if I want to put my savings into one of the chartered banks to-day, I can receive only 1½ per cent. A comparatively few favoured people who are in that happy position can have guaranteed profits. Further, the business interests are able, as I have said, to elect a slate of directors, and they will have a very considerable influence, I fancy, on the new board, though I agree to a considerable extent with the hon. member (Mr. McGeer) that the directors may not be as important as the executive committee. In any case, the business interests, it seems to me, will be dominant in the new set-up, and this strikes me as a surrender of the sovereignty of government in that field. The hon. member for Vancouver-Burrard was speaking of what had been accomplished in various countries by utilizing money to supply the needs of the people. I should like to read one or two paragraphs from an interesting article that appeared in the May-June number of International Affairs, which most hon. members know is the organ of the Royal Institute of International Affairs. The article is by the Right Hon. Lord Passfield, on Soviet Communism, Its Present Position and Prospects. Dealing with currency matters, he says, at page 403:

To the bolsheviks, currency, whether in the form of money or of bank credit, is merely an inanimate slave of the community, or shall we say a tool, like the immense park of hundreds of thousands of tractors, available for use here or there on the quarter of a million collective or state farms. The tool dictates nothing. It is merely an expedient for giving freedom of choice to all the several consumers and producers, as an alternative to supplying them all with definite rations, whether they like them or not. Hence currency is created, just as are postage stamps, to whatever extent is found to be required for the purpose of the people, quite without influence on the projected aggregate total of commodities and services, or of the amount of trade. As prices are, for the most part, fixed by the various organs of government, and fixed not on cost alone but on a whole range of considerations of public benefit, an increase or a decrease of currency has no effect on these prices. If the currency seems, at any moment, to be inconveniently deficient, more is provided by a stroke of the

pen. If there seems to be more in circulation than is comfortable, the issue of further paper roubles or bank credit is suspended, or, by means of propaganda for an internal loan, essentially a voluntary determent of the expenditure of wages or other incomes, a large block of currency is withdrawn from circulation. The monetary quantity of currency in circulation has absolutely no influence on the aggregate volume of employment or of consumption, or on the quantity or kind of production that is planned and undertaken. Moreover, by the simple expedient of prohibiting any import or export of Soviet currency, which accordingly never passes the frontier in either direction, and by making all foreign trade, including the import or export of gold and silver, a government monopoly, all the complications of international rates of exchange are avoided.

A little later on he says:

Low prices of manufactures abroad exert no influence on prices in the U.S.S.R., they are only an advantage to the soviet commissar for foreign trade, and not a disadvantage to the soviet producer, whose earnings remain unchanged whatever may be the commodities that it suits the soviet union to purchase abroad or to export in order to pay for its purchases. What future bolshevik students will say, when one day they turn over the hundreds of thousands of books and pamphlets about currency that cumber the British Museum, I simply cannot imagine.

I give that simply because of the remarkable development which has taken place in Russia. Soviet Russia after the war was a poverty stricken country. After the revolution they had practically no equipment for producing at least any of their heavier commodities. Everything had been disorganized by war and revolution. They obtained practically no outside credit, or very little. They were able to get a little, and for that they had to pay dearly by the export of commodities at a very low rate. But by some means or another—I do not profess to know how it was done—in the last ten years they have built up a wonderfully productive machine. I am not going to read any further from this article but I would commend it to the members of the committee. That Lord Passfield is a very careful investigator is well recognized by all students of economics. Well, what Russia did, they did with very little outside credit; and they are proceeding in an increasing degree to supply the material needs of their very large population.

Now, I ask, why it is that we cannot utilize our currency and credit in some such manner as they have done in Russia in supplying the needs of the people? Again and again through these years we have considered in this house the matter of currency and credit and we still hold to the old theory. I cannot say that I follow the theories of my friends to the left. I for one do not believe that we shall get out of the woods simply by printing more money. That is not what I am after; I do not think that is what is involved in monetary reform. But I say that our present system is piling up debt upon debt which we cannot pay. Our present system is failing to function in the interests of the masses of the people, and under those circumstances it seems to me that this parliament ought to listen to the plea which has been made by the hon. member for Vancouver-Burrard and not pass through these particular pieces of legislation without considering the more fundamental problems involved. With regard to the bill that is before us, I am not allowed to move an amendment; I do not see how I can under the ruling given the other day. I have either to reject the bill or to vote for it. I suppose the only thing I can do under these circumstances is to vote for it, but I am absolutely dissatisfied with what the government has done in bringing in a measure of this kind. I do not think it is going to secure for the people of Canada what might be secured by a properly constituted and controlled central bank.

Mr. TURGEON: The hon. member says that he will vote for this amending legislation because it is at least an improvement on the present act. Will he tell the committee in what respects he considers it an improvement on the present act?

Mr. WOODSWORTH: I suppose the government is getting a little more control; it is a little bit nearer a government bank. Of course, to be perfectly frank, so long as there are in the seats of government people who believe in the present financial system and take their policies, as in my judgment they do, from the financiers, I do not know that it makes very much difference whether we have a government bank or not.

Mr. TURGEON: But the improvement is in the degree of government control.

Mr. WOODSWORTH: Yes.

Miss MACPHAIL: I am going to make one of my two minute speeches. I dislike this particular method of increasing government control. To me the issuing of fifty-one per cent of new stock, and an increase in the board, an additional four members to be appointed by the government, or, according to the amendment, six, smacks of big, and possibly what we have come to call, slick business methods. I do not think it is anything like as straightforward as buying out the original shares would have been, and when I remember

the speed with which the Minister of National Defence (Mr. Mackenzie) rose in his place in committee to try to head off the then member for Macleod in his attempt to move in committee for a government owned bank, it is really funny. I remember the zeal of the Liberals in castigating the hon. member for Winnipeg North Centre (Mr. Woodsworth) and others who voted with him in supporting the central bank bill as brought down by the Conservative government then in power. Why, this country simply rang with the condemnation of the Cooperative Commonwealth Federation members for not voting for public ownership like the righteous Liberal party did. As a matter of fact, at that time, while I understood the motives of the hon. member for Winnipeg North Centre and those associated with him, I did not support the central bank bill, not because I did not think it better than what we had, but because it was not all we wanted to have and I felt that the only way I could protest against the bill as it was was to vote against it. But what I felt about that bill was exactly what my colleagues in the southeast corner felt at that time.

What I would like to ask the Minister of National Defence is: Where is now all his zeal for a publicly owned bank? I remember how hard he worked at that time, and it does seems strange that he should have so completely changed his mind.

I think it would have been better to buy out all the original shares but, to express myself exactly, we never needed to sell shares of the central bank. Did anyone ever hear of anybody drilling for a well with the hope of striking a spring and then pouring down into the well five million gallons of water that it might mix with the spring water before it was drawn up again, or did anyone ever hear of anybody opening up a coal mine and then taking down five million tons of coal to bring it back up again? The business of the central bank was to create currency and credit. and for the life of me I have never been able to see why we have to go to the trouble of getting money to start with. But then, of course, I am not supposed to understand finance; it is so evidently a very deep subject.

I do not wonder that the Liberal government feel a bit jittery on this question, since this bill falls so far short of the promises they so definitely made during the campaign; then, too, the private members behind the government are not feeling comfortable about the matter as is evident to anybody who has had experience in parliament or has ever seen one before. I think the Finance minister, and the Prime Minister as well, must know by now that their followers are not content with this bill, and for the very good reason that the bill is not what the party definitely promised. So I feel that I am standing for the principle by which I stood before when I say that I shall vote against this bill, not because it is not slightly better, but because I dislike the way in which it is being made better, and because I feel that it falls short of the promises which were made by the Liberal government during the campaign and that it is a betrayal of the confidence of the electorate.

Mr. McGEER: Mr. Chairman, if I might repeat the remarks which I had to make on Keynes' book I should like to quote a paragraph which should commend itself to every student of this problem. He continues his reference to academical schools of economy by saying:

> Our criticism of the accepted classical theory of economics has consisted not so much in finding logical flaws in its analysis as in pointing out that its tacit assumptions are seldom or never satisfied, with the result that it cannot solve the economic problems of the actual world.

That is exactly our problem to-day. In other words, while we are going ahead with an assumed increase in the government's control over the Bank of Canada, we are doing this by changing a board of directors that really does not exercise actual control over the administration of the bank's affairs. In other words, we are continuing the Bank of Canada as it was set up by the leader of the opposition and by the government that he led in the last House of Commons. There is no fundamental change in the Bank of Canada, or in the methods under which it is going to operate, or in the control that is actually exercised by the executive committee with which his legislation vested the absolute control of the bank.

Mr. BENNETT: The governor in council comes in at that point.

Mr. McGEER: I do not think the governor in council can dismiss the governor or the deputy governor—

Mr. BENNETT: No, no.

Mr. McGEER: The governor in council can appoint them, but under the act they are appointed to hold office for seven years

Mr. BENNETT: I am talking about the veto power.

Mr. McGEER: The only veto power that comes in is an extension of the veto power in the governor in council over the acts of the governor of the bank. If the governor of the bank refuses to agree in the decision of the executive committee—

Mr. DUNNING: Or the board.

Mr. McGEER: —or the board, then he must report that to the governor in council, but the only power the governor in council then has is to affirm or deny the action of the governor of the bank. The governor in council cannot, under any section of the act that I know of, say to the governor of the bank, you must do this, and make the governor of the bank carry it out. It is not within the power of the governor in council to say to the governor of the bank: Here is the policy of parliament to which we wish you to conform, and you must carry this out. But they can, under the present act, after calling parliament together and saying that the governor will not carry out the wishes of parliament, ask parliament to dismiss the governor and then they can put in a new governor who will carry out their policy. The board of directors of the bank have nothing more to say in the administration of the bank's affairs than the shareholders who own the stock of a company have in the administration of its affairs, and that is absolutely nothing. The board of directors is purely a group of men who sit in at the board and confirm very largely what the executive committee has done, because they are never in a position to do otherwise.

Now with reference to the suggestion as to what should be done, I think possibly we may find some instance in which Keynes may have changed his conclusions. I do not think however that he has ever changed any conclusions that he has held upon fundamental principles of monetary policy. He says:

> The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes.

He goes on to the question of creating an effective demand so that the available supply may be absorbed, and then he deals with the rate of interest and says that the rate of interest is bound to come down. He says:

> The justification for a moderately high rate of interest has been found hitherto in the necessity of providing a sufficient inducement to save. But we have shown that the extent of effective saving is necessarily determined by the scale of investment and that the scale of investment is promoted by a low rate of interest.
>
> There can be no doubt that this criterion will lead to a much lower rates of interest than has ruled hitherto; and, so far as one can guess at the schedules of the marginal efficiency of capital corresponding to increasing amounts of capital, the rate of interest is likely to fall steadily.

Mr. BENNETT: It will be observed that he uses the word "guess."

Mr. McGEER: No one can tell for certain what is going to happen in the future. He goes on to say:

> But whilst there may be intrinsic reasons for the scarcity of land, there are no intrinsic reasons for the scarcity of capital.

And certainly the actions of Russia, Japan, the Roosevelt administration and Great Britain, prove that that is true. He goes on to say:

> An intrinsic reason for such scarcity, in the sense of a genuine sacrifice which could only be called forth by the offer of a reward in the shape of interest, would not exist, in the long run—

—If, as he says in another section in the book, a central bank is created.

Mr. DUNNING: I think my hon. friend should quote that exactly.

Mr. McGEER: I shall be very glad to do so:

> There can be no doubt that this criterion will lead to a much lower rate of interest than has ruled hitherto and, so far as one can guess at the schedules of the marginal efficiency of capital corresponding to increasing amounts of capital, the rate of interest is likely to fall steadily, if it should be practicable to maintain conditions of more or less continuous full employment—

How does he say you are going to maintain conditions of more or less continuous full employment? He deals with that in a very trite, Keynes' way of argument:

> Unemployment develops, that is to say, because people want the moon; men cannot be employed when the object of desire (i.e. money) is something which cannot be produced and the demand for which cannot be readily choked off. There is no remedy but to persuade the public—

—that money can be created simply through a central bank.

I may be wrong; I may be presuming a great deal to offer a suggestion as to what this book really contains, because I think it is a book written not for men like myself or for the public but very largely for classical economists who have academic training. But he has pointed out certain things to the classical economists with academic training, whom we have long followed in their teachings. I think Ricardo and Pigou of recent times probably have had more influence upon the political economy of Great Britain than political leaders have exercised. We have accepted the teachings of Ricardo. In this book Keynes comes forward to change the academic and classical economist into one who forces himself to make his theories find the sanction of actual experience, to make his theories stand

up under the test of practical political experience. In other words Keynes has taken what we call unorthodox economy and put it into this book in a classical version.

Mr. BENNETT: He says that the book is largely written for economists.

Mr. McGEER: I think so. I have read it and studied it, and I am trying to give what I think is a layman's interpretation of its practical value and application. I do not know that one needs to stress the point that the Macmillan commission agreed upon unanimously, namely that the creation of currency and credit, the issue of currency and credit, the regulation of prices, the stabilization of production and all those factors that must be taken into consideration as well as money, must come under the control of men of unchallengeable independence. I agree that it is easy to say that our bank directors should be men of business experience; that is true. But they should be men of unchallengeable independence, having no other interest than the well-being of the community at large.

Mr. BENNETT: Would the hon. gentleman answer a question? How does he reconcile that with government control?

Mr. McGEER: The government control I should like to see established is something like the government control that we exercise over the supreme court. We would not think of allowing the members of our county courts, our provincial supreme courts or the Supreme Court of Canada to have any other interest during their active service than the well-being of the public and the nation.

Mr. BENNETT: But they frequently decide against the government.

Mr. McGEER: There is no question as to that, but it is only in the determination of issues in accordance with the laws which are established. It cannot be helped that the government and the supreme court may conflict, as has occurred recently in the United States, but there is no reason why the course followed by the government of Canada could not have been followed by the government of the United States, so that the questions would have been sent to the Supreme Court of the United States for determination before being acted upon by the government.

Mr. BENNETT: Their constitution forbids that.

Mr. McGEER: But they could change their constitution in that regard, and in the light of the experience of the past year possibly the necessity of working out some arrangement by which the supreme court and the government of the United States can work in harmony will be recognized and such an arrangement will be developed. In any event we have not that situation in the Dominion of Canada. I think it is extremely rare that there has been any suggestion that the interpretations of our laws were violations of the general spirit of democratic government as we have it in this house. I do not think we have ever had any criticisms as to that. I quite appreciate that the board of directors of the Bank of Canada have no easy task, but what I say is that there is no reason for believing that such a board of a publicly owned bank and the government cannot work together in circulating and in regulating the circulation of the medium of exchange which constitutes the economic blood stream of our whole social order. Just because these problems are difficult is no reason for not undertaking them, and when there is opportunity for us to take another step forward, if it is necessary to change stagnation in business into activity, unemployment into employment and to advance the standard of living and the spread of culture, it is well worth the risk.

I may be criticized for expressing my views so keenly, but in connection with this great subject I feel that every man in public life should be at least willing to study this question, to formulate some definite ideas and to bring them into the council chamber of the nation for discussion. It is not necessary that they be adopted; even if they only promote intelligent discussion and intelligent pursuit of information that will lead to some effective solution of the great problems which governments have before them, it will be worth while. This, I think, is the greatest political issue and the greatest economic problem before us for solution, and until we solve it we cannot find the way to that social and economic security which we are all anxious to see everyone enjoy. The right hon. Prime Minister has said:

> ... once a nation parts with the control of its currency and credit, it matters not who makes the nation's laws. Usury, once in control, will wreck any nation. Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of parliament and of democracy is idle and futile. Those are strong words; they constitute a strong argument, and they are words of which this house ought to take full acount before it is too late.

Again, during the same debate, the right hon. gentleman said:

> The hon. member for Vancouver Centre has referred already to what I said when speaking in this house on February 27, 1933, in outlining the position of the Liberal party on the central bank. I should like to read again the words

quoted by the hon. member for Vancouver Centre. Referring to the control of credit and stating the position of the party with respect to the control of credit, I said:

"The Liberal party believes that credit is a public matter, not of interest to bankers only but of direct concern to the average citizen. It stands for the immediate establishment of a properly constituted national central bank, to perform the functions of rediscount and the control of currency issue, considered in terms of public need. A central bank is necessary to determine the supply of currency in relation to the domestic, social and industrial requirements of the Canadian pepole; and also to deal with the problems of international commerce and exchange."

I desire to direct special attention to the words: "a properly constituted national central bank." Also:

To perform the functions of rediscount, and the control of currency issue, considered in terms of public need.

Note that the Prime Minister said, "in terms of public need," not private gain.

The acknowledgment of the Prime Minister that the sovereignty of parliament and democracy is dependent upon the recognition that the issue of currency and credit is the most conspicuous and sacred responsibility of government constitutes a clear repudiation of the views of orthodox finance and classical economy which have prevailed in British countries during the last one hundred years.

The statement of the leader of the Liberal party should be recognized as the outstanding economic pronouncement made during the depression. I have formed this conclusion because I think that in the brief statement which I have quoted he was able clearly to define the primary cause of the economic disturbance and to indicate in specific terms the basis upon which may be developed a practical and enduring remedy.

Now, the fact that I have spoken strongly upon this issue does not mean that I am a rebel, or that I am inconsistent with the ideals or the practical workings of the Liberal party. I have formed my own ideas on this great public issue. I advocated them before the banking and commerce committee and was given a delightful welcome by the Liberal members of that committee when I came from Vancouver to appear before it. When I accepted a Liberal nomination I did so reserving to myself the right to stand upon the floor of this house and advocate monetary reform as a non-partisan issue in which all should join and cooperate to find a solution of our financial and economic problems. I am not downhearted because the government in this first session have not gone as far as I would like to see them go. But I would have been false to my constituents if I had not stood up in my place here and done exactly what I promised to do if I was elected. I say this to the government: You have started on the problem of setting up for the Canadian people a properly constituted bank. This is only the first session. With what is going to happen in the United States in the next few years, with what has happened in Great Britain, in South Africa, in New Zealand and in Australia, this government can and, I am confident, will go forward, in its own perhaps cautious way, less active than I think it ought to be, but nevertheless it will fulfil the promise and the philosophy which is expressed in the quotation from the Prime Minister's statement I have read and upon which the Liberal party went to the electors. I hope we shall be able in the next election to go to the country with the same statement, not as a promise then but as a pledge fulfilled.

Mr. CAHAN: Mr. Chairman, I would prefer to ask the indulgence of the committee, that I might move the adjournment of this debate, rather than enter upon the discussion of such an important matter with only fifteen minutes available.

Mr. DUNNING: Could we carry this section and my hon. friend speak on a later section? I do not think my hon. friend could possibly be more out of order than the discussion has been at times this evening. If he made his speech on the section relating to the governor's veto or anything else I think there would be no objection in view of the latitude that has been permitted. I should like to have this amended section carried if I could, and I shall leave any opportunity to my hon. friend that he desires.

Mr. BENNETT: There was a point made by the hon. member for Vancouver-Burrard (Mr. McGeer) with respect to the executive committee that I think the minister should not overlook. There is no doubt that the policy of the bank is determined by the activities of the executive committee. Not the day to day operation, but the carrying into effect of the policy of the bank is more or less entirely under the direction of the executive committee which consists of the permanent officials plus one director. If the government believe, as I think they should not, that they can accomplish more with this bank under government control than otherwise—and I use the words "government control" in the sense in which I propose to make some observations later about it from our experience—then it is clear that that one director should be of a class "B" designation. That is perfectly obvious. If he happened to be a class "A" director, representing private interests—I use the term in a broad sense—as distinguished from the "B" class representing the public or government interest, it is perfectly obvious

that if the plan which the government has outlined is to be carried out, that director should be a representative of that class, although the government have anticipated that point to some extent by providing that if the governor vetoes action that may be taken by the executive committee he reports the matter to the governor in council. But he may not veto the action; he may approve it, and that creates an entirely different situation. I mention this; it is not a matter of importance to me, but it is a suggestion which occurs to me and which is accentuated by what was said by the hon. member for Vancouver-Burrard in dealing with the question of the executive committee and its relation to the bank. In reality, as far as the bank is concerned, at the moment or in the future, its operations are determined by three men, namely the governor, the deputy governor and a director, who constitute the executive committee. The governor is the chairman of the board; it is quite clear that under this statute he becomes the permanent chairman of the board, and the reason given is that very reason. When that is done you have a situation that, I think, is not quite consistent with the declared purpose of the government. If it is intended to carry into effect the logical result of the policy indicated, this director should be designated as being a class "B" director.

Mr. DUNNING: Well, I do not quite agree with the definition of the function of the executive committee as stated by the leader of the opposition (Mr. Bennett) and some others. I might point out, with regard to the suggestion he now makes, that the modus operandi is covered by the amending bill now under discussion for the reason that the third member of the executive committee is elected by the board. Being elected by the board he would in the nature of things be a representative of and satisfactory to the majority of that board, who will be government appointees.

Mr. BENNETT: That does not follow.

Mr. DUNNING: But I should point out that under the executive committee arrangement at present existing the Deputy Minister of Finance is also present, although without a vote, thus ensuring that the Minister of Finance is made familiar with any vital matters which may be under consideration by the executive committee. My difference of view from that of the leader of the opposition rather rests upon this point. I do not take it that the power given the executive committee, of conducting the bank's business between the meetings of the board of directors involves that between the meetings of the board the executive committee can go contrary to the declared policy of the board. Such a position is unthinkable. If it arose it would speedily bring about a conflict between the different sections of the board, and the line of division would not necessarily follow the line of appointment. A difference of view might quite honestly arise between one government appointed director and another, because I am not supposing for a moment that the government can or should get men on this board merely as rubber stamps for the Minister of Finance. Indeed, the Minister of Finance or the government cannot possibly at all times give detailed consideration to the managing of those great functions which are demanded of those who would be intimately concerned with the bank as directors. If it were possible there would be no need at all for the board. Why not say that the governor in council shall do this, that and the other thing? What is the reason for the delegation of governmental functions? Why, one of the great difficulties with which governments are faced to-day is the multiplicity of matters with which governments as such must deal.

Mr. McGEER: How many times did the board—

Mr. DUNNING: I should like to complete this point. I was referring to the growing multiplicity of matters with which the governor in council must deal as taxing the physical and nervous capacity of every man who serves in government.

Mr. BENNETT: For five years I heard that as a joke.

Mr. DUNNING: Some might regard it as a joke.

Mr. BENNETT: For five years the hon. member's party did.

Mr. DUNNING: No man who has endeavoured to carry out those responsibilities in recent times can possibly regard them as a joke.

Mr. BENNETT: That is what the hon. member's party did for five years.

Mr. DUNNING: I do not believe the Liberal party did anything of the sort.

Mr. BENNETT: Well, it did, and worse than that.

Mr. MACKENZIE KING: May I ask the leader of the opposition whether, when he was holding the office I now hold, I did not

extend towards him every sort of consideration any opponent could possibly give to another?

Mr. BENNETT: I answer unhesitatingly, and I carry public opinion with me, when I say, No! No!! No!!!

Mr. LAPOINTE (Quebec East): My gosh!

Mr. BENNETT: It was the talk of the country, from one end to the other. You gave all the embarrassment possible, and personal attacks on top of that.

Mr. DUNNING: Unfortunately I was not here. I am trying to discuss what to me is a question of fact.

Mr. MACKENZIE KING: Hansard will show the facts.

Mr. DUNNING: Yes; Hansard will show them.

Mr. MACKENZIE KING: And the public has a memory.

Mr. BENNETT: "Dictator" and every other name under heaven was used.

Mr. MACKENZIE KING: My right hon. friend thanked me in this house repeatedly.

Mr. BENNETT: Look at the records and you will find that it was very seldom any thanks were given, and those occasions were so seldom that they called forth thanks because they were in such contrast with the usual conduct.

Mr. DUNNING: I wish to thank the hon. member for Vancouver-Burrard for having graciously allowed me to continue my remarks.

Mr. BENNETT: It is something to laugh at.

Mr. MACKENZIE KING: My right hon. friend even expressed his thanks over the radio.

Mr. BENNETT: His thanks over the radio had nothing to do with that. All you have to do is to look at the record in Hansard. Look at the attacks, the type of them, the frequency of them, and the personal attacks on top of them.

Mr. McGEER: We are surely discussing the bill.

Mr. BENNETT: And now the minister talks about the governor in council, and the strain upon the members of the government, when it has been in office for only a few months, as against those who for five years endeavoured to conduct the business of this country.

Mr. DUNNING: I made no reference to this government.

Mr. BENNETT: It was to this government.

Mr. DUNNING: I spoke about the governor in council.

Mr. BENNETT: The minister is talking about his own experience.

Mr. DUNNING: May I be allowed to speak? I might as well embark a little myself. The right hon. gentleman attracts the lightning to himself by the manner in which he is now treating me. I made no reference to him at all. The reference I made was to the functions of government as at present constituted, and the ever-increasing weight of responsibility which rests upon the governor general in council—meaning the government of the day—and a responsibility which I do not hesitate for a moment to say is fully up to the physical and nervous capacity of any man occupying a position in any government, under these conditions. The constant multiplication of functions is due to a change which has come about in the conception of governmental functions. They have been constantly widening for the last twenty years, and indeed I am one who thinks one of the problems we shall have to face in the not distant future is the problem of adjustment, and an adjustment which will in some manner be consistent with our system of responsible government. It will have to be an adjustment of the load in a way which will ensure that members of governments will at least have time to think about the things they are supposed to deal with. I am thinking of any government under present conditions.

Here we undertake as a state responsibility a larger measure of concern with and control over the vital functions of currency and credit. Is it possible to put that function directly into the hands of members of the government, and expect them to discharge it, along with their other functions? Any thinking man must recognize that men must be set apart to execute these functions for the state. That is what we are trying to do in the present bill. We are trying to ensure that those men shall be men who have the confidence of the government of the day. We do not mean that they will be rubber stamps to express in every thought and action the views of the government. In the nature of things if they are the kind of men who must run to the Minister of Finance or the Prime Minister to ask what shall be done in connection with every day to day function of banking, the government might just as well try to discharge the function through its own corporate entity. We must have men in whom the government has confidence, from the point of view of knowledge held by the government respecting the general views of the individual with respect to policy. There must be knowledge on the part of the govern-

ment that the individual holds views with respect to the matter he is to administer which are in harmony with the views of the government, and that his conduct will at all times be assured on major matters. That is the attitude I take of the executive functions. But I also hold the opinion, in contradiction of those expressed in other quarters, that the executive committee of the bank cannot continue to carry out between sessions of the board of governors or board of directors policies contrary to the expressed views of that board of directors. If that were attempted, I believe an utterly impossible situation would be created.

The CHAIRMAN: Shall the section carry?

Mr. McGEER: May I ask one question?

Mr. BENNETT: It is eleven o'clock.

Mr. McGEER: In the Canadian Macmillan report one of the primary functions of the central bank is that the government—

Mr. BENNETT: It is eleven o'clock.

The CHAIRMAN: Yes; it is eleven o'clock.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Wednesday, June 10, 1936

The house met at three o'clock.

BANKING AND COMMERCE

Second report of the standing committe on banking and commerce—Mr. Moore.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

OMER NOLET

Mr. WERMENLINGER:

1. Was one Omer Nolet, of Beauport, Quebec county, employed by the Marine department at Quebec?
2. If so, on what date did he enter the service of the department?
3. On what date was he dismissed?
4. Upon whose request?
5. For what reasons?

Mr. HOWE:

1. Yes.
2. May 1, 1934, as a temporary employee.
3. May 4, 1936.
4. Wilfrid Lacroix, M.P.
5. Political partisanship.

GRAND FALLS, N.B., MAIL CONTRACT

Mr. BROOKS:

1. Has a contract been let for the carrying of mail between the Grand Falls post office and the Canadian Pacific railway station at Grand Falls, New Brunswick?
2. If so, who was the successful tenderer?
3. What other tenders were received, and what was the amount of each tender?
4. Were arrangements made with Frank R. St. Amand to perform this service until such time as the contract was let?
5. If so, when was this temporary arrangement cancelled, and why?

Mr. ELLIOTT (Middlesex):

1. Yes.
2. Johnny Bérubé.
3. Frank R. St. Amand, Grand Falls, $275; Johnny Bérubé, Grand Falls, $330; Arthur E. McCluskey, Grand Falls, $360; Alfred D. Lévesque, Grand Falls, $450. Notice was sent the district director of postal services, Saint John, that Frank R. St. Amand was the lowest tenderer. A report from the district director was received in the department stating that Mr. Frank R. St. Amand was not considered qualified to undertake the conveyance of his majesty's mail, and the contract was awarded to Johnny Bérubé, next lowest tenderer.
4. Mr. Frank R. St. Amand was allowed to continue at the old rate until a temporary arrangement was made with Mr. Johnny Bérubé to continue the service until such time as the contract could be executed.
5. On March 26, 1936, department received an offer from Mr. Johnny Bérubé to perform service temporarily at $330 per annum instead of $450 per annum as previously authorized with Mr. F. R. St. Amand.

ELK ISLAND PARK

Mr. HAYHURST:

1. How many head of the following animals were in the Elk Island park as at April 30, 1935, and as at April 30, 1936 (a) moose; (b) deer; (c) elk; (d) buffalo?
2. What number of each class of these animals was slaughtered in the years (a) 1934-1935; (b) 1935-36?
3. What quantity of various kinds of feed was used during (a) 1934-1935; (b) 1935-1936?

Mr. CRERAR:

It is impossible to obtain an accurate count of wild animals in a forested area. All figures are therefore necessarily estimated. The 1936 figures are probably more accurate than are those for 1935 as a round-up took place in the fall of 1935—

1. As at April 30, 1935—
   (a) Moose, 360.
   (b) Deer, 231.
   (c) Elk, 489.
   (d) Buffalo, 1,999.
   As at April 30, 1936—
   (a) Moose, 740.
   (b) Deer, 246.
   (c) Elk, 1,978.
   (b) Buffalo, 1,905.

2. (a) 1934-35, none.
(b) 1935-36, 512 buffalo.

3. (a) 1934-35, 316 tons hay.
(b) 1935-36, 529 tons feed, mostly hay, but includes small quantity of straw.

DOMINION HOUSING ACT

Mr. MacNEIL:

1. How many loans have been approved to date under the Dominion Housing Act of 1935 in the province of British Columbia?

2. What is the total amount of such loans approved in the province of British Columbia?

3. How many loans have been approved in (a) urban centres; (b) suburban areas?

Mr. DUNNING:

1. One.

2. $2,700.

3. (a) One.
(b) None.

CANADIAN PACIFIC RAILWAY—LOANS AND GUARANTEES

Mr. POULIOT:

1. Did order in council P.C. 2490 of November 29, 1933, provide for any date of maturity for the repayment of the whole or any part of the $60,000,000 Canadian Pacific Railway loan which was guaranteed by the dominion government?

2. If so, what payment was to be made at each date of maturity?

3. Was another arrangement in that connection made on June 20, 1934?

4. If so, what was it?

5. What payments were made by the Canadian Pacific Railway to the banks (a) on the capital, and (b) on the interest; (1) in 1934, and (2) in 1935?

6. Did the president of the Canadian Pacific Railway Company advise the Minister of Finance this year that arrangements had been made to pay off the balance of $36,000,000 on May 1, 1936?

7. If so, on what date?

8. Was the Minister of Finance advised by the chartered banks that the principal amount of the loan together with interest thereon, had been paid on May 1st?

Mr. DUNNING:

1. Yes.

2. $35,000,000 due June 22, 1938, and $25,000,000 due December 1, 1938.

3. Payment was made prior to the maturity dates referred to.

4. Answered by 3.

5. (a) 1934—$12,000,000.
1935—none.
(b) No record.

6. Yes.

7. April 27, 1936.

8. Yes.

QUESTIONS PASSED AS ORDERS FOR RETURNS

CANADIAN PACIFIC RAILWAY—LOANS AND GUARANTEES

Mr. POULIOT:

1. On what date did the general manager of the Bank of Montreal notify the Prime Minister's office that the banks had advanced $35,000,000 to the Canadian Pacific Railway Company on the guarantee of the letter signed by the Right Hon. R. B. Bennett, then Prime Minister, and dated May 31, 1933?

2. On what date was an order in council passed to ratify said guarantee given by the said Right Hon. R. B. Bennett?

3. When and where was it made public for the first time?

Mr. POULIOT:

Did the statement made by the Secretary of State on June 3, 1936 (Hansard, p. 3349), that sessional paper No. 150-E, "a copy of all correspondence exchanged between the Canadian government and any of the Canadian banks regarding the guarantee given for the loan of $60,000,000 for the Canadian Pacific Railway," was tabled on March 19, 1934, by the Right Hon. R. B. Bennett, then Prime Minister, and not by the then Secretary of State, indicate prima facie that no other department than the Prime Minister's had exchanged correspondence in that connection with any of the Canadian banks?

Mr. RINFRET: Return tabled herewith.

Mr. POULIOT:

1. Referring to sessional paper No. 150-E of 1934, are the original letters, sent to the Prime Minister or the Acting Prime Minister by the following gentlemen: (1) Mr. W. A. Bog, general manager of the Bank of Montreal, June 7, 1933; August 17, 1933; September 25, 1933; (2) Mr. Jackson Dodds, general manager of the Bank of Montreal, September 2, 1933; November 28, 1933; December 5, 1933; (3) Sir Charles B. Gordon, president of the Bank of Montreal, December 1, 1933, on file in the Prime Minister's office and have they always been on file in that office since they have been received by that office?

2. Were those letters of an official and public nature?

Mr. RINFRET: Return tabled herewith.

Mr. POULIOT:

1. Referring to sessional paper No. 150-D of March 19, 1934, "copy of all correspondence between government of Canada and Canadian Pacific Railway in regard to guarantee given by the government for a loan of $60,000,000 to Canadian Pacific Railway," which contained (a) one letter from the then Prime Minister to W. H. Curle, Esq., K.C., general counsel of the Canadian Pacific Railway, dated November 3, 1933, and (b) a "list of payments made in discharge of maturing obligations since May 31, 1933, as mentioned in letter of November 28, 1933, from Jackson Dodds, Esq., general manager of the Bank of Montreal, to the Right Hon. R. B. Bennett, P.C., K.C., Prime Minister of Canada," from May 31, 1933, to October 23, 1935, was there any other corre-

spondence exchanged between the Canadian Pacific Railway Company with regard to the said guarantee?

2. If so, from whom, to whom and on what dates

3. Was that correspondence of public or confidential nature?

4. Why were the letter and list above mentioned in paragraph 1 also tabled on the same day, March 19, 1934, in another return, sessional paper No. 150-E of 1934, " a copy of all correspondence exchanged between Canadian government and any of the Canadian banks regarding the guarantee given for the $60,000,000 loan to the Canadian Pacific Railway?"

5. Was the above mentioned list sent by Mr. Dodds to the Right Hon. R. B. Bennett apparently on November 28, 1933, to the same effect as the document asknowledged by the Right Hon. R. B. Bennett to Mr. Curle on November 3, 1933, and did it replace it in sessional paper No. 150-D of 1934?

6. Was the said return 150-D of 1934 tabled by the then Prime Minister or the then Secretary of State?

Mr. RINFRET: Return tabled herewith.

Mr. POULIOT:

1. Was the letter dated August 31, 1933, and addressed to W. A. Bog, Esq., general manager of the Bank of Montreal, about a "proposed order in council regarding a loan to the Canadian Pacific Railway Company," —a copy of which has been tabled in sessional paper No. 150-E of 1934—signed by the Right Hon. Sir George H. Perley in his capacity as Acting Prime Minister?

2. If so, was that letter a public and official document?

3. If so, was the "draft of the proposed order in council regarding a loan to the Canadian Pacific Railway Company" therein mentioned and attached to it, also a public and official document?

4. If so, were there original copies (a) of said letter; (b) of said draft of the proposed order in council always kept on file in the Prime Minister's office?

5. If not, why?

Mr. RINFRET: Return tabled herewith.

Mr. POULIOT:

According to the record, was the "draft of the proposed order in council regarding a loan to the Canadian Pacific Railway Company and forwarded by the Acting Prime Minister to the general manager of the Bank of Montreal on August 31, 1933," submitted to the privy council before being sent outside of Ottawa on that date?

Mr. POULIOT:

In the minutes and records of the privy council, did the signatures of the Honourable E. N. Rhodes, then Minister of Finance, and of the Honourable W. A. Gordon, then Minister of Labour, appear for the first time in matters pertaining to the dominion guarantee of the $60,000,000 Canadian Pacific Railway loan, in memorandum of November 28, 1933, to His Excellency the Governor General in Council, for P.C. 2490?

[Mr Pouliot.]

PRIVY COUNCIL SITTING

Mr. POULIOT:

Was there a sitting of the privy council, (a) on May 31, 1933; (b) on August 31, 1933; (c) on June 20, 1934?

CANADIAN PACIFIC RAILWAY DEBENTURE STOCK

Mr. POULIOT:

1. On June 20, 1934, was the Right Hon. R. B. Bennett, then Prime Minister, also acting Minister of Finance and acting Minister of Labour?

2. If not, who were the minister or the ministers for those departments on that date?

3. On the same date, did the said Right Hon. R. B. Bennett submit a memorandum to His Excellency the Governor General in Council to recommend that consent be given on behalf of the dominion government to the surrender to the Canadian Pacific Railway by the banks of one-fifth in the amount of the perpetual consolidated debenture stock of the railway company so held as security by such bank?

4. If so, by whom was it signed and on behalf of whom?

5. In the latter case, did the person who signed it have any authority to sign it on behalf of others?

6. If so, what was such authority?

7. Are ministers of the crown allowed to give powers of attorney to any one of their colleagues to act on their behalf in their official capacity as ministers of the crown?

8. If so, what is the form of such powers of attorney and before whom are they passed?

9. Were there any powers of attorney attached to said memorandum?

10. If so, from whom, to whom, and before whom were they passed?

11. Are there any initials on the first page of the said memorandum?

12. If so, what are they and what do they mean?

13. Does it appear on the face of the said memorandum that it has been approved?

14. If so, by whom?

15. Was there in the form of agreement between the crown and the banks contained in P.C. 2490 of November 28, 1933, any provision to the same effect as the recommendation to council above mentioned in paragraph 3?

16. Did the House of Commons sit on June 20, 1934?

17. On what exact date did the then Prime Minister notify the railway company and the banks that such recommendation had been thus approved?

18. When was an order in council passed to ratify such recommendation?

19. When and where was first public notice given of such order in council?

ACTING PRIME MINISTER, AUGUST 31, 1933

Mr. POULIOT:

1. On August 31, 1933, was the then Acting Prime Minister (the Right Hon. Sir George H. Perley), also acting Minister of Finance and Railways and Canals?

2. If not, who were the minister or ministers for those departments on that date?

MOTIONS FOR PAPERS

C. R. PURVEY

Mr. MacNEIL:

For a copy of all correspondence, requests for investigation and evidence given, and also of any departmental reports relating to the dismissal of Mr. C. R. Purvey of the staff of the fisheries department in district No. 3.

CANADIAN PACIFIC RAILWAY—LOANS AND GUARANTEES

Mr. POULIOT:

For a copy (a) of the document furnished by W. H. Curle, Esq., K.C., general counsel of Canadian Pacific Railway Company (law department) to the then Prime Minister, and which was acknowledged by the latter on November 3, 1933, according to sessional paper No. 150-D of 1934, and (b) of the letter or memorandum from the said Mr. Curle to the said then Prime Minister and to which was attached said document.

Mr. MACKENZIE KING: Mr. Speaker, I am not at all sure whether any of the documents mentioned are to be found in any of the departments of the government; if they are, there is no objection to having them brought down.

Mr. POULIOT: Thank you.

Mr. POULIOT:

For a copy of all correspondence exchanged between the then Prime Minister or the then Acting Prime Minister, on one hand, and any bank, banker, railway company or railway officer or official, from December 5, 1933, to October 23, 1935, inclusive, with regard to the dominion guarantee of the Canadian Pacific Railway loan.

Mr. MACKENZIE KING: Mr. Speaker, I make the same remark with reference to this order as I made on the previous one.

Mr. POULIOT: Thank you.

LOAN OF $750,000,000

Hon. CHARLES A. DUNNING (Minister of Finance) moved that the house go into committee at the next sitting to consider the following resolution:

That the governor in council be authorized to raise by way of loan under the provisions of the Consolidated Revenue and Audit Act, 1931, an amount not to exceed in the whole the sum of seven hundred and fifty million dollars for paying or redeeming the whole or any portion of loans or obligations of Canada and also for purchasing and withdrawing from circulation unmatured securities of Canada and for public works and general purposes.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the favourable consideration of the house.

Motion agreed to.

UNEMPLOYMENT

AMENDMENT OF UNEMPLOYMENT RELIEF AND ASSISTANCE ACT, 1936, TO ASSIST PROVINCES IN RESPECT OF RELIEF EXPENDITURES

Hon. NORMAN McL. ROGERS (Minister of Labour) moved that the house go into committee at the next sitting to consider the following resolution:

That it is expedient to bring in a measure to amend section four of the Unemployment Relief and Assistance Act, 1936, being chapter fifteen of the statutes of 1936, to empower the governor in council to grant financial assistance to any province by way of loan, advance or guarantee to an amount not exceeding the amount payable by the province for its share of the cost of unemployment relief and undertakings during February and March, 1936, and under any agreement between the dominion and the province entered into under the authority of the said act.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the favourable consideration of the house.

Motion agreed to.

RECONSTRUCTION

INQUIRY AS TO LEGISLATION RESPECTING SLUM CLEARANCE AND HOUSING

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I draw the attention of the government to to-day's Mail and Empire, in which it is reported that St. James' Cathedral has presented fifteen acres of land to the city of Toronto for the purposes of a slum clearance housing plan. I ask the government whether any legislation is to be brought down this session for slum clearance and reconstruction under which this offer may be dealt with.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I have already indicated to the house the extent of the legislation which it is proposed to bring down at this session, and it does not include legislation of the kind mentioned by my hon. friend. The subject is one which by legislation of this session has already been referred for consideration to the national employment commission.

CANADIAN NATIONAL RAILWAYS

EMPLOYMENT OF MEN FOR MAINTENANCE OF WAY WORK AT BELLEVILLE

On the orders of the day:

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I should like

to direct the attention of the Minister of Railways and Canals (Mr. Howe) to a matter which I consider to be of some importance. From a source which I have always found reliable I have been advised that the Canadian National Railways are taking on additional men for maintenance of way work at Belleville, and that every person employed has had to produce a certificate of good standing in the local Liberal association. I ask the minister to look into the matter for the purpose of satisfying himself whether that is or is not true. I think it is highly desirable that he should satisfy himself concerning it one way or the other, as reports to this effect have been circulated.

Hon. C. D. HOWE (Minister of Railways and Canals): Mr. Speaker, this is a most extraordinary charge. I have kept a very close eye on these matters and I have never heard of a case of that kind. I may say further that if I find that the statement of the right hon. gentleman is correct, steps will be taken.

Mr. BENNETT: Thank you.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

The house resumed from Tuesday, June 9, consideration in committee of Bill No. 82, to amend the Bank of Canada Act—Mr. Dunning—Mr. Sanderson in the chair.

On section 6—Directors.

Mr. CAHAN: I am sure the house has enjoyed the several addresses given by the hon. member for Vancouver-Burrard (Mr. McGeer). They indicate that for some time he has made a study, more or less careful, of the pronouncements of leading economic authorities; he must have given a great deal of time to a collection of the statutes dealing with coinage and other matters relating to monetary policy, and he has coloured his addresses with an eloquence and profusion of language, in some cases extravagant language, but such as those members who were present have thoroughly enjoyed. The results, however, clearly show that during the course of his addresses he has succeeded to a certain degree in convincing himself that his original addresses were based upon entirely erroneous deductions. I suggest that the magnitude of his researches has not left him time for due reflection, and that, as the months go by, after the activities which he must undertake in connection with the centenary celebrations at Vancouver are over, if he will retire to some quiet place where he can again reflect upon the data which he has collected, we shall have next session expressions from him which will be in accord with the sane and sound standards of economic policy. For instance, the hon. gentleman suggested in an address on June 8 that the government of Canada by appropriate legislative enactment had created some millions of dollars of currency by imposing its stamp upon certain bronze and silver coins. The hon. gentleman suggested that if he had a million dollars in bronze coins marked as cents he would be able to change it into current coin of the realm and use it for certain purposes. He stated:

> Mr. McGeer: A five cent nickel coin containing seventy grains of nickel has a bullion value of about three mills, but by law it is, given a money value of fifty mills. A one cent bronze coin has a bullion value of less than one mill, but parliament, by law, gives it a money value of ten mills. There is nothing behind or supporting the money value that the coin possesses, and it is not convertible into anything. Once a government issues it, it goes into circulation as the media of exchange of the nation and functions to serve all the purposes of money and all the purposes of legal tender money, up to the point it is made legal tender money.
>
> Mr. Cahan: But for petty cash only.
>
> Mr. McGeer: It does not make any difference whether or not it is petty cash; if you had a million dollars worth of copper cents you would have a million dollars.
>
> Mr. Cahan: That is just where you are wrong; you would not.
>
> Mr. McGeer: I would be very glad to take them from my hon. friend if he would give them to me. I would very soon convert the million dollars worth of copper coins in my possession into a million dollars worth of bank money.

Upon reflection, however, and perhaps upon further examination of the statute, the hon. gentleman found that copper coin in cents was legal tender to the extent of only twenty-five cents in any single transaction. I have made a computation, and I find that if the hon. gentleman were possessed of a million dollars in bronze cents, and by active endeavour on his part in the course of a day he secured a hundred different persons who were willing to accept twenty-five cents in copper coins, the disposition of his million dollars as legal tender would require forty thousand days or something like one hundred years. So, after reflection, in his second address the hon. gentleman no longer emphasized that particular contention.

Mr. McGEER: Would the hon. gentleman permit a question?

Mr. CAHAN: I am not going to allow interruptions for the present, if you please. The hon. gentleman will have another forty minutes shortly.

Mr. McGEER: I was very glad to extend that privilege to the hon. gentleman when I was speaking.

Mr. CAHAN: I would have no particular objection to interruptions by the hon. gentleman, but this is a more serious matter than he seems to contemplate. Again, in the course of the discussion the hon. gentleman suggested that the bank note issue, the dominion note issue or the Bank of Canada note issue, could be reasonably well extended to the amount of $724,000,000, and that this amount of legal tender could be used for important public services. I asked him how he would use it:

Mr. Cahan: Supposing the hon. member were Prime Minister; supposing he had complete control of the currency and were czar and dictator of Canada, what would he do with the money?
Mr. McGeer: I would put the people to work.
Mr. Cahan: With what?
Mr. McGeer: With that money.
Mr. Cahan: You would pay out that money in wages?

At that time I understood, though perhaps I was wrong, that this was the contention of the hon. gentleman, but when he resumed his address on the following day he suggested that he was not really advocating an increase in the dominion note issue or in the Bank of Canada note issue for the purpose of paying out that income in wages. He said:

During the course of my remarks yesterday the hon. member for St. Lawrence-St. George (Mr. Cahan) asked this question: What would you do with the $724,000,000 that the Bank of Canada now has the power under the act to issue; would you issue that money as a means of putting people to work?

Then in answer, made after due reflection during the intervening twenty-four hours, he said:

In answer to that, I should like to say that if proper control were established in the Bank of Canada it should be such control that the government, the Bank of Canada, the chartered banks and the financial institutions could get together to create the means of financing those sound public works, national, provincial and municipal, which would be the means of eliminating unemployment and putting people to work at work that is needed to be done. Of course, you would not use the legal tender currency of the Bank of Canada; you would be able to make arrangements with the chartered banks and the financial institutions by which short term treasury bills at minimum cost would be issued to carry on this work.

I ask the hon. gentleman to consider the budget statement of the Minister of Finance (Mr. Dunning). At page 20 of the pamphlet which has been issued containing that speech he will find that that is the policy which previous governments and this government have followed to a certain extent. He will find that as of the date when that speech was made there were outstanding $125,000,000 in treasury bills at interest of from ·999 per cent to 1·15 per cent, which $125,000,000 had been or was being used in connection with the public services of Canada.

During the election campaign, whether or not the hon. gentleman was correctly reported, he made speeches which led me at least, from the newspaper reports, to assume that he was advocating a further issue of dominion notes or of Bank of Canada notes, and that the extra issues should be used for the public services of Canada. From that I assumed, perhaps improperly, that he was advocating simply a measure of inflation. I find now, however, that all that has been repudiated by the hon. gentleman in the statement I have just read and that in a few hours he has converted himself to a comparatively sane and sound position with regard to monetary policy.

Mr. McGEER: Without desiring to interrupt, Mr. Chairman, I might say that the statements I made in this house were the statements I made on the platform, and I give my hon. friend my assurance that there has been no change in my position.

Mr. CAHAN: Well I must accept that statement. But I suggest that any hon. member who quietly reads the first address which the hon. gentleman made in committee on the resolution introducing this bill, and the later addresses which he made, will see that the hon. gentleman, perhaps subconsciously, unknown to himself, has converted himself by his own eloquent addresses to a saner point of view.

The hon. member for Winnipeg North Centre (Mr. Woodsworth) also referred last evening to an address which I made before the Canadian Club in Toronto on November 13, 1933, and which, I believe, was republished by that club. That address was delivered prior to the issue of the report of the Royal Commission on Banking and Currency in Canada. I was endeavouring in that address to state to a public gathering of the Canadian club what were the issues which were then being considered by the royal commission, and the possibilities of definite decisions thereon in one way or the other. As a matter of fact I regarded that address as of so slight importance that I did not retain a printed copy of it, but this morning I ascertained that a copy could be procured from the library of parliament, and that copy I have procured and now have in my hand. I do not wish to retract anything which I said on that occasion.

It was a sincere expression of opinion, and I do not think anything has occurred to cause me to reform the opinions which I then expressed. But I say this—and I say it not only to the leader of the Cooperative Commonwealth Federation (Mr. Woodsworth) but to the leader of the Social Credit party (Mr. Blackmore)—that they will never get very far by merely making scrap-books of petty extracts from speeches delivered either by members of this house or by others who are delivering lectures or addresses, or from books on economic policy. If they would reflect upon the data which they accumulate, and form their own opinions therefrom, I am sure their expressions of opinion would be more influential not only in this house but upon the whole body politic.

Credit is the warp and woof of the commercial and industrial life of Canada. But credit is not limited to banking credit. I remember in the country village in which I was born and brought up the grocer at the crossroads gave credit to those who went to his store to purchase supplies. Sometimes that credit was extended beyond a month or even two months. In the towns to which I had access the country merchants, whether wholesale or retail, gave credit to those in whom they had confidence, having regard not only to their financial resources but to their general reliability. Credit was extended by the country store. Credit was again extended from the stores in the country town. Credit was extended by the manufacturer. Credit was extended by the wholesale dealer. If hon. gentlemen wish to pursue the inquiry; if they will take the annual financial statements of the large number of manufacturing establishments, wholesale merchants and others who are doing business throughout Canada, and look at the amount of their accounts and bills receivable, they will ascertain that entirely outside of banking credit there are tens of millions of dollars of credit outstanding. And this credit is of great advantage not only to the general public, the purchaser, the consumer, but also to those middlemen who stand between the manufacturer and the wholesale dealer and the consuming public. That credit rests upon personal confidence, and I suggest that that credit should not be restricted or restrained by governmental action.

There is also bank credit. Now I am not a banker; I know little about banking except having been at times legal adviser to banks. But a bank has, as the foundation for its credit, its capital, its reserves and its deposits.

Mr. HEAPS: And at times the government.

Mr. CAHAN: Well, I am not dealing which that phase; I am dealing with banks.

[Mr. Cahan.]

Mr. HEAPS: But it is a very important phase.

Mr. CAHAN: In times gone by I have gone day by day to consult with the executive officers of a great banking institution. They looked with great care upon the amount of loans or advances of credit made from day to day. As against the loans or advances they kept a careful eye, first, on their time deposits, because those could be withdrawn only on notice, and, second, a more careful view of their demand deposits, because they realized that if in making loans or advances they exceeded the limit and consequently in any single hour of the day they were not in a position to liquidate the cheques drawn upon accounts at their bank, that meant the closing of the bank, and that meant utter failure and disaster. So a close examination had to be made from day to day to ascertain whether the bank was really solvent in the sense of being able to meet demand liabilities upon presentation.

Mr. BENNETT: That was the trouble with the Merchants Bank of Canada.

Mr. CAHAN: Yes; I was all through the Merchants Bank of Canada disaster. That shows the necessity of keeping such careful supervision over liabilities and of limiting bank credits. We had an illustration of that necessity in the fact that in the three years ending December, 1932, over five thousand banks in the neighbouring republic failed, destroying credits of over $3,000,000,000. And even after the bank moratorium was set up in the United States in March, 1933, a total of 1,307 banks failed to obtain licences permitting them to reopen, and $2,700,000,000 of bank deposits were thus either destroyed or tied up indefinitely.

That shows the caution with which banks have to deal with banking credits. If the hon. gentleman who read so many extracts from my address had done me the credit of reading further he would have found this passage:

> But in fact the banks have not an unlimited power of creating credit in the form of bank loans, which may be drawn upon by their customers' cheques. Their dependence upon public confidence is so vital to their solvency that in actual practice they invite disaster whenever they make loans which are not accompanied by satisfactory guarantees for their repayment. If the banks are to maintain their solvency they dare not make loans or advances unless they have reasonable confidence that they will be repaid in due time.

That is an essential feature of banking practice which must be constantly regarded if a bank is to be protected against insolvency.

There were some passages of that address I should like some hon. members to consider, and if I can procure a copy I think I shall send one gratuitously to the hon. member for Vancouver-Burrard.

Mr. McGEER: The hon. member does not need to do that, because I have already read and studied it very carefully, and I think a great deal of it.

Mr. CAHAN: Thank you very much, indeed. I was then dealing with the questions under consideration by the royal commission, without the slightest idea as to what the findings of that commission would eventually be. May I read what I said at that time:

I cannot predict the course that the parliament of Canada will ultimately adopt. I am merely seeking to state the issue for your consideration, for ultimately the people of Canada must render the official decision. I am convinced, nevertheless, that parliament will not approve of the unlimited issue of dominion notes for the purpose of defraying expenses of government. That kind of inflation would inevitably lead to national insolvency. It is true that anything is currency which the parliament or government of a country chooses to make legal tender, or that the people of the country are willing to accept as currency, such as bank notes, cheques or bills of exchange. But when currency is known to be increasing in volume every day, people are prone to mistrust it. They rush to get rid of it, spend it on something—anything they can buy. Up goes the rate of circulation, and prices rise by an amount corresponding both to the increase in the volume of currency and the increase in its rate of circulation. The value of the currency depreciates in the proportion that prices of commodities increase.

As the mark depreciated in Germany, sellers refused to accept marks. Retail trades closed their businesses at particular hours of the day, and then on particular days of the week, and then closed entirely. The catastrophe of the currency developed into a catastrophe of the food and other supplies, which was worse than the worst periods of the war. Thrift becomes an act of monumental improvidence when the currency is rapidly depreciating every day, and the spendthrift is recognized as the one prudent man in the family.

Of Germany an eminent writer says that one son could invest his inheritance in gilt-edged stock and lose it all, while his brother could squander his share on champagne, and sell the empty bottles for more marks than the original inheritance. Interest meant nothing. What was the use of earning ten per cent or fifty per cent per annum on your money, when the purchasing power of your mark could fall by ninety per cent in a single month. Extreme inflation means a fool's paradise for the rich, and grinding poverty and hardship for all other classes of society. When everyone rushes off to spend his money as soon as he receives it, when every manufacturer knows that bricks, mortar, machinery and goods are the one safe repository for his profits, and when every investor finds that ordinary shares alone are comparatively safe, a false volume of business and a false scale of values are inevitably created. The manufacturer soon finds that factories and machinery are no good to him without working capital and credit, when there is no money or credit left. The investor finds that the ordinary shares, which he thought safe, are of no value to him without dividends, and the working-man finds that no liquid capital means for him no possibility of obtaining work at any wage.

The catastrophe culminated in Germany in 1924 when its currency was converted and stabilized on the basis of one trillion of inflated Rentenmarks into one gold Reichmark. In the meantime all public and private indebtedness had been completely liquidated by payments made in inflated marks and thus forever obliterated. I am convinced that the people of Canada will never decide to pursue the same rapid descent to the hades of social, industrial and commercial ruin.

My mind was incited to these reflections and to the making of these remarks by having been in Germany for some weeks in 1930 when the Bruening government was in office, at which time I was instructed by the privy council to adjust a large number of outstanding war liabilities between the government of Canada and that of Germany. I saw on the public streets men, apparently of the most intellectual classes, who were in a state of sordid misery. Some of them were asking for alms along the streets. I inquired of one of the officials with whom I came into daily contact as to the meaning of the condition of these men, and he said that the inflation of the mark had wiped out the entire accumulations of what were known as the middle classes of Germany. Some of the men whose faces he recognized had been scientists of high standing; others had been professors and teachers in the universities and colleges; others were men ranking high in the medical and other scientific professions. These men were reduced to beggary by the inflation which took place.

There was very little humour in the situation I saw from the time I landed in Berlin until I left some weeks later. I was received with every courtesy by those holding the highest official positions, but I do not think I saw a smile on the face of a man, woman or child. Although he may not have intended to be humorous one of the officials with a twinkle in his eye said, by way of explanation for the disaster, "You know that we had printing presses and engraving machinery, and we happened to have a supply of paper suitable for engraving." He told me that when the rentenmark depreciated so rapidly those people working in government engraving and printing offices refused to accept it as payment. He told me further that before the final catastrophe arrangements were made to print rentenmarks for a week, and at the end of that time, on the Saturday afternoon, the

entire product of rentenmarks was divided between the government and the workers. The workers took half of the entire production to satisfy their demands for wages and salary.

There can be no doubt that a catastrophe such as overtook that country, and such as has overtaken other countries would be induced in Canada by an unlimited issue of our dominion currency under government supervision. I had on one occasion a peculiar experience in Mexico. I arrived in that country in the nineties just after there had been a great depreciation in the value of their peso. A short time before my arrival the Mexican peso was the equivalent of a dollar in United States currency, but a sudden depreciation in the value of silver had brought their peso down to about forty cents not only in their own country but on the foreign exchange market. People whom I met in their homes, because I had letters of introduction to some cultured people, were all complaining of how prices had risen so high in so short a time. The price had increased two and a half times for everything which was imported from abroad and for a number of things which were manufactured and produced at home, and which were the essentials of life. These people were quite unconscious of the reason. I soon ascertained that the real reason was that the value of their peso, formerly the equivalent of one dollar in gold, had been reduced to forty cents in gold. To me, who was paying my way at the hotels and throughout the country with United States bills, the rates seemed very reasonable indeed, but for them there had been an increase of two and a half times the normal prices which they had been accustomed to pay.

Take another instance which came to my attention not long ago. I remember in my youthful days, when Nova Scotia was sending large quantities of fish products to Brazil, there was a time, if I remember correctly, when the Brazilian rei was the equivalent of one-half cent of American or Canadian money, and a milrei, or a thousand reis, represented $5 of American or Canadian money. I had occasion to have something to do with Brazil in 1889, and then I found that the value of the milrei, owing to inflation by the use of paper currency, had been reduced from $5 to $2.70 of our money. Inflation has kept on, and less than six months ago when I was in Brazil I found that the milrei, which was formerly $5, had decreased in value to six cents or six and a half cents, showing that once you enter upon that road to economic hades the descent is very rapid indeed.

[Mr. Cahan.]

Therefore, in discussing this matter at Toronto, I was very anxious indeed to impress upon that audience that the indiscriminate use of dominion notes, which were then the current notes, must result in disaster to this country. In discussing the Finance Act I then stated:

> At the outbreak of the war, the enactment by parliament of the Finance Act made a fundamental change in the monetary system and in the banking practice of Canada, which proved to be of great utility during the stress and strain of war and during the period of reconstruction that thereafter ensued. This act is now administered by the Finance minister and four other ministers of the crown—

That was in the autumn of 1933:

> —who constitute the treasury board, of which the Deputy Minister of Finance is secretary. The Finance Act provides for a reserve of legal tender currency, which may be utilized by the chartered banks in times when there are exceptional demands for credit, or when other emergent conditions arise. But the recent financial depression has induced many to believe that the provisions of that act are not adequate for certain national needs. An agitation has arisen in favour of creating a central banking institution in which shall be vested the functions now exercised under the provisions of that act by a committee of the government.

I went on to say:

> It is also suggested that this proposed new central institution, should be vested with adequate authority to centralize in itself the gold reserves of the country; to control the issue and disposition of dominion notes, the coinage and issue of metallic currency and also to take such measures as may from time to time be deemed expedient to supervise and to advise the government with respect to the general monetary policy of the country.

I am no financial expert but as a member of this house, and particularly after becoming a member of this house, I took a special interest in the administration of the Finance Act which had been passed in 1914, and which was brought into force simply by proclamation so as to mitigate the difficulties arising from war, invasion, riot or insurrection. In 1919 the act of 1914 was continued in force until two years after the conclusion of peace. In 1923 the previous Liberal government, upon the termination of the act of 1914, introduced, through Mr. Fielding, then Finance minister, the Finance Act of 1923, which now appears as chapter 70 of the revised statutes. Part II of that act authorized the treasury board, consisting, as I said, of the Finance minister and four other members of the government of the day, to exercise very wide powers with respect to making advances of dominion notes to the chartered banks of Canada. Then an episode occurred of which we on the opposition side of the house from 1926 to 1930 said very little by

way of criticism, and perhaps we were in error in not voicing more strenuously at that time our confirmed opinions.

Canada, under the late Mr. Robb as Finance minister, returned to the gold standard in 1926, but in 1928, when Mr. Robb was still Finance minister, certain obligations of the dominion became due in the city of New York, and without endeavouring to obtain the sale of a sufficient number of dominion government securities to take up the obligations then falling due, Mr. Robb undertook, I assume by authority of the governor in council, to export $40,000,000 of the country's gold reserves to pay off these government obligations then maturing in New York. Then, to replenish the deficiency in the dominion's cash reserves, he issued a corresponding amount of dominion notes. The result was this—and I am not saying this by way of criticism of the present Prime Minister (Mr. Mackenzie King), but it is one of the reasons why I became so favourable to the creation of a Bank of Canada, which would take the place of the treasury board, nor in criticism of his government or of any government which might happen to be in their place—that the amount of dominion notes issued under the Finance Act rose from $200,000,000 in September, 1929, to $285,000,000 in November, an increase of 42½ per cent, as compared with the normal post-war seasonal increase of 20 per cent. To that was due to an extent which cannot be fully estimated the stock exchange activities that finally resulted in 1929 in such disastrous failure and ruin, bringing disaster and loss to the extent of many billions of dollars to Canadians from one end of the country to the other and leading to numerous suicides and deaths. That abnormal credit inflation was financed by an increase in dominion notes, which permitted an undue expansion of dominion note issue and a corresponding increase in the cash reserve of the chartered banks, an increase which was not required at the time for the ordinary financing of domestic trade and industry, and an increase which, to secure its employment, went to finance the stock exchanges of Canada and of New York. I am not pressing that by way of recrimination, but I say that if a different policy had been pursued the disaster, if it could not have been wholly precluded, in view of American and other influences, would certainly have been mitigated to a very considerable extent. From that day I have not felt favourable to the continuing of the administration of dominion note issue under a committee of the privy council.

Mr. MACKENZIE KING: I hope my hon. friend does not wish to leave the impression that that one transaction was responsible for the financial crash of some years ago. It is due to the memory of the late Minister of Finance that this should be made clear. In so far as the transaction referred to had any effect at all, it was but one of a great many transactions.

Mr. CAHAN: Quite so, and if I have not made that clear I wish to do so now. But it was, so far as Canada was concerned, a very important and material incident. It had this effect, however, that I felt, and I am sure that the former Prime Minister, the right hon. member for Calgary West (Br. Bennett) and other members of the late government felt, in view of that and other incidents which were occurring, which placed the committee of the privy council under undue pressure, that they were not by their experience in financial matters able to deal with the matter with the utmost competence. It induced them to favour the institution of a Bank of Canada which would take the place of the treasury board in relation to those matters connected with coinage, currency and dominion note issues. Therefore I was very much in favour of the creation of the Bank of Canada and the passing of the Bank of Canada Act. I had nothing to do with it except that I was one of a number of colleagues who were consulted with regard to its terms, and I fancy that perhaps some of the drafting which doubtless was more or less defective may have been due to my efforts at the time. I was pleased indeed when the then leader of the opposition and some of those associated with him quite warmly approved the passing of the Bank of Canada Act, although criticizing incidentally some of its features. To me it does not matter very much whether a certain percentage of the stock of the Bank of Canada, to the extent of $5,000,000, is held by private parties, or whether the government undertakes the acquisition of all of the outstanding shares, or whether on the other hand it undertakes to issue $5,100,000 more so as to give the government a preponderance of ownership. In the discussions to which I was a party it was suggested that the ownership of shares by private persons would give to a large number of people throughout the length and breadth of Canada more than a passing interest—

The CHAIRMAN: I regret to interrupt the hon. member, but he has spoken for forty minutes.

Some hon. MEMBERS: Go on

Mr. MACKENZIE KING: I shall say a word or two so as to enable the hon. gentleman to continue. I have spoken and he may therefore now continue.

Mr. CAHAN: Thank you. It was felt that giving these shareholders an interest and the right to elect a certain number of the directors would bring to the assistance of the government the advice of a number of qualified business men throughout Canada whose knowledge of business and trade, of commerce and manufacturing, would be of advantage not only to the board but to the government, for whom the board would act in an advisory capacity. Furthermore, it seemed to me that under the previous act the government did have control and very effective control of the administration of the Bank of Canada. The government have seen fit to propose amendments which will bring the Bank of Canada perhaps to a great degree under their control, and to that I offer no strong objection. I say, however, that what is necessary is that the government should be to a certain extent protected against temporary emotional and passionate demands of its supporters and others for large increases of dominion notes and the use of such increases for purposes other than as a medium of exchange for the conduct of the commercial and business enterprises of the country. The government will be under pressure. May I speak frankly? This question of monetary policy cuts athwart both sides of the house. It is really so important that it may become at an early date the most important issue before the people of Canada. Therefore men on either side of the house who take a conservative view, not in a political sense, but a conservative and perhaps traditional view, must be prepared to advocate what they believe to be sound and sane national policies with regard to monetary matters, whether it cuts athwart their own political party or the political party of the other side. The chief hope I have is that those who are making and have made very extreme addresses and very strong appeals throughout the country for an extension of the dominion note issue and an inflation of our currency, may be convinced, as I think the hon. member for Vancouver-Burrard has been convinced to a certain extent by careful reading and, what is still more necessary, continuous and lengthy reflection upon the actual facts.

May I be permitted to state what I believe to be the result of an indiscriminate issue of dominion currency? Suppose you issue it and pay it out for construction of public works or for similar purposes, where does it go?

[Mr. Cahan.]

Nobody carries round in his pockets dominion notes to any extent. Nobody keeps them in his private till. They are simply accumulated day by day and placed in the bank by way of deposit for safekeeping and, possibly, in order to secure a return, if it is a savings deposit, of one and a half to two and a half per cent, according to the prevailing rate. The banks are compelled to use these deposits, and such use leads inevitably to a disastrous inflation. Furthermore it leads to a depression in the value of our currency even in domestic mercantile transactions. I do not see why we should conceal the fact that, when we of the late government found ourselves confronted with enormous liabilities payable from month to month in the United States of America, we were in some degree gratified to find that the United States, by presidential decree, had increased the value of gold so that one dollar of the currency of the United States was reduced to a value of about fifty-nine or sixty cents in gold. I do not think there is any doubt but that, in view of our relations with the United States, in view of the absolute necessity of maintaining, so far as we could, profitable trade relations with that country, Great Britain and continental European countries, we did deliberately act so as to make a corresponding reduction in the value of the Canadian gold dollar, reducing it to a value of fifty-nine or sixty cents. We were compelled by necessity to do that to preserve the national integrity of this dominion and to promote its ordinary trade and commercial transactions with those other countries to which I have alluded. But let us see what was the result. For instance, I have $25,000 of life insurance that I took as a young man. With just a little more, it will be all that my family will have to depend upon when, some day, I am suddenly blotted out. But that $25,000 of life insurance, for which I paid in gold or the equivalent of gold, is now worth in international currency forty per cent less than it was; in other words it is worth $15,000, although during my whole life it has ever been one of my objects to leave at least that specified amount of life insurance for my wife and those dependent upon me.

Now, the same result must occur to a still greater extent if this government permits itself to be influenced by political considerations or by political agitation to inflate still further the Canadian dollar. The government needs all the protection that it can throw about itself and it needs the full support of every member of this house, whether on this side or on the government side, who is anxious to preserve so far as possible a sane and sound monetary policy. Such an inflation

as that proposed by the hon. member for Vancouver-Burrard would, in my opinion—and I think I can give some arguments in support of that opinion—reduce the value of the Canadian dollar to a few cents. It would reduce in like manner the value of all our savings, whether represented by savings deposits, by life insurance, or by the holdings of dominion, provincial or municipal bonds or other interest bearing securities. It would in like manner reduce all salaries, wages and pensions, while increasing the nominal cost of the necessities of life. Such a reduction would in like manner reduce the endowments of all religious, educational and charitable institutions, all pension funds and the funds of all workmen's compensation boards, all the funds of trustees, executors and guardians which are held in trust for widows, children or other dependents. What is perhaps the worst of all, it would reduce in like proportion by a covert and indirect method all salaries and wages and all sources of income, and, if carried to the extreme, place four-fifths of our people, who are now employed, on government relief or other relief or other forms of charity for the time such depression prevailed.

Less than a year ago I went personally for my own information to the Department of Finance and obtained statistical returns which showed that, including ordinary life policies, industrial group insurance and fraternal benefit policies, there were, last autumn, 6,540,000 life policies in force in Canada, including those under dominion licence only, representing a gross amount of $5,560,000,000 of life insurance exclusive of policies issued under provincial licences, the latter amounting to $190,590,000, and the net liability which had accrued under those policies in autumn of last year amounted to approximately $2,000,000,000. Of course the same person may hold more than one policy; but, on being interviewed and making an examination of such data as was available, the insurance branch of the Finance department estimated that at least one half of the adult population of Canada, both men and women, then held one or more policies of insurance on their lives for the benefit of those who were dependent upon them respectively and who were likely to survive their decease.

Mr. DUNNING: That is now regarded as a very conservative estimate.

Mr. McGEER: Do I understand the hon. gentleman aright that this would all be caused by reducing the rate of interest to three per cent?

Mr. CAHAN: I am not talking about the rate of interest. My hon. friend knows better than that.

Mr. McGEER: I do not follow the argument. I have been trying to follow it.

Mr. CAHAN: It is an inflation of our dominion note issue that I am dealing with.

Mr. LANDERYOU: Who has suggested any inflation?

Mr. LAWSON: That is your policy. You do not recognize it.

Mr. CAHAN: Who has suggested it? The proposed inflation of the note issue of the Bank of Canada by $621,000,000 to an aggregate of $721,000,000, and the use of those notes for the construction of public works, would inevitably reduce the value of every dollar, if not utterly wipe out every dollar of value in these life insurance policies.

Mr. McGEER: I should like to put on record now a correction of that statement. I made no suggestion—

Mr. CAHAN: I am not talking to my hon. friend. He is not all Canada; he does not represent all the radical views that are expressed.

Mr. McGEER: I am rising to a point of order.

The CHAIRMAN: The hon. member for Vancouver-Burrard may not interrupt the hon. member who has the floor without obtaining permission.

Mr. CAHAN: At that moment I was not referring to the hon. gentleman at all.

Mr. McGEER: I am sorry, but what I understood the hon. gentleman to say was that I had proposed an increase in the note issue to $724,000,000, which is not so.

Mr. CAHAN: Upon further examination I find that, excluding bank deposits payable on demand and including only savings deposits such as bank deposits payable upon notice, dominion government savings bank deposits, post office savings bank deposits and other savings deposits in the loan and trust companies including the present value of dominion government annuities, at the present time in Canada there are approximately five million savings deposits representing an aggregate of $1,700,000,000 of the savings of industry and thrift in this country. I am suggesting again, and I hold very strong views with regard to it—and I think my opinions are sound and sane—that the undue and unrestricted inflation of our currency to the

amount suggested, $724,000,000 of dominion notes or corresponding Bank of Canada notes, would reduce or almost completely wipe out these credits. I think then, after seventy years of life, having been born and bred in the country and knowing something of country life, to which I have maintained a distinct and affectionate attachment, of what misery, disaster and ruin will be brought upon so many millions of our people if we endorse such an unlimited issue of our currency.

I should like to read one extract from the work of James W. Angell, The Recovery of Germany, which I think will be found in the library, in which he gives a vivid picture of the dire results of the indiscriminate issue of irredeemable paper currency in Germany. I quote:

> The group which suffered most from the inflation ... was the group which was ... least able to defend itself; the middle classes among the town dwellers.... Composed largely of people with small fixed incomes, such as salaried officials and clerks, recipients of pensions, and little investors living on interest and rent—of whom the latter group were hit especially hard by the government control of city rentals—they were precisely the group most exposed to the evil consequences of currency depreciation, while they lacked both the knowledge and the opportunity to combat it. Their savings disappeared (and) their pensions and annuities melted away.... Hundreds of thousands of educated men and women, too old or feeble or untrained to earn their own living, were abruptly faced with starvation. Many died. The others, passing from day to day without hope, survived only by the sacrifice of treasured books, furniture, jewelry, and all their saleable possessions, and at the end by domestic and foreign charity. Their history is one of the most genuinely pitiful chapters in all the war and post-war tragedy.

I am not here to defend capitalism. Men who control large amounts of capital have made many errors of judgment and mistakes, though not all, I believe, to promote merely selfish interests. On the other hand capitalism is the system the world has had for a thousand years. It is largely responsible for all the material progress that modern civilization has hitherto made. It has been developed by individual initiative, enterprise and courage. It ensures a large measure of individual ownership and safeguards private property. It provides practically all civil employment exclusive of governmental and municipal services. It pays salaries and wages for labour and interest and dividends for thrift and saving. And it is the accretions of the savings of the industrious and thrifty that make up the capital with which our railways, canals, hospitals, homes, churches and colleges, as well as our public utilities of all descriptions, have been constructed and with which our industries, great and small, are built up and operated. I do not believe we could have attained the state of organized civilization which we at present enjoy except under a capitalistic system, which, like all other human systems, has no doubt exhibited human frailties. But the ruthless dissipation and destruction of these savings by unrestricted inflation of our currency would, I am clear in my own belief, impoverish Canada for at least two or three of our future generations.

In addition to those who are advocating inflation by means of indiscriminate issues of dominion currency we have in this house a number of gentlemen who advocate a social credit program, which, as nearly as I can ascertain by listening carefully to their exposition of that program in this house, proposes to distribute what is called purchasing power to all citizens, old or young, to the extent of their individual requirements. The advocates of that system in this house explain, as nearly as I can understand them, that the purchasing power so freely to be distributed to individuals will make possible the acquisition by these individual recipients of all the goods and services they may require to satisfy their individual needs. Nevertheless I would remind them that mere purchasing power is without utility unless goods and services are available for purchase. It is admitted that these goods and services can be produced or provided only by work, either intellectual or physical, or usually work that is both intellectual and physical. But when purchasing power, whatever it means, whether it be an indiscriminate expansion of the dominion note issue or of other note issues, is freely distributed without work, I ask, who then will furnish the work necessary for the production of the required goods and services?

Mr. BLACKMORE: Who said it was to be without work?

Mr. CAHAN: Well, I read in the press not long ago of someone—perhaps he was one of the supporters of the hon. gentleman—who said that if his wife and six children and himself were each to receive the monthly apportionment suggested to be issued under the social credit scheme, there would be no necessity for his working.

Mr. LANDERYOU: May I ask the hon. gentleman a question?

Mr. CAHAN: I am not going to enter into a discussion. I suggest that a successful solution of the problems propounded by the advocates of social credit must await the successful solution of another problem which has engaged the attention of the world for

centuries, namely the problem of effecting perpetual motion without the expenditure of energy. Twenty centuries or more of our history have clearly shown that a free distribution of purchasing power which may be utilized for the acquisition of sufficient goods and services to supply the needs of the people cannot be made by any government unless that government arbitrarily reserves and exercises the right to conscript all labour, allots to each man and to each woman the special work for which each is deemed to be best qualified, and then by arbitrary force compels each to perform his allotted task. That I think is a proposition which is thoroughly vindicated by history. In Russia, and more recently in Germany and Italy, governments have apportioned such available work to individuals as they deemed expedient, but they have compelled the performance of such work by the persons designated for each branch of the common service. I suggest to my hon. friend that if any government in Canada, even a prospective social credit government, should attempt to organize in Canada a new slave state, and so carry into effect the forcible conscription of labour and an arbitrary allotment to all citizens of the special form of labour to be undertaken and performed by them respectively, I have sufficient confidence in the natural desire of our people for individual personal liberty to believe that such a government would thereby inevitably ensure a condition under which their individual heads would speedily adorn the lamp posts of this capital city.

Mr. BLACKMORE: What about your "work for relief" proposals now?

Mr. CAHAN: The ever changing conditions of our industrial and social system must necessitate corresponding changes in public laws and the regulations which control human activities. But in these times, just as we are emerging from years of extreme depression, the government and parliament should take special care not to postpone, and certainly not to preclude, the recovery of our economic stability by the wilful destruction of our banking and monetary system, or by unnecessarily restricting the freedom of individual and business initiative, or by precluding the adoption of such efficient industrial methods as are not subversive of the general public interest. The fabric of our civilization is woven out of strands of every kind and colour, but no substitute can be found for the individual initiative and the sound judgment of those who have slowly and laboriously by long training and experience developed their capacity for service to their fellow men. The struggle for existence cannot be wholly eliminated. Life is work, and work is now and will ever be necessary to procure the essentials of life. The ideal world cannot be acquired, and the ideal life cannot be attained on any easy terms, and mere existence does not postulate or imply the right to exist at the expense of the community as a whole. The sick, the infirm and the feeble-minded must ever be the concern and care of the whole community, but those of us who have health and strength must each personally assume the responsibility of acquiring, by careful training and preparation, individual efficiency in whatever work is available if society is to be maintained on the basis of individual liberty and individual responsibility. The responsibility for maintaining the economic growth and development of this country and for the improvement and betterment of social conditions rests largely upon the shoulders of our business men, as the Minister of Labour (Mr. Rogers) stated a few days ago, especially those engaged in finance, industry and commerce.

On the other hand I ask this committee to remember that mere opportunist and ill-considered legislation and excessive government interference, such as has been proposed I think by the hon. member for Vancouver-Burrard, can serve only to restrict the normal growth and development which otherwise is inevitable. Skilled manual labourers have been the builders of the foundations of our present civilization, and one cause of the delay in the revival of industrial activity is that we have failed to educate and train our youth to the performance of those services which are essential to the welfare of the whole community. Nevertheless the solution of the problem of unemployment depends largely upon the development of leadership and the inculcation of the spirit of independence and self-reliance, as well as upon the recognition by all leaders in industry and business of their personal responsibility for providing employment for their less qualified fellow men.

This old world has witnessed many recurring periods of business depression, but even in more modern history conditions in England after the close of the Napoleonic wars and in the United States after the close of the civil war were worse than those we have recently experienced. But always there has been recovery. At the close of the United States civil war I recall as a child of a fairly well-to-do family never even seeing white bread for two or three years, simply because we had been getting our flour from the middle states and those sources were pro-

hibited to us. We did not use sugar, but for sweets depended on molasses from the West Indies, because the United States with its large markets was taking practically everything that could be supplied. We lived on oatmeal porridge and rye bread and other wholesome products of the field, and I think we raised as strong and vigorous a race of boys and girls as was ever raised in this country. Although the standards of life, as compared with the standards of to-day, were somewhat low, there was no lack of family good cheer and happiness and the enjoyment of those simple homely pleasures which are characteristic of the small rural community.

Things are going to be better. I read what I can in the modern engineering journals, and I am convinced there is lying dormant a wealth of scientific knowledge and achievement which will soon release for the benefit of mankind powerful physical forces of incredible utility. I believe we are now at the commencement of another period of unprecedented material progress and prosperity in which new inventions will give an increasing impetus to all forms of human activity. The creative activities of mankind will soon again have full play. The heights to be attained under the financial conditions in prospect may be fully measured by the depression of the abyss from which we are gradually arising. The government may be assured that in connection with this measure we do not wish to detract from government control and government authority, but what we urge upon the administration is that in perfecting as they deem best the measure now before the committee they should protect themselves from sudden ebullitions of popular feeling and from the extreme demands of political or partisan supporters. Canada, its safety, its prosperity and the happiness of its people are largely at the present time, and doubtless will be for some years to come, in the hands of the Prime Minister and his colleagues. I for one say—and in my statement I believe I voice the expression of opinion of the leader of the opposition and those about me—that to all sane and sound measures placed before us dealing with the financial and economic life of the people of Canada we are anxious to give reasonable and hearty support.

Mr. HILL: In fairness to the hon. member for Vancouver-Burrard (Mr. McGeer), may I say that I take responsibility for the criticism of the hon. member for York-Sunbury (Mr. Clark) with reference to the statement by the hon. member for Vancouver-Burrard to the effect that the Bank of Montreal had paid a quarterly dividend of four per cent. I read it in one of the financial sheets and passed it to the hon. member for Vancouver-Burrard causing him to make the statement. I believe the article in the publication referred to the total payment up to date for this year, which amounted to four per cent for the half year.

While speaking, may I say that I believe every hon. member appreciates the contributions which have been made by hon. members speaking to the bill. The information given to the committee has been valuable, and that given by the hon. member for Vancouver-Burrard, who has made a long and careful study of the subject, has been particularly valuable. I think all members of the committee appreciate the contribution he has made.

Mr. McGEER: I do not think I would be performing my duty properly if I were to permit to go unchallenged some of the statements of the hon. member for St. Lawrence-St. George (Mr. Cahan). His argument is of the type that avoids facts, that deals with false premises, and that continues to support a system which thinking people know must be changed.

I shall deal with his first argument in which he attempted to show that my conclusions were not based upon sound reasoning or logic. He took my point, namely that if I had a million dollars in copper money I would have no difficulty in converting it into a million dollars of bank money. In an effort to prove that that was absurd and that copper money had no value and could not be created by parliament as money, he developed the specious argument that to convert it into money I would have to divide it into twenty-five cent transactions, and go about the country getting persons to accept twenty-five cents in copper money, before I could have full legal tender money. The folly of that argument is evident when we appreciate that our newspaper issues are now sold in terms of copper cents. In Canada and the United States the vast bulk of the entire newspaper production is sold in terms of copper cents. In our large department stores the practice of inducing sales by breaking common term money, such as a dollar, to ninety-nine cents, and fifty cents to forty-nine cents, has induced an enormous use of copper money. I want to ask any hon. member this question: If a newspaper proprietor accumulated $1,000 in copper money from the day to day sales of his newspaper, would he have any difficulty in having that $1,000 accepted on his deposit slip as part of his money deposited with the bank on a certain day, against which deposit he could issue cheques? Of course he would not. Copper

money to-day, meeting modern conditions of trade, forms a definite and realistic part of the media of exchange with which the bulk of our business is actually transacted. The idea of having to convert copper money into full legal tender money, or bank note currency, by finding people who will accept twenty-five cents as full legal tender money is an indication of the absurdity of the kind of argument resorted to by those who, rightly or wrongly, will stand by the old system, irrespective of whether governments are impotent and millions in destitution and in misery stand in breadlines.

Now I come to the other argument, one which has been commonly used as an answer to any man who suggests a program of sound monetary reform, namely: Look at what happened in Germany. Yes, for a minute let us see what happened in Germany. Germany, faced with the imposition of an appalling and impossible load of international debts payable in gold deliberately resorted to a program of inflation, for the purpose of liquidating her internal debts and maintaining an outward appearance of solvency, so that the things which were in pawn, the Saar and the Ruhr, might at some future date be returned to Germany without the payment of her international debts. Do we think for one moment that the printing presses ran themselves, or that to get the results they were seeking they had to print mark notes not in terms of tens, hundreds, thousands or millions, but by the carload, and by elevating the denominations to trillions? This was a possible use of inflation that could be resorted to as a means of liquidating debts within the country. An appalling program of inflation was pursued by Lenin who, in his Proletariat Revolution said that, from his point of view, the one thing which would make a success of a proletarian revolution was the destruction of the money power of the bourgeois and the aristocrat. By inflation he destroyed the value of the Russian rouble and proceeded to rebuild upon a basis of managed currency a scheme of civilization that repudiated the ideas of capitalism and inaugurated a plan of Marxian communism. Whether or not we like their ideas of political economy or political freedom, in Russia they have been able to finance the most enormous program of industrialization, the greatest program of national education and the greatest program of war preparation, through managed currency, that has ever been put forward by the people of any nation. Japan has done the same thing.

Of course it is very easy to drift away from a real argument and to place the proposals of your opponents upon a false premise. For that reason the hon. member for St. Lawrence-St. George proceeded to state that I had declared we should inflate the dominion note issue up to $724,000,000. I said no such thing. What I did say was that under the legislation passed by this parliament, with $181,000,000 of gold reserves the Bank of Canada had enough reserves to create an issue of $724,000,000 and still be within the limits of safety as set by parliament itself. I said again that under banking practice as set forth by the Macmillan committee this was a sufficient legal tender issue to support $7,240,000,000 of bank credit. That was not my opinion of what should be or could be; it was merely a statement of what under to-day's conditions parliament and banking practice have fixed as a limit for a medium of exchange—

Mr. DUNNING: I rise not to differ from the hon. gentleman but to point out, if he wishes his figures to be correct, that the twenty-five per cent relates not only to currency but to deposits as well. His figure therefore would need to be corrected by that difference.

Mr. McGEER: In any event there would be no difficulty in accumulating more gold if it was necessary.

Mr. DUNNING: But if my hon. friend likes to use correct figures—

Mr. McGEER: Yes, and I thank the minister for his statement. I was using that merely as an illustration, and not as a statement of what I thought should be done. The point I wish to make is this. No one suggests for one moment that this country needs or would be justified in putting in issue any such figure as $7,000,000,000 of bank credit. What I do say is that within the limits of our gold reserves and our gold production, of our legal tender currency and our practice of creating an effective bank credit transferable by cheque deposit type of currency, there is more money available than is necessary to finance the government without a disastrous imposition of taxation.

I want to refer to one other point. It is very easy to refer to American banks as a proof that our banks are sounder, but I wonder, Mr. Chairman, if that is altogether a safe or a proper comparison to make. Our banking system was modelled after the British banking system and was established in 1867. In other words, ever since Canada has been a confederation the Department of Finance has been the central department of issue around which our banks could revolve. At all times the minister of finance and the treasury board had the power to authorize

the issue of dominion notes to supply the banks of Canada with money. In the United States a very different system was inaugurated. There you had national banks and state banks, and the national banks were not allowed to maintain a branch system. Consequently you had all across the United States individualism rather than collectivism in banking. That had its weaknesses and its failures, but cities like Portland, Seattle, San Francisco, Los Angeles and others through the middle west have found great advantage and secured much benefit from the fact that local banking institutions were established throughout the United States. When the crash came, as it was bound to come when confidence was lost, a great number of the banks went broke because they could not supply the legal tender cash which their depositors demanded.

Following 1844, when the British banking system was being developed, Great Britain had 640 banks, but the number gradually fell through bankruptcies and mergers until to-day in Great Britain there are only 40 banks, and the big five do the bulk of the banking business. In the United States long before the collapse came and before the federal reserve system was set up, which is in many respects similar to the British banking system, we in Canada and in Great Britain had gone through that period of bankruptcy which followed the establishment of the federal reserve system in the United States in 1914. I think probably one thing might be said which constitutes a unique distinction and would be endorsed from the experience of thousands of business men in the Dominion of Canada. I think they will agree with me that in the United States it was a case of the people breaking the banks, but in the Dominion of Canada it has been more a case of the banks breaking the people. That is really the situation that exists.

I was interested in the hon. member's refutation of the Keynes' theory that a low rate of interest induces investment and creates employment, because I understood from him that if we were to reduce rates of interest by increasing the use of national currency and by organizing at a low rate bank credit money, we would wreck the whole structure, bring down employment, reduce savings, and as a result impose hardships and restrictions on everybody. I wonder if that is borne out by the facts.

In 1920 we had dominion notes in issue to the amount of $176,000,000, and we had bank note currency in issue to the extent of $228,000,000, a total currency issue, dominion and bank notes authorized by parliament, of $404,000,000. Then came the trouble. Deflation started; since then the $404,000,000 has been reduced to $224,000,000; steadily after 1920, notwithstanding the rise in activity up to 1929, the process of money deflation continued, right up to the end of 1935. Who can deny, in the face of the prosperity we were enjoying in 1923, 1924 and 1925, with a large volume of money in issue—practically fifty per cent more than was in issue during the period of 1930 to 1935—that the results prove that with a decline in the volume of money in issue the very conditions the hon. member for St. Lawrence-St. George predicts are brought about? Where is the value of your home now? Where is the value of your investment? Where is the value of your securities? Where is the value of your investments in stocks such as the Canadian Pacific Railway or a thousand and one others? With a steady decline in the volume of money in circulation, ruination spread throughout business; unemployment came, and hungry men, women and children appeared and were saved from starvation only by the deliberate act of the national government which came to the rescue of provincial and municipal governments and put some $750,000,000 into circulation to take care of humanity.

When I hear arguments of the kind we have had to listen to to-day applauded by hon. members of this house, I fear for the future of the people of the Dominion of Canada. The time has come when men have got to deal, not in specious arguments that start nowhere and end behind where they started, but with a constructive program.

One would think from the argument of the hon. member for St. Lawrence-St George that one should be judged in his work as a public man through the limited reports that come out in the newspapers. I do not blame the newspapers for publishing what has been published with reference to myself, nor do I apologize for the tactics that I have employed. I know there is a place for cold, deliberate and studied debate, but I know there is another place for the kind of argument that arouses public opinion, and when men are out trying to arouse public opinion to change institutions that have the sanction of time, the tactics that need to be employed for this purpose are the tactics that command attention. I have done my best to arouse public opinion in the way I thought it could be aroused. But I went a little further than that and wrote a book setting forth the views I hold. I put it into circulation presenting and elucidating the program of managed currency and planned economy which I offer and which is very different from the kind of pro-

gram that the hon. member for St. Lawrence-St. George attributed to me today. I pointed out that the fundamental institutions making up a program under which the ideas I have might be carried out by government consist of : (1) the mint; (2) a national banking system; (3) a scheme of scientific taxation; (4) a department of economic regulation and control; and, (5) a department of international trade and credit control. As far as I know, no one who believes in the school of thought I believe in has ever suggested that a mere inflation of currency or the mere pouring out of money or giving money to people for nothing will do anything but harm. But to put into circulation an adequate volume of the medium of exchange, which will sustain good government and ordered progress, is just as essential to human advancement as the putting into an irrigation system of the proper quantity of water is to the success of production on such land. Of course, I have had some very nice things said about me and some other things as well; and sometimes when I hear members like the hon. gentleman from St. Lawrence-St. George speaking I am reminded of the fellow who went to a Masonic lodge banquet where he received an illuminated address. It was too much for him and he drank well but not wisely. When he got home that night he tucked his shoes under his arm and opened the front door and was astounded to see his wife at the head of the stairs. After she had told him in no uncertain terms what she thought about him he said, "Yes, my dear; that is what you think about me; but"—drawing this illuminated address out of his pocket—"I want you to read what the world thinks about me." I wish to call attention to one or two things which I think rather offset the belittling references to myself made by the hon. member for St. Lawrence-St. George. On September 15 of this year I was pleased to receive this letter:

Dear Mr. McGeer:

Your book reached me in the crowded weeks before my departure from Canterbury and I laid it by to read on board. A storm during the earlier part of our voyage prevented me from reading it until now, but as I at length read it, I rejoice greatly at so clear and courageous a statement.

You are proving indeed a tower of strength in the crusade against an engineered poverty and against the essentially godless rule of finance.

May God prosper your work.

Yours very sincerely and gratefully,
Hewlett Johnson,
Dean of Canterbury.

That English church dignitary not only holds a high place in the Church of England but is a distinguished engineer and a man who has a right to the respect of those whose minds run in scientific channels. From the premier of Ontario I have received this communication:

I am quite in agreement with your policy with regard to governmental finance.

Of course, I do not know whether Liberal members in this house respect the great work which the Premier of Ontario has done, but the day will come when it will be respected. I do not think that letter was written idly or carelessly or without some good reason in his mind for writing it. I have another letter from one who wrote a book on money in 1894, and who has been proven to have had the prescience almost of divine authority—Arthur Kitson. In 1894 he told of the troubles that were bound to overtake the world if it continued on the gold standard, because, as he said, it creates debts and makes it impossible for men to pay them. With the dawn of the twentieth century, he said, the nature of the world's activities would show whether or not men would abandon or continue a system that was bound to end in war, revolution and destruction. Well, the twentieth century came and the chaos that Kitson predicted has been here ever since. After I had appeared before the banking and commerce committee he received a copy of my evidence and writing to me he said:

I have just been reading your evidence before the committee on banking, and I wish to congratulate you and tell you how sincerely I appreciate the many points you have made. It reads to me like one of the finest addresses ever delivered on the currency and banking question. I am anxious to get a dozen copies of this if I can for distribution among our leaders. Would to God we had a McGeer in our House of Commons! There is not a single member here who can deliver a reasoned address on the true science of money. If you have not sent my friend Leigh of the London Chamber of Commerce a copy, I will lend him mine.

I am hurrying to get the post.

Sincerely yours,
Arthur Kitson.

From John Maynard Keynes I have received a letter which I prize highly. He says:

Dear Mr. McGeer:

Thank you very much for your letter and its enclosure. I am delighted to see the lines on which you are trying to promote sensible ideas in Canada. I could not say that I agree in every particular, but with many of your leading points, I am, as you will have expected, in complete sympathy.

Your exploit as regards reading my "Treatise on Money" should certainly deserve a word of appreciation from the author. I am asking my publisher to send you, as a small recognition of it, a copy of a forthcoming book of mine—a collected volume of essays.

Yours very truly,
J. M. Keynes.

This may seem funny to some hon. gentlemen, but in the work I have been trying to do these words of appreciation, coming from that wide field, gave help and encouragement and they lead me to believe that I need not be worried about men who talk in the language that came this afternoon from the hon. member for St. Lawrence-St. George. I made a speech in this house a little while ago—

Mr. ROWE (Dufferin): Take it as read.

Mr. McGEER: I think it would probably be just as well if it were not read because it would be wasted on men like you. The speeches I make do require a little intelligence and tolerance and sympathy to be appreciated. But it was appreciated, and incidentally I can tell my hon. friend that it was read somewhere, for I happen to have a letter signed by the chairman of the United States Senate committee on banking and commerce, Duncan U. Fletcher. He says:

My Dear Mr. McGeer:

I deeply appreciate your favour of May 19 and wish to assure you it was indeed a privilege for me to have the opportunity to introduce extracts from your recent address into the Congressional Record.

Due to your extraordinary interest in and enthusiasm for what this administration has been doing, as well as monetary matters in general, I have thought it likely that you would be interested in the enclosed copy of an article I have prepared on "The Fight for the Control of Credit." This article will appear in the convention edition of the Philadelphia Record at the time of the holding of the Democratic convention in that city.

With every assurance of my highest esteem, I am,

Very sincerely yours,
Duncan U. Fletcher.

That is from Duncan U. Fletcher. When men holding the positions of those whose letters I have read have seen fit to write me in these terms, I suggest that it must have been as the result of some effort on my part and some work done that was worthy of something more than sneers, worthy of something more than jeers; now if there is any duty that members elected to this house have to perform it is to apply whatever intelligence and capacity they have to the understanding of problems that can be solved, so that a greater measure of social and economic security, a greater measure of human contentment and happiness may be brought to the human family from time to time. I firmly believe that His Holiness the Pope was right when he declared that the cause of destitution and war, of strife and misery, is largely to be found in the mismanagement of money, due to the fact that currency and credit are under the control of a few men who think more in terms of earning interest than in terms of advancing human well being. As long as I am in this house and have breath to speak, Mr. Chairman, I will speak as I have spoken, urging the government to secure the cooperation of the opposition and to enlist the support of the Senate, appealing to the government to move forward to the control of currency and credit issue as its most conspicuous and sacred responsibility in a constitutional democracy.

Mr. HAYHURST: I do not intend to make a lengthy speech, but I should like to refute some of the arguments on this subject that have been placed upon Hansard. I agree with the hon. member for Vancouver-Burrard (Mr. McGeer) that many of those who have studied the books of the orthodox economists fail to realize that this is a new day, that the law of to-day is "to change," and that, as Maynard Keynes has had occasion to change his mind and his economics, so have many other men and women of the past generation and so have many who are growing up in our present civilization; they are forced to change their minds because of our modern conditions. I believe that the views of Maynard Keynes are wrong in some respects. The hon. member for St. Lawrence-St. George (Mr. Cahan) was wondering who would furnish work, and when, in reading the books of Maynard Keynes, I noted his opinion that the sole subject of our thinking, economically speaking, should be the provision of employment, I felt he had missed the crux of the present great change in the circumstances of our lives.

While I have plenty of material here I am not going to quote from any of it because I prefer to tell the committee of the experience I have passed through as a farmer. You, Mr. Chairman, as a farmer must know that our farmers to-day, with modern machinery, can produce thousands of bushels of any kind of grain where formerly they produced hundreds. The question is not now one of providing work; it is one arising from the great and plentiful production of a scientific age, and what we require is a financial system which will adapt itself to this new era of ample power and productive capacity. So, when Maynard Keynes said that work was the essential objective, he missed the point. Some people think that the group with which I am associated are decrying work. That is not so. I enjoy work, I enjoy life, and I know that the boys and girls of to-day who are going through our universities are looking to a better age in which they can use their intelligence and abilities to develop the

future scientifically. The trouble to-day is that along with our scientific development we proceed to sabotage some of the finest of our machinery in order that we may remain in an age of scarcity. Yet the fact is evident that we are facing a new time, that the age of scarcity is behind us and the age of plenty is at hand—which is also, we believe, an age of social security. Therefore the crucial question is not a matter of work. I am sure Maynard Keynes would not assume that because he had eliminated employment in his home it would be necessary for him to build another home where he could keep all the servants at work just as they formerly were. Yet that is much the same as the suggestion that is heard from the Clydebank, in Great Britain: "Let us build another supership for our majestic commercial fleet, one that will supersede the Queen Mary." What is the idea behind that? Merely that of providing work, whether the supership will pay or not. That supership could be produced, because the machines are there and the men are there. So if it can be produced, why not produce it? The trouble is that progress is retarded by men of limited vision who read and believe the old economics instead of taking them with a grain of salt as we have been forced to do.

Conditions have forced us to realize that this new age has falsified much of the old economics. We do not decry skill in human endeavour; it represents wealth just as much as the farmer's wheat or the baker's bread. The economic difficulties of the present time are largely due to a lack of occupational opportunities for which our young men and young women have spent so much time in preparing themselves. Do you not think with me, Mr. Chairman, that it is a tragedy that they should have their hopes frustrated and their enthusiasm shattered because there is no work for them to do? We believe we must have a financial system which will pay our people whether they work or not. I know this may sound ridiculous. At the same time, in order to remove the spectre of poverty and starvation which confronts us, it is necessary to have a keener intelligence in respect of monetary matters to grasp the problems that are before us. Most of the suicides, due to the monetary troubles which afflict so many people, and to which the hon. member for St. Lawrence-St. George referred, are due to what is essentially a lack of freedom from which individuals are suffering because they have not the tickets to purchase the necessary food and clothing they require.

I do not desire to weary the committee with an outline of our philosophy, but I hope it will be realized how different conditions are from those which prevailed when we were boys. Then the life in our communities was largely self-contained. We had the village blacksmith, the tailor, the shoemaker; these workers lived in small cottages, frequently with a few acres attached, and a cow and a few pigs to help them over periods of depression. To-day those classes of people are practically non-existent. There are hardly any blacksmiths in the villages; they have moved to the cities to work in factories, where they can produce goods more efficiently than they could under conditions of individual hand labour.

It is not necessary to go into this at length. I merely wish to appeal to your reason to recognize that we must change because the times have changed; we must reorganize the financial system because the times demand it. At the present time the financial system practically rules the affairs of government. We contend that the government should entirely rule the financial system, and so make credit available. That does not mean inflation; our system of social credit, which so many people sneer at, is that credit should be written in bank books in proportion to the amount of goods produced, and there would be a direct relation at all times between credit and currency and production. I feel that we must work together. Probably many hon. members feel that we in this corner are directly opposed to the present system. That is not so, except with regard to the control of finance. We are individualists. We believe that capitalism will still exist under our system, because individual initiative and skill are not going to be diminished or decreased. We are going to endeavour to increase them, by giving our young boys and girls greater opportunities for education, by permitting them to continue their courses at the universities in order to make themselves more efficient as producers in this new world of potential prosperity.

Someone asks: Who will furnish the work? Why, that is the trouble; there is not enough work to go around. If in western Canada we are producing ten times the quantity of wheat per man that we produced in our fathers' days, how can we expect to continue the old policy of work and wages as the old laissez-faire economists would have us do? When the hon. member for St. Lawrence-St. George (Mr. Cahan) spoke about his perpetual motion machine I thought he missed the point entirely. Our point is that debt is perpetual. We are living under a debt creating system

and we believe that we should issue credit and currency in order to finance the productive capacity of mankind instead of building up a debt creating system by borrowing more money or lending out money at interest rates. We believe the government should take control of that money.

While I am speaking of interest rates there is one matter I should like to bring to the attention of the government. Interest rates on mortgages in western Canada—and I know the same situation exists in eastern Canada, are entirely too high. The wages of money are out of all proportion to the wages of man. Too often have we heard the cry, "Give us this day our daily work." I think it is time we went back to the old prayer, "Give us this day our daily bread." The fact is that the wages of money in western Canada are entirely too high in proportion to the amount of work, or the lack of work, that is done by money. We agree that credit, as the Minister of Finance (Mr. Dunning) said, rests upon our ability to produce, our character, our judgment, our reputation and so on. Personally I borrow money at the banks and I have no particular objection to the banking system as it has been conducted in the past. But the fact is that to-day we are facing a new age of such tremendous potential production that we must change our banking system entirely. So, if the government would accept our suggestion, we would make the government sovereign over the production of credit and currency.

I should like to know just what is the policy of this government as compared with the policy of the government it superseded. It is apparent to me, whether or not it is apparent to other hon. members, that money should not be a commodity, to be traded in and juggled in all world financial dealings for profit. I believe it should be for the convenience of production, and the government should control the entire production of credit and currency. Naturally we wish to raise the standard of living of our people, and we propose to do so by giving the people a dividend out of the surplus production. This dividend, at which so many people smile, is based upon the production of goods. We do not wish to create a class of lazy people who will not produce real wealth. A nation that will not produce real wealth naturally will deteriorate. We realize that the farmers of western Canada and the manufacturers of eastern Canada can produce far more real goods to-day than ever before in our history, and if we had the proper machinery we would naturally reduce the man power necessary to look after those machines. That is perfectly true in the west and I know it is also true in the factories. Some of the finest machines that have been developed in the last few years have been bought up by the financiers in order to remove them from the market, so that these new labour saving devices will not be used. That is strange to me. The other day I had a letter from my brother, who lives in Bradford, England. In the factory in which he was working they refused to instal an automatic machine to look after the weavers, because it would put fifty men out of work and the city of Bradford wondered what they would do with those men. That is a problem facing us, and we might as well put the cards on the table and stop sneering about these problems.

I recognize that my philosophy may not be the one which will bring about a solution of our problem. I am a humble student of economics, and if anyone can show me a better philosophy I am willing to accept it. I am sorry the hon. member for Vancouver-Burrard is not in the committee at the moment; I should like to get his pamphlet and read it over, and if there is anything worth while in it I shall certainly add it to my philosophy. I have read the books of Ricardo, Adam Smith, Mills and other great economists. They lived in a different age, and the financial system of that time was probably suited to that age, but those who have eyes to see realize that the power age in which we live to-day has revolutionized the productive capacity of mankind. If that is a fact, as we believe it is, why not accept it and abolish the slavery and drudgery that exist?

I can go to my own home town, in order to show what we are up against, without reading from books. This is an actual incident. Our city fathers thought it would be a wise plan to bring in a machine, a caterpillar tractor, with scoops behind an elevator and with fingers on the scoops, that would go through gravel and dig a ditch twelve feet deep for a new sewage system. That machine crawled along slowly, but it did a tremendous amount of work and only two men were required to look after it. Then the city fathers said, "What are we going to do? Shall we pay the poor people the dole or shall we give them work?" They decided on the work and wages policy, sent the machine back to Edmonton and put the poor people back in the ditch. So the next morning one could see these fellows digging deep in the ditch in the muck and mire, and they were asking me for suitable clothes because some were fairly well dressed, their shoes and clothing not being suitable for work in the ditch. That is the situation. Was it a wise

move for that mayor and council to send the machine away and put those people at that work? Is that ennobling work? Is it the kind of thing to put these people at, improperly clothed, so that they would catch cold, or would it be better to use the machine? All over western Canada one can see tractors behind barbed wire fences; the farmers cannot use them because they have no money to buy gasoline, so they go back to horses, and many horses have been starved during the winter for want of proper attention and care. When we have gone forward in civilization we hate to go backward again. We hate to go back to the horse after having used the motor car and the tractor, and from the horse we hate to go back to the oxen. But if the aim is to produce less wheat we had better go back to the oxen and the single plough instead of the tractor with ten ploughs behind it.

The fact is that we are in a new age; we must realize that. Instead of giving these people the dole we must just give them a dividend. We suggest giving everyone a dividend, not to make fish of one and flesh of another. If one man happens to be receiving dividends to the extent of $50,000 and another man receiving nothing, we give them both dividends just the same. If the other likes to return the dividend to the state, well and good. We do not want to take away dividends from anyone; that is the beauty of these new economics. Even Maynard Keynes, after starting out to decry the old system of economics and proving our economics, at the end tries to go back to his policy of work and wages. That shows that although Maynard Keynes is writing for a group of professors, whereas I have spent most of my time toiling on the land, I can see his fallacies better than some of the professors because they in the universities are so far removed from real life. I am speaking this afternoon from real life, not from books. I could talk all night from these books that I have at hand; I have read all the books that the hon. member for Vancouver-Burrard (Mr. McGeer) referred to regarding Kitson and so on. I believe Kitson probably hit the nail on the head in regard to the gold standard when he said that gold is a symbol of hatred in the world. We believe that as a backing for money gold is a symbol of hatred. It is a begetter of war. If you sow hatred between nations because one grabs more than another, you are sowing war and will reap war. The people of Ontario and Quebec have not felt the depression to the full as others have, because they have so many gold mines in the northern part of those provinces, as we heard yesterday afternoon, and so much of their surplus labour goes to those mines. But is it wiser to produce gold from the ground; is it really a better commodity than wheat? Is it better that those who have invested largely in the gold mines of this country should receive such handsome rewards while those who have invested in land receive a poor pittance?

That is the story I have to tell the committee. I feel that the farmers are being enslaved to-day because they cannot pay the high rates of interest demanded by the mortgage companies of eastern Canada. In closing I should like again to say that I hope the Minister of Finance in his sound judgment makes the government sovereign over the control of credit and currency, and that credit and currency will be issued, as the hon. member for Vancouver-Burrard suggested, in terms of public need. Of course that may be considered a very wide statement. We think that you must have a national credit account and issue currency against the amount of real wealth produced in this dominion. Then you would have something upon which to base your currency and there would be no inflation, as so many hon. members have suggested.

I am sorry for having spoken at such length; I intended to say only a few things to elucidate some of our philosophy. There is so much that might be said about it but I do not wish at this time to trespass further on the indulgence of the committee. Therefore I take my seat hoping that some of the things we have said from this corner will be heard with some degree of assurance that we have studied this subject. We feel that something along the lines which we are suggesting is the only solution. I have yet to hear of any better solution from any other part of the house.

Mr. BENNETT: I think the word "registered" should be added in section 6, so that it reads "registered holder." It now reads:

(ii) four directors to be appointed by the holder of the class "B" shares . .

The words generally used throughout the act are "registered holder" as descriptive of a person who is a shareholder in the bank. The word "registered" should be added here if we are to maintain a certain measure of uniformity. Section 7 says, "the registered holder of ten class 'A' shares." "Registered holder" is the correct term from the drafting standpoint.

Mr. DUNNING: It would be "registered holder" of class "B" shares as well as of class "A"?

Mr. BENNETT: Quite so.

Mr. DUNNING: We shall have to go through it—

Mr. BENNETT: It is just a simple matter.

Mr. DUNNING: —so that the word "registered" may be inserted before the word "holder" wherever it appears in the whole section.

Mr. MACKENZIE KING: I so move.

Mr. BENNETT: When the word "shareholder" is used you do not have to say "registered shareholder," but when you say "registered holder" in one place you should carry the term all the way through.

Mr. DUNNING: If we can get an amendment which will enable the correction to be made it can then be made as indicated.

Amendments agreed to.

Section as amended agreed to.

On section 7—Qualifications.

Mr. HEAPS: I believe the minister was to make some statement in regard to the method of electing directors. He said early in the proceedings that he would have some remarks to make in connection with the method of appointing directors from the private shareholders.

Mr. DUNNING: I do not remember the statement to which my hon. friend refers. Obviously by the amendment only one will be elected each year. My hon. friend will understand how much that simplifies the matter. Only one is to be elected, and so far as the representative character of the directors is concerned may I say that that matter will be largely in the hands of the government, through the provisions passed in section 6. I take it that the shareholders, like any other shareholders, will be free to elect whom they wish and that in its appointees the government must take care of the representative factor contemplated by the original act and still contemplated in the amendment.

Mr. HEAPS: I am speaking of the directors who would be elected by the private shareholders of the bank.

Mr. DUNNING: Only one each year.

Mr. HEAPS: The minister will recall that when the bill was before us on a previous occasion he made reference to the fact that the chamber of commerce had elected their slate, and he said that the change in the measure would obviate conditions of that kind recurring.

Mr. DUNNING: Yes.

Mr. HEAPS: I wonder whether the minister had anything in mind at the time he made that observation.

Mr. DUNNING: Only that the system we are here setting up involves that only one director is elected in each year, together with the fact that occupational and other aspects can and should be taken care of by the government in connection with its appointees. These shareholders will vote for a director in the same manner as would any other shareholders.

Mr. BENNETT: Except that there is a limitation as to their proxy.

Mr. DUNNING: Yes; through the Minister of Finance they may vote by proxy. But there would be no necessity for a slate when only one is to be elected. It is quite obvious the problem disappears.

Mr. HEAPS: But the same propaganda as was carried on a couple of years ago could be duplicated, even only one director is appointed.

Mr. DUNNING: Anybody has a right to put out propaganda in favour of the election of a particular person.

Mr. BENNETT: Of any shareholder.

Mr. DUNNING: Yes, of any shareholder.

Mr. KINLEY: That chamber of commerce angle is a bad one.

Mr. DUNNING: I am not expressing my views. The hon. member will see that the problem does not arise by reason of the change we have made in the section which has just passed the committee. If the organization to which the hon. member belongs wishes to do so, it may spread all the propaganda it desires among private shareholders in favour of the election of a particular man, because only one needs to be elected by the shareholders.

Mr. KINLEY: It will not work with one.

Mr. DUNNING: No, and that is my point.

Mr. HEAPS: One is to be elected by the dominion at large; is that right?

Mr. DUNNING: By all the private shareholders of the bank.

Mr. MacNICOL: Now that the opinion of the directors, or whatever they are called, who are to be elected by the ordinary rank and file of the people, is to be of so little value, in view of the fact that the government will totally dominate the board, may I ask the minister if in his opinion men of outstanding capacity in any class will offer their services on the board.

Mr. DUNNING: I have no doubt about it. To be a member of the board of the Bank of Canada will, doubtless, be esteemed a great honour by any individual selected. I have no doubt about that, at all.

Mr. HEAPS: Is there any limitation as to the persons who may be directors representing private shareholders?

Mr. DUNNING: The limitations are contained in the section now under consideration. Section 7 of the bill, which deals with section 10 of the act, states that such person is to be a registered holder of ten shares. The section is as follows:

> No person shall be elected or appointed, or shall continue to hold office as a director who—
> (a) is not a British subject ordinarily resident in Canada; or
> (b) is employed in any capacity in the public service of Canada or of any province of Canada, or holds any office or position for which any salary or other remuneration is payable out of public moneys; or
> (c) has reached the age of seventy-five years.

There is provision for removal from office in case of incapacity. That is the provision in the original act, and it is carried forward into this bill. I omitted to say that such person shall not be a shareholder in a chartered bank.

Mr. STIRLING: With reference to the choice of the one director who is to be elected by the shareholders, did I understand the minister to say that the government would have a say in such selection?

Mr. DUNNING: No, except in so far as private shareholders may send their proxies to the Minister of Finance, as is provided in the original act.

Mr. BENNETT: I am bound to say that a few days ago the minister was unfair in his description of the election of directors of the bank. The chamber of commerce might not properly have done what they did, but they carried on a propaganda which any one could carry on and which, in fact, others did carry on. The only point was that they put forward a whole slate, rather than concentrate on one person. The minister described it as a fiasco; I heard him say it.

Mr. DUNNING: Not as a fiasco.

Mr. BENNETT: I never heard of a corporation which had eleven or twelve thousand shareholders expressing its will to the extent it was expressed by the shareholders of the bank in connection with the selection of directors; I never have known it done in this country. Usually a few men have proxies covering the whole matter, and it is just a matter of form. The chamber of commerce took the position of issuing propaganda, and carried it on to an extent which I think was most undesirable. It is needless to say that the government was not a party to it, in any sense. But who could prevent the chamber of commerce doing this? Who could prevent their issuing propaganda? But when you remember that eleven thousand people voted—possibly the deputy minister could give the correct number—

Mr. DUNNING: It is twelve thousand.

Mr. BENNETT: When you consider that that number voted, you realize it is an extraordinary thing to describe as a fiasco. I thought it was a strong statement.

Mr. DUNNING: My right hon. friend is correct; I did use the word "fiasco," when I referred to the fiasco which took place at the time of the first election of directors. However I did not intend to cast any reflection upon the right of any party to organize such propaganda, and I cast no reflection upon the methods of the chamber of commerce. So far as I am concerned, that is all past.

Mr. HANSELL: Can the minister throw any light on the term "diversified occupations" as it appears in subsection 2?

Mr. BENNETT: That was the whole point of the election.

Mr. HANSELL: I recognize that any director must have some knowledge of finance and banking. I wonder whether the thought in the minister's mind was that the directors would bring to the board some knowledge of industries, as well.

Mr. DUNNING: Those words appear in the original act, and they are not being changed. The intent at the time the measure was enacted was that stated by the hon. member, namely that the various broad divisions of industry might have a voice on the board of the bank. Certainly it is the intention of the government that that shall be done.

Mr. BENNETT: One was an agriculturist from western Canada; as a matter of fact, if I am correctly informed, he was a rancher.

Mr. DUNNING: A farmer-rancher.

Mr. BENNETT: Yes, and the other interests were represented. The hon. member is not aware of the fact, apparently, that the first election proceeded on the principle that

men of diversified occupations and interests should be represented. I am sure the minister could indicate the interests represented.

Mr. DUNNING: The designations shown here—I do not know how they were arrived at, I suppose they were stated by the candidates themselves—are, representing primary industry, Mr. Wright, who has been referred to as a western farmer and rancher; Mr. Bradshaw, "other occupations."

Mr. HEAPS: What is he? Is he in other occupations?

Mr. DUNNING: I merely give the designation here stated. Mr. Bradshaw represents "other occupations" than primary or manufacturing industry; Mr. Black, of Hamilton, manufacturing industry; Mr. McKean, of Halifax, primary industry—he is a lumberman; Mr. Magor, manufacturing; Mr. Beaubien, of Montreal, and Mr. Woodward, of Vancouver, are stated to represent "other occupations" than primary or manufacturing industry. I can follow now the designations. Primary industry apparently has two representatives, one lumberman, and one farmer and rancher; manufacturing has two representatives, and "other occupations" have three representatives on the present board.

Mr. WOODSWORTH: Will the minister state that in any real sense these men are representatives of these industries? They are engaged in these industries; that is all that can be said. It was a slate that was put over by the chamber of commerce.

Mr. DUNNING: That has been discussed.

Mr. WOODSWORTH: But the minister still persists in saying that they represent these industries.

Mr. DUNNING: I am not saying anything about them. I was simply answering a question and stating the designations given by these people themselves.

Mr. HEAPS: These people were all elected; the chamber of commerce undertook to try to influence the shareholders of the bank to elect this slate, and they succeeded. That is all there was to it.

Mr. DUNNING: If my hon. friend is going to make any extended remarks, perhaps he will permit me to say there is a desire to report progress in order that there may be an opportunity to present a report of a committee before six o'clock.

Mr. HEAPS: I shall not be a minute. A shareholder or director of a chartered bank is not entitled to become a director under the new set-up.

[Mr. Bennett.]

Mr. BENNETT: He never was.

Mr. HEAPS: The old act provided the same thing, but is there much difference between them and men who have large financial holdings in other financial institutions, like Mr. Bradshaw, for instance? I give that as a concrete example, although I do not like to mention names. It seems to me there is really not very much difference between the position of a man who may be a shareholder in a bank and that of a man holding a large interest in other financial institutions. It is practically the same thing.

Section agreed to.

Progress reported.

PENSIONS AND SOLDIERS' PROBLEMS

Mr. MACKENZIE KING: Mr. Speaker, I would move, with the consent of the house, that we revert to the order for motions, so that the Minister of Pensions and National Health may present a report from the committee on pensions and soldiers' problems.

Motion agreed to.

Hon. C. G. POWER (Minister of Pensions and National Health) presented the third report, also the fourth and final report, of the special committee on pensions and returned soldiers' problems, together with a copy of the minutes of proceedings.

He said: I should like to give notice that I shall move concurrence in the final report of the committee on Friday next, if this will serve as a notice of motion. The report will be printed in the votes and proceedings.

On motion of Mr. Mackenzie King the house adjourned at 5.58 p.m.

Thursday, June 11, 1936

The house met at three o'clock.

REPORTS OF COMMITTEES

Fourth report of the standing committee on miscellaneous private bills—Mr. McPhee.

Fourth and final report of the special committee on elections and franchise acts—Mr. Bothwell.

AGRICULTURE AND COLONIZATION

Mr. W. G. WEIR (Macdonald) presented the third report of the standing committee on agriculture and colonization, and moved that the report be concurred in.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, in two of the reports that have been presented reference

is made to the printing of certain documents. My memory is that some years ago the house provided for a special committee to consider what documents should be printed in the journals of the house, and as these recommendations contravene the provisions of that standing rule I suggest that some little consideration be given the matter before action is taken. At times every committee has the idea that it is highly desirable that the result of its deliberations should be printed, though I am bound to say that on careful consideration it does not always follow that an independent body reviewing those results would hold the same opinion. It was because of the vast expenditure that occurred in times past that the provision to which I refer was made. Under the circumstances I think it might be well that all these matters should stand before concurrence is asked, so that they may appear upon the order paper to-morrow and it may be clear just what is involved.

Motion stands.

WHEAT AND OTHER GRAINS

Hon. W. D. EULER (Minister of Trade and Commerce) presented the second, final and unanimous report of the special committee appointed to investigate and report upon the marketing of wheat and other grains and upon all matters pertaining thereto, and moved that the report be concurred in.

Right Hon. R. B. BENNETT (Leader of the Opposition): The report was not read, and I think the motion should stand.

Hon. H. H. STEVENS, (Kootenay East): Mr. Speaker, the report was not read. Personally I have not the faintest idea as to what is in it, and it seems to me at least we should have the ordinary rule carried out and the report read before we are asked to concur in it.

Mr. EULER: I quite appreciate the justice of the remarks of my hon. friends. In explanation I might say that the report was unanimous; there was no dissent by any member of the committee. I took it for granted that the report would be read when it was presented to the house, but some hon. members asked that it be taken as read. In the circumstances I am quite prepared to let the motion stand and move concurrence tomorrow.

Motion stands.

CRIMINAL CODE AMENDMENT

Hon. ERNEST LAPOINTE (Minister of Justice) moved for leave to introduce Bill No. 96, to amend the criminal code.

He said: The purpose of this bill is to amend twenty-two sections of the criminal code. Ten of the amendments relate to crimes and offences in a general way, and the other twelve relate to procedure.

Motion agreed to and bill read the first time.

COMBINES INVESTIGATION ACT

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved for leave to introduce bill No. 97, to amend the Combines Investigation Act.

He said: When the Combines Investigation Act was amended at the last session of parliament it was provided that not only evidence given orally but also any documents produced in a preliminary investigation might not be used in subsequent criminal proceedings. The purpose of the proposed amendment is to restore the act in this particular to what it was prior to the amendment of last year, so that documents which are produced in the course of an investigation will not be exempted from use in criminal proceedings.

There is one other minor amendment, the substitution of the word "or" for "and" in reference to the penalty. In the act as it now stands the clause reads "fine and imprisonment," which is clearly an error.

Motion agreed to and bill read the first time.

QUESTIONS

(Questions answered orally are indicated by an asterisk).

*THREE RIVERS, QUE., BRIDGE ACROSS ST. LAWRENCE

Mr. GARIEPY:

1. Has the government appointed the commission or board to inquire into the advisability of building a bridge across the St. Lawrence opposite to the city of Three Rivers, and other questions connected with this project?
2. If not, will the board be appointed before the end of the session?
3. When will the said board be appointed?
4. Will the government have a report on this project prepared before the next session of parliament?

Mr. RINFRET:

1. No.
2. No.
3 and 4. Under serious consideration.

PETIT DE GRAT, N.S., BAIT FREEZER

Mr. CAMERON (Cape Breton-North Victoria):

1. Is there a bait freezer or cold storage plant established at Petit de Grat, Nova Scotia?

2. If so, did the government assist in building such bait freezer or cold storage plant, and at what date?
3. Did the fishermen contribute towards the cost of erecting such freezer, either in cash or materials or labour?
4. Is the plant now in operation?
5. If so, is its operation satisfactory and economical?
6. What is the capacity and cost of operation for a year?

Mr. MICHAUD:

1. Yes.
2. Yes, in 1934-35 under the provisions of the fishermen's bait freezer regulations.
3. Yes, in cash.
4. Yes.
5. The plant is owned and operated by the Richmond Shorefish, Limited, a cooperative fishermen's organization. No complaint has been made to the department that it is not operating satisfactorily.
6. Its storage capacity is twenty tons. The yearly cost of operation is not in the department.

FISHERMEN'S LOAN ACT

Mr. REID:

1. How many fishermen have obtained loans under the Fishermen's Loan Act since the act went into effect and up to the present time?
2. What is the total amount loaned so far?
3. What is the average individual loan?
4. What amounts have been loaned in the various provinces respectively?

Mr. DUNNING:

1. None.
2, 3 and 4. Answered by 1.

ERNESTTOWN, ONT., TAX COLLECTOR

Mr. WERMENLINGER:

1. Was Mr. Stuart Simmons (referred to in question on the order paper under date of June 5, 1936) for some time tax collector for the township of Ernesttown?
2. If so, was there a shortage in Mr. Simmons' returns of the taxes collected by him, and was that shortage admitted both by Mr. Simmons and his bondsmen?
3. What was the amount of that shortage?

Mr. DUNNING:

1. No information.
2. No information.
3. No information.

QUESTION PASSED AS ORDER FOR RETURN

SEED GRAIN EXPENDITURES

Mr. BOULANGER:

How much money has the dominion government expended for seed grain, by provinces, during the past five years?

[Mr. D. A. Cameron.]

TORONTO POST OFFICE

WAGE RATES FOR PART TIME WORKERS

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I should like to ask a question of the Postmaster General (Mr. Elliott). I have received complaints in connection with the Toronto post office, some of them from men who formerly worked full time there—married men, some of them soldiers, some with families, getting only $5, $6, $8 and $10 a week. Would the hon. gentleman please look into these complaints? I have sent him a letter and I will send him some more.

Hon. J. C. ELLIOTT (Postmaster General): My hon. friend was good enough to intimate to me that he intended to ask this question. The number of men employed on part time work, to whom he refers, depends of course upon the volume of mail at the peak load. That is usually about five o'clock in the afternoon, and it lasts for varying periods, according to the volume each day, from perhaps two to three hours. They are paid forty-five cents an hour for whatever time they work. They are appointed by the civil service commission, and returned soldiers have the preference.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

The house resumed from Wednesday, June 10, consideration in committee of Bill No. 82, to amend the Bank of Canada Act—Mr. Dunning—Mr. Sanderson in the chair.

The CHAIRMAN: We are on clause 8.

Sections 8 and 9 agreed to.

On section 10—Capital.

Mr. BENNETT: What knowledge has the government or the minister as to the ability of the bank to employ advantageously this additional capital? Obviously it is not asked for by the bank; it is unnecessary for it to have the additional capital to carry on its business. The general view was that the government proposed, in the light of the statements made by the Prime Minister when in opposition, and by others, to acquire the outstanding capital stock of the bank, $5,000,000. This creation of an additional $5,100,000 doubles the capital of the bank. There has been no suggestion that there was any shortage of the capital necessary to enable the bank to carry on its business.

I should like to ask the minister on what basis he found it desirable to increase the

capital of this institution in order to attain the ends he has in view. I cannot but think that the general conception of what was meant by the statements made was that the bank's capital of $5,000,000 was to be taken over by the crown. Of course many people believed that the bank was to be a publicly operated institution, run as a department of government, and would be available for the discount of bills and for public credit for all those who desired to do business with it. That is the conception which many people formed, in opposition to the views expressed by ourselves at that time. The important thing is, on what basis does the government suggest that it was desirable to have another $5,100,000 capital for this institution?

Mr. DUNNING: The answer is very simple. To justify control by the government majority, and the appointment by the government of the majority of the board of directors, it was deemed desirable that a majority of the capital stock should be acquired by the government.

Mr. BENNETT: The minister will at once admit that it is competent for the bill to provide that out of the seven directors to be elected four shall be named by the government, and that the shareholders elect only three. There was never any difficulty about that. For instance it is provided at the moment that the Deputy Minister of Finance shall sit on the board but not vote; the governor is not a director, neither is the deputy governor, but he becomes a member of the board. There never has been any difficulty with respect to this parliament by appropriate action providing that the governor in council may appoint four directors out of the seven. It was not necessary to increase the capital stock to accomplish that end. The power of parliament to take that action is unquestioned, and is best evidenced by the fact that the governor and deputy governor are members of the board but not directors of the bank. All that is necessary is to provide that four persons be named by the government to be directors of the institution. To double the capital stock and add $100,000 more to accomplish that strikes me as a very strange anomaly, because it is provided that these same people, holding $5,100,000 worth of stock, cannot vote at shareholders' meetings for the election of directors. The capital stock is now $10,100,000 and only $5,000,000 can vote to elect directors. The other $5,100,000 must remain silent and not vote, because the government proposes to appoint four directors with eight votes. If that is not putting the cart before the horse, I cannot understand the ordinary significance of a transaction of this kind. Here it is provided that you double the capital of the bank and then add another $100,000, and the minister says that doing that will give the government control of the directors. The government does not propose to acquire the outstanding capital stock, as they have a right to do, in the same way as they would acquire a piece of land or any other commodity they might wish to possess—either by appropriation proceedings, by arbitrations or by reference to the exchequer court to fix the value and take them over. No; to accomplish the desired end the government has said: "We are going to increase the capital stock by doubling it and adding $100,000 more to it, and then we will not give them a vote." These four directors need not be men who possess the qualifications of holders of class "A" shares; they are merely named without any powers, and the government has no power to participate in the election of the three that are to be elected. I must confess I do not understand it.

Mr. DUNNING: There is a consequential amendment which I shall ask the Prime Minister to move. My right hon. friend has suggested the word "registered" should precede the word "holder." That becomes necessary in this section.

Mr. MACKENZIE KING: I move:

That section 10 of the bill be amended by inserting the word "registered" before the word "holder" at line 10 on page 5 of the bill.

Amendment agreed to.

Mr. BENNETT: There is another question I should like to ask, since I succeeded in getting no answer to the last one. What effect will this have upon the dividends on class "A" shares? The section states:

The class "B" shares issued to the minister hereunder shall carry with them the same rights and obligations as class "A" shares of the capital of the bank, except that the holder thereof shall not be entitled to vote at the election of directors.

That is the class of share that is to be issued to the crown. It has no voting power, but it has all the rights and other obligations of shareholders. What they are I should like to know. The next question is: What effect is it contemplated those will have upon the dividend policy of the institution with respect to class "A" shares, and will "A" shares and "B" shares both be entitled to receive, as I assume they will, the four and a half per cent dividend? Will the use of this additional capital, the $5,100,000, in any sense, in view of the knowledge the government must possess in the matter, affect the dividend payments on the "A" shares?

Mr. DUNNING: With respect to dividends, my right hon. friend is correct when he says that the "B" shares and "A" shares will rank alike. As far as my knowledge and information goes, the expectation of the "A" shares in regard to dividend will not be impaired by what is done here.

Mr. HEAPS: How will this capital be raised?

Mr. DUNNING: It will be part of our general financial operations to raise money and to invest it in this manner.

Mr. HEAPS: Will the government borrow the money to buy these shares?

Mr. DUNNING: Well, when a condition of deficit exists the government must borrow money for any expenditures in excess of its revenues, and of course this is an expenditure. I would point out to my hon. friend, however, that in connection with this matter, viewed purely as an investment, the rate of interest payable upon the shares is a little greater than the present cost of money to the federal government.

Mr. HEAPS: Would it not be as well if the government made a bookkeeping entry? Would it not be the same thing?

Mr. DUNNING: Probably my hon. friend is a more expert bookkeeper than I am.

Mr. HEAPS: I am not a bookkeeper at all.

Mr. DUNNING: I could not do it just in that way. That is the only answer I can make.

Mr. HEAPS: Is it not a fact that in this transaction the government are going to obtain majority control of the shares of the Bank of Canada? It would be interesting to know how this money by which they are going to obtain majority control will be raised. The government has a right to create money, and I think in this particular matter the logical procedure on the part of the government would be to buy out the existing shareholders. Evidently they have not thought fit to do that. They want a bank partly privately and partly publicly owned. All I am trying to ascertain is by what method the government will raise the money to obtain control of the Bank of Canada, which at present they do not possess.

Mr. DUNNING: There is in Canada what is known as the consolidated revenue fund, which, by law, represents all the money going into the treasury, from whatever source. In this instance we have an investment which will yield a certain return. The provision at page 5 of the bill indicates that the minister may pay for the shares acquired out of the consolidated revenue fund. That increases the dominion's investment account by that amount of money. It is not merely a bookkeeping entry; it is an investment, and one which will yield more than or at least as much as the money costs. I cannot tell my hon. friend precisely what will be the cost of any particular sum of money out of the consolidated revenue fund. I cannot do that, because the borrowing operations of the government cover a great variety of requirements at a great variety of periods. At the present time, for instance, there are outstanding something like $120,000,000 of three months treasury bills, in respect of which the effective rate is below one per cent per annum, but there are also outstanding issues of securities with varying terms. If my hon. friend were to ask me what rate I would be paying and what terms I would be offering two or three months from now I could not tell him; I would have to endeavour to make the best possible arrangement under the financial conditions then prevailing, which might be more favourable to short term and less favourable to long term, or the reverse of that. Matters of this kind require continuous close attention, study and determination in the light of circumstances prevailing at the time money is secured to replenish the consolidated revenue fund.

Mr. HEAPS: Then, is it the intention of the minister to borrow money to obtain this $5,100,000 worth of shares in the Bank of Canada?

Mr. DUNNING: At the moment I can answer my hon. friend in this way: We do not require to.

Mr. BENNETT: Mr. Chairman, no answer such as that can be regarded as satisfactory.

Mr. DUNNING: I am sorry if it cannot. I have answered it to the best of my knowledge. My right hon. friend might probably do better; he may try.

Mr. BENNETT: I am bound to say the irritability of the minister does not enhance his reputation or assist in the passage of his bill.

Mr. DUNNING: No?

Mr. BENNETT: We have a right to ask certain questions with respect to the matter.

Mr. DUNNING: But you are not a schoolmaster.

Mr. BENNETT: No, probably not. If the Minister of Finance thinks that is a clever observation—

Mr. DUNNING: I do not think it is clever.

Mr. BENNETT: —he is quite welcome to receive any benefit he wishes to receive from it. I can only say to him that his answer is not adequate; that is all. I propose to ask him further questions upon it.

Mr. DUNNING: That is quite all right.

Mr. BENNETT: As I have a right to do.

Mr. DUNNING: Absolutely.

Mr. BENNETT: His irritability will not assist him in passing his bill, and neither will his cheap observations of the character to which I have just listened.

Mr. DUNNING: Nor your schoolmaster tactics.

Mr. BENNETT: I am addressing the Chair. There are no such tactics as those assumed by the minister. I am desirous of obtaining information, and that information I propose to get. Here is a bank created by the parliament of Canada, with a capital of $5,000,000. It pays 4½ per cent on that investment. Its capital is being doubled now, without any request from the bank or suggestion that it found itself short of capital, and the minister said that the reason for it was the desire to obtain control for the government of the institution. Instead of proceeding to expropriate the shares, as he has the right to do, and as normally would be done, by taking the proper steps to expropriate $5,000,000 of shares, and have their value fixed by the exchequer court or by arbitration, the minister increased the capital of the bank by $5,100,000, making the total capital $10,100,000, and the statute says that the money necessary to pay for them shall be paid out of consolidated revenue. It does not leave it a question of option, but says they "shall" be paid for out of the consolidated revenue fund. We know from the statement made by the finance minister on the budget that this country has made no provision for that payment. Therefore the money must be borrowed, and the very proper question was asked, whether or not it would be borrowed. To that question the minister replied that if we had to pay it now we would not have to borrow, which means that there is $5,000,000 in the treasury that might be used for that purpose. That was no answer to the question. The question was, will this money have to be borrowed? The minister clothed his answer in many words, as to its being an investment. It is an investment in the bank, and according to the statement made by the minister on the budget—and certainly the revenues of the country so far as customs are concerned have not increased beyond his expectations—the money will have to be borrowed.

The point I was endeavouring to make was why we should proceed by this method to risk our ability to pay what we promised to pay with respect to the "A" class of shares, by doubling the capital and borrowing the money, and running the risk of leaving in the hands of the bank, not in the hands of the government, an investment of $10,000,000 upon which 4½ per cent interest is to be paid. What we really have done by this bill is to provide for borrowing $5,100,000 of money, and handing it over to the bank to invest in such a way as we hope will bring us a net return of 4½ per cent. That is the situation as far as I can see it. That may be the tactics of a schoolmaster, as the minister says, but I am endeavouring to be enlightened, and I would like to have some further information on that point. I never have been able since I saw the bill to understand why any government found it necessary to double the capital of the bank for the purpose of being able to name four directors with two votes each. The only thing that need be done is to expropriate the $5,000,000 of shares outstanding. That was even discussed in this chamber on one occasion; the now Minister of National Defence (Mr. Mackenzie) made some references to that method when discussing the report that came from the banking committee.

Mr. MACKENZIE (Vancouver): I moved an amendment in committee to that effect.

Mr. BENNETT: That is my memory of it, but I have not turned it up during the present debate, and therefore I speak only in general terms. The fact is that what we have done by this bill is to place in the hands of the Bank of Canada $10,000,000 instead of $5,000,000, upon which we are to pay 4½ per cent interest, and we are to borrow $5,000,000 of that additional capital, instead of taking the ordinary precaution that would be taken by business men of expropriating the shares as they would in the case of land or any other property they might desire.

When the present Minister of Finance was Minister of Railways, or perhaps he was then Minister of Finance, he filed a plan that expropriated to the crown large properties in the city of Montreal. The same steps by appropriate legislation could be taken here, and the government could even have named four directors without any expropriation proceedings at all. Therefore I find it difficult to understand the necessity of doubling the capital, on the one hand, and of borrowing,

as we must if the budget expectations are realized, the money for the purpose of enabling the bank to have an additional $5,000,000 to invest—because that additional amount is not required for the purposes of the bank—and, on the other hand, the necessity of maintaining the payment of a dividend of 4½ per cent on the entire $10,000,000, when if additional money were required by the bank for temporary purposes it could be borrowed for less than one per cent, according to the statement just made by the minister.

Mr. DUNNING: Mr. Chairman, if I am clear as to the question—and I am not precisely clear—it is why the government did not proceed by way of expropriation of the existing shares; and that question was related to the other one, how would the money be raised? If the government had proceeded by way of expropriation of the existing shares, obviously money would be required for that purpose, and so I think that disposes of the question between those two methods.

With respect to the other point, the government believed that ownership normally in this country is represented by authority and control, and that it would be fairer to everybody concerned for the government to be an investor along with the other investors if it proposed to take control of the institution. That is to say, the government takes control of the institution not by force majeure but by an actual investment by the country in excess of the investment of private investors, thus justifying the government in assuming complete control of the institution by majority control and ownership.

Mr. QUELCH: This bill will give the government greater control over the bank's policy, and therefore when we vote on this bill we will be voting on the question whether we are in favour of the government being given greater control. In view of that fact, could the minister tell us briefly what the policy of the government will be in the matter, whether it will differ materially from the present policy, and if so in what way?

Mr. DUNNING: I think I attempted, Mr. Chairman, in the address I made on the resolution preceding the bill to outline the factors which enter into considerations such as those now expressed by my hon. friend. I can tell him quite frankly that in justice to the great interests of the people which must be served in this matter I should be doing them a disservice if to-day I indicated to this House of Commons what the present policy of the bank is with respect to its day to day transactions. I should be doing those great interests a disservice if I indicated what the policy of the government would be in connection with the major policies of the bank. If, for instance, just as an illustration, I indicated that it was the policy of the government, and therefore the policy of the bank, steadily to expand the volume of currency and credit, such statement by me from this place would be taken by everyone as an invitation to speculate in commodities and stocks because there would be the maximum possible assurance of a rising price level, depending upon the extent to which that policy was followed. There must be from day to day, from week to week and from month to month, by the experts in the employ of the bank, by the executive board of the bank, and particularly by the governor and deputy governor, and communicated to the Minister of Finance from time to time in order that he may be informed, continuous study of all the factors that have to do with the economics of this country in so far as they can be affected by monetary policy. I am not one of those who believe that monetary policy is the only factor in the economic welfare of the people. Many tend to exaggerate its importance, but at the same time I do not want to minimize its importance. When we have, as we have in Canada to-day, a managed currency, managed by the Bank of Canada, which obviously becomes a definite instrument of government policy, that materially increases the responsibility with regard to a declaration of policy. I can say in broad terms that I should regard a policy of deflation as utterly out of the question under the conditions which prevail to-day, but as to the extent to which any policy opposed to deflation may be applied, it must be a question of continuous study of all the factors entering into the problem on the part of those who are trained to assess their value and their effect, along with other factors, upon the economic life of the nation. I do not think I should be asked to go further than that in this matter.

Mr. COLDWELL: I was going to raise another point. Do I understand that any other powers than are to be found in clause 13 of this bill amending the principal act are conferred anywhere in this bill? If so—

Mr. DUNNING: What section?

Mr. COLDWELL: Section 13.

Mr. DUNNING: We are not there yet.

Mr. COLDWELL: No, but that point was raised. The question of power and policy was brought up and I could find nothing in the act other than this section dealing with the powers or policy of the bank. Consequently—

Mr. DUNNING: Has my hon. friend read, not the amending bill, but the act itself?

Mr. COLDWELL: Yes, I have; but we are discussing new policies. Is there anything giving the bank a wider policy now—anything wider than is to be found in the old act?

Mr. DUNNING: Not with regard to the matters about which the hon. gentleman was asking.

Mr. BENNETT: In view of the answer made by the minister, I have only to point out that it was not necessary even to expropriate the $5,000,000, because $3,000,000 would have secured control of the bank—sixty per cent. The statement made by the minister that we in this country have a conception of ownership such as he has indicated does not apply to myself. But again, I may be entirely wrong. If anyone should tell me that the right of ownership to a share of stock in a joint stock company was such as the minister has suggested, then he would have to overrule several decisions of the courts of this country. Minorities have rights in joint stock companies, and no majority holder of shares, whoever he may be, even the crown itself, can exercise his rights in such a way as to impair the rights of the minority. The decisions of the courts are clear on that point, so long as they act within the sphere of their rights. All that was necessary was to expropriate fifty-one per cent, or, as I suggest, sixty per cent of the $5,000,000 of shares, representing $3,000,000, and a single section would have given the government the right to acquire by expropriation or negotiation, at a price that might be agreed upon, the sixty per cent of shares in the concern. And having acquired them they would then have the power to elect the four of the directors. But, as brutally put by the minister, the ownership of an interest in a joint stock company being of the type that he has indicated, I think there is some question about it. But once more, that may be merely the schoolmaster's view and not that of one who has knowledge of the subject.

Mr. DUNNING: It is the lawyer talking now.

Mr. BENNETT: No, it is one who is trying to lecture the minister and who is performing the functions of the schoolmaster—perhaps that is the minister's belief. I have not been able however, nor am I yet able, notwithstanding the explanation given, to understand why the doubling of the shares of this bank was done in that way, when we know that $5,000,000 is not necessary for any purpose of the bank; and the minister has declared the reason why it was done. What I have never been able to understand, since the minister made his statement when he introduced the bill, is why the acquisition of sixty per cent of the shares of the bank would not have served the purpose. To assert the holders of shares in the bank had a misconception or a misunderstanding of their position is entirely beside the question. They all knew that they had made an investment that would give a four and a half per cent return, and they knew that the bank was under the control of the government, indirectly and not directly. What is changed is the method or form by which that control is being effected; and to increase these shares by borrowing an additional $5,100,000 to put in the hands of the bank to endeavour to secure the whole $10,000,000 at four and a half per cent, when money can be borrowed at as low as less than one per cent—that is, short term money, treasury bills—is something that I have never been able to understand. The minister's statement is that this is the policy of the government, and that has always been a complete answer, to say that it is what the government wishes to do.

Mr. GRAY: They were forewarned.

Mr. BENNETT: Forewarned?

Mr. GRAY: Yes, by the present government when in opposition.

Mr. BENNETT: The hon. gentleman has now strengthened the argument I was making. The existing shareholders were forewarned that their shares might be taken away by expropriation. But that is not what the government did, and that is exactly the point. As the Minister of National Defence has said, he moved an amendment that indicated what the opposition's views were, and as the hon. member (Mr. Gray) now says, they were forewarned that their shares might be expropriated. That made a good case for expropriation and destroys the case now made for borrowing an additional $5,000,000 to hand to the bank for the purpose of investment, when it is admitted that the bank does not require additional capital to carry on its functions.

Section agreed to.

On section 11—Transfer or disposal of shares carried in excess of fifty or by person ineligible.

Mr. BENNETT: The only change is the use of the words "class A"?

Mr. DUNNING: It is consequential, entirely.

Section agreed to.

On section 12—Commencement of business.

Mr. DUNNING: This is no longer required.

Mr. BENNETT: Once more I find it difficult to understand why this provision should be taken out of the act. The act was to provide for the incorporation of a bank, and this is one of the most important sections of all, because it provided that the bank should come into being whenever the capital stock had been subscribed and payment made. That has happened now, but the section is being taken out of the act. Speaking once more as schoolmaster, I find it extremely difficult to understand why, after you have passed an act that incorporates a bank, you take from it the section that has to do with its right to carry on. It has never been done at all at any time.

Mr. GRAY: It is an entity now; it has been created.

Mr. BENNETT: Yes, but when you look at the statute hereafter you will find that there is nothing left to show that that was done.

Mr. DUNNING: Oh, yes.

Mr. BENNETT: Section 20, which is being repealed, reads:

(1) Whenever the capital stock of the bank has been subscribed and payment in money made to the amount of twelve dollars and fifty cents per share, or such larger amount as the minister determines, the minister, when authorized by the governor in council, may issue a certificate authorizing the bank to commence business on a date to be fixed therein.

(2) The bank shall not issue notes or otherwise engage in business until the date fixed in such certificate except to do what is necessary or advisable to enable it to commence business on the said date.

What we did was to take a number of the officials and make them provisional directors, and they carried out all the antecedent prerequisites of a corporate organization to enable the bank to function; and this section is one of the conditions prerequisite to its functioning. Now it is being taken out of the statute so that when you refer to the consolidation of the Bank of Canada Act you will find this section gone and no section providing in any way for what is in that section provided for. It is always customary to leave in a statute everything that has to do with the organization of an institution. If anyone other than I were saying this, it would be regarded almost as an axiom that you would never do such a thing. However, I am not endeavouring to lecture the minister with respect to it; if I were to use the harsh word that is in my mind with respect to it, it would but do justice to the occasion. It is almost absurd to think that this section should be taken out—absurd, that is, to any practising lawyer.

Mr. DUNNING: Would my right hon. friend like me to tell him why it was taken out?

Mr. BENNETT: I should be glad to hear the explanation.

Mr. DUNNING: As a matter of fact no question of policy at all is involved in the repeal of the section. The lawyers of the Department of Justice indicated to the Department of Finance that the section was no longer necessary, and for that reason it is being removed. They did suggest, and we have already passed a provision back on page 2 of the bill, that "The bank is and shall continue to be a body politic and corporate." The advice I have from the legal advisers, to whom I must listen, is that that section is no longer required. My right hon. friend may be right, but when I come to a bill amending another act and have advice from the law officers of the crown that a section of the original act is entirely unnecessary, I follow that advice. That is the reason and the only reason why it is taken out.

Mr. BENNETT: There is just one question that my hon. friend from St. Lawrence-St. George (Mr. Cahan) has put to me. What authority is there in this act to carry on business at all?

Mr. DUNNING: "The bank is and shall continue to be a body politic and corporate."

Mr. BENNETT: That does not answer the question.

Mr. DUNNING: And the remaining powers of the bank are stated in various sections.

Mr. WHITE: What harm will be done by leaving section 20 in the act?

Mr. DUNNING: I do not wish to get into a legal argument. The Minister of Justice (Mr. Lapointe) is my legal adviser; he can handle it.

The CHAIRMAN: Is the section carried?

Mr. BENNETT: I protest against this being repealed.

Mr. WHITE: Why not leave it in? No harm will be done.

Mr. DUNNING: There is no harm in it any way.

Section agreed to.

On section 13—Exchange.

Mr. STEVENS: I have been waiting patiently until we should come to section 13, which is, if I may use the expression, the operative clause of the act. I have not been very much concerned about the change in the set-up of the bank, for the very simple reason that the directorate, whether it consists of seven or fifteen or any other number, amounts to very little because no action of the directors can override the decision and the will of the governor or, in his absence, the deputy governor; and that is virtually the situation. I mention that because I was not much concerned about this discussion as to the change in the set-up of the bank. I do not think very much change has been made, except in form. What does concern me was contained in a question asked a few moments ago by the hon. member for Acadia (Mr. Quelch), regarding the matter of policy. The minister replied that in his opinion it would be inimical to the best interests of the bank and the country for him to enlarge in a statement on what the policy of the government or of the newly government-controlled organization, the Bank of Canada, would be.

I asked the minister when we were on the resolution—I think, in ample time—if on the second reading of the bill he would be prepared to make a statement with respect to that matter. No statement was made on the second reading, and no discussion at all occurred. Now, while I respect the delicacy of the situation, and, perhaps, the difficulty the minister finds himself in, I submit to him and to the committee that if we are sincere in what we are doing to give effect to what was said regarding this matter in the speech from the throne, and if we are to have confidence in the declarations of members of the government, including the Prime Minister and the Minister of Finance, who have spoken on this matter, we must recognize that the government is taking new and definite control of this bank. That is the only excuse for the presence of the bill. I still question the adequacy, shall I say, of the method, but that has been adopted by a majority of the house, and I bow to the will of the majority. If therefore the government is stepping into this picture in a new way, exercising what it claims to be adequate authority, and, as the speech from the throne says, taking effective control of the bank, I submit the committee is certainly entitled to a larger measure of confidence from the government as to its intentions in the future. In his reply to the hon. member for Acadia the minister used an adjective with which I agree; he said he would not make any statement regarding the "day to day" operations of the bank. It would be ridiculous to suggest that the minister or any officer of the bank or other person should make a public statement as to the detailed or day to day routine operations of the bank. Now on the question of broad policy—

Mr. DUNNING: What phase of it?

Mr. STEVENS: That is the object of my remarks, though perhaps it will take a few paragraphs to state it; as to the broad policy of the bank I think the committee is entitled to a greater measure of confidence from the government.

In order that I may not be considered presumptuous in making the suggestion I shall read a few extracts from the speech of the governor at the first annual meeting, on February 25, 1936, of the shareholders of the Bank of Canada. I pause to make the statement that the country and the bank are fortunate in having as governor and deputy governor of the bank two gentlemen who without question are clothed with ability and experience quite adequate for the positions they hold, and it is my opinion that during the time the bank has been in operation, within the limits of their powers, and, I might add, the policy behind the bank's operations, these gentlemen have discharged their duties in a manner commendable to themselves and commensurate with the task they undertook. Further, the bank has been in operation only a little more than a year, so that I am not expecting to see any very startling results up to the present. I think the experience we have had indicates that the central bank in its initial stages has been reasonably satisfactory, but I also believe, as the government, too, must have in mind, that we have now come to a stage in the development of the central bank where a larger measure of public interest in the institution should obtain. It is upon that assumption that I proceed with my remarks, and quote from the address of the governor. I hope the minister will note the language, in view of the fact that we are requesting him to give us some information as to the government's attitude and policy. The governor says:

> A policy of cheap and abundant money is the orthodox contribution of a banking system toward recovery from a depression.

That is a very singular statement. We are still in a depression. Unemployment is still rampant throughout the country. We are still confronted with many problems—fundamental problems, in my opinion—regarding the causes of the depression, and I submit we have not yet directed sufficient attention to the removal of those fundamental causes. So that when the governor of the Bank of Canada makes a

statement of that kind, parliament at least should take more than ordinary notice of it. I repeat it:

A policy of cheap and abundant money is the orthodox contribution of a banking system towards recovery from a depression. Such a policy undoubtedly contributes, firstly, to a relaxation of the pressure to liquidate and, secondly, to a recovery of business and to the reestablishment of government finances, which are sure to be adversely affected at such times through relief expenditures and other unavoidable commitments; but if the policy is pursued too far the situation may become unmanageable when a revival develops.

Without indulging for the moment in any speculation as to what should be done or to what extent the government should use the resources and services of the bank in a contribution towards recovery from the depression, I cite this paragraph as indicative of what must have been in the mind of the governor of the bank, and it is more or less a challenge at this time for a statement by the government of the country, which is now assuming control of the bank, as to what is its attitude. I know of no place, Mr. Chairman, where this should be stated other than in this house; this is the place.

Mr. DUNNING: I thought I said it a few minutes ago.

Mr. STEVENS: While I recognize that the minister feels he is in a delicate position, that delicate position cannot excuse him from taking the house into his confidence to the fullest extent possible, if necessary even to the point of having a private session of the house, which has been done under conditions not more serious than those obtaining in Canada at the present time. Since I have been a member of the house we have had on at least two occasions, I think, secret sessions. I am not suggesting that this should be done; I am prepared to have any discussion of this kind wide open, but I do say the minister cannot shield himself behind the statement that if he were to make any declaration on the subject it might prejudice the interests of the bank or of the country.

That is one statement I wish to direct to his attention. Then on the next page the governor makes a further statement, referring to advisory functions. I pause at this point to suggest that apparently the governor considered his duties largely advisory, but it must be remembered that this assumption was based upon the act as it was originally passed and the bank as it was originally organized. According to the speech from the throne and the declarations of the Prime Minister, however, we are making a change in that situation, and the government now is to control the bank. In other words all the statements made by members of the government during the election campaign and in their criticisms of the original act two years ago, as well as the inference contained in the speech from the throne, indicate that they were not satisfied with the organization as it was originally introduced. Therefore I am justified in assuming that while the governor may have taken the position that his chief function was an advisory one in his relation to the government, if we are to be logical something must be added to this advisory function now. In that respect the governor has this to say:

Nevertheless, we have every inducement to be impartial. Advice must often, perhaps usually, be the chief form of assistance which we can render to the governments of Canada, inasmuch as our necessary concern for the cash basis does not permit us to make large advances of a kind which we cannot offset if that policy were requisite. It should not be inferred, however, that we are unable to furnish temporary accommodation at appropriate times.

The suggestion that occurs to me, from the language I have just quoted, is that under the old organization the governor of the bank considered that it was his duty to be extremely careful as to the extent he might go in regard to advances to the government or, as he says, in furnishing temporary accommodation; that he must be restricted because under the old set-up he conceived his duty to be largely of an advisory character.

Now I turn to another more practical and to my mind very much more vital part of the address, which I think is peculiarly appropriate to this particular section. Before I read it I will invite the committee to observe that section 13 amends the original provision that gave the bank power to do certain things, or in other words very largely defined the functions of the bank. I am not going into a detailed analysis of those functions; I merely invite the committee to consider the facts as they are outlined in that section. It will serve my purpose to cite just a few of these clauses. Paragraph (d) indicates that the bank may buy and sell securities issued or guaranteed by the Dominion of Canada, and now an amendment has been introduced changing the former limitation.

Mr. DUNNING: Expanding it.

Mr. STEVENS: Yes, amending it and expanding it. Under the amendment the bank may buy and sell securities issued or guaranteed by the Dominion of Canada of any province, but at no time shall it hold such securities having a par value in excess of fifty per

cent of its outstanding note issue and deposit liabilities. I pause there to draw to the attention of the committee a circumstance that has developed in recent years. Within the last few years, I might say during the years of the depression, the chartered banks of Canada have been called upon to acquire an ever-increasing quantity of dominion and provincial government securities. I thought I had under my hand an exact statement of the amounts, but I think I can quote them from memory. About six years ago government securities held by the chartered banks of Canada totalled in the neighbourhood of $350,000,000. A reference to the last monthly bank statement will show that to-day the chartered banks of Canada hold approximately $1,350,000,000 of such securities. In other words the public securities held by the banks in their portfolios to-day total approximately a billion dollars more than they did some six years ago.

Without debating for the moment whether that is sound or unsound, whether it is good or bad, I say it is a major factor that ought to engage the attention of parliament. My own opinion, which I offer with some hesitancy, is that it is unfair to the chartered banks, the commercial banks of Canada, to ask them to carry such a tremendous quantity of government securities. And this is where I come to a suggestion as to what in my opinion should be a directing policy of the government in its position as controller of this Bank of Canada. It should be the policy of the dominion government to relieve the chartered banks, as rapidly as is consistent with sound finance, of a measure of that burden. I agree with the minister that some of these are delicate matters that should not be recklessly debated, and I do not intend to give utterance to any extreme views with regard to them, but I call attention to the fact which I have cited, one which I think challenges the consideration of the government and of the Bank of Canada and in my opinion should engage the attention of parliament.

Then, paragraph (f) provides that the bank may:

> ... buy and sell securities issued by the United Kingdom or the United States of America, having a muturity exceeding six months from the date of acquisition by the bank, but the bank shall at no time hold such securities of a par value in excess of twenty-five per cent of the amount of the paid up capital of the bank.

I am not going to discuss that; I merely cite it as one of the powers of the bank. The importance of it will appear when I read from the speech of the governor.

The next clause is of very great importance. Before reading it may I make this statement. We have set up what we call a central bank; we are enlarging the government control of that bank. It is a fair assumption that it is the intention of the government to use that bank in much the same way as other countries have used similar institutions, otherwise there is no sense in all that we are doing. When the commercial banks acquired this huge quantity of public securities it necessarily followed that their resources for commercial business were curtailed. I know the answer to that; I notice the minister shakes his head. The answer is that there is abundance of resources in the banks for all loans. I am not going to enter to-day into a discussion of that. But I say that taking the situation as we now have it, having regard to the tremendous increase of government securities in the hands of the chartered banks, we are justified in assuming that their capacity for commercial loans has been somewhat curtailed.

Paragraph (g) reads as follows: The bank may—

> ... buy and sell or rediscount bills of exchange and promissory notes endorsed by a chartered bank drawn or issued in connection with the production or marketing of goods, wares and merchandise as defined in The Bank Act, excepting those mentioned in paragraph (h) of this subsection, and having a maturity not exceeding ninety days, excluding days of grace, from the date of acquisition by the bank.

Before that paragraph passes I think the committee should consider whether sufficient latitude is permitted to the Bank of Canada in the powers of rediscount therein granted. Again I say it is a question of opinion, but I invite the minister and the committee to give consideration to that feature, because this is one of the powers which will enable the bank to enhance greatly the powers of the chartered banks in the discount market.

I wish now to read what the governor of the bank had to say on the subject to which that subparagraph relates. I quote from his speech of February 25. The heading is "Treasury Bill Market."

> It is universally recognized that a central bank is hampered in its operations where an active bill market does not exist. Few countries, however, have the bill market they would like. Under present conditions a fairly satisfactory market can be established, if there is a sufficient volume of treasury bills, if there is a good institutional distribution of these, and, in particular, if it is the commercial banks' policy to hold treasury bills as their secondary reserve. The mere existence of a central bank at once widens and strengthens the market for first class bills, since the central bank itself will be a large holder and will engage in purchases and sales in pursuance of its open market policy, and for other reasons. In so doing, it is likely to have the effect of

steadying the rate. The Bank of Canada can, I feel, claim that it has been of assistance in both these respects.

Canada has been handicapped, as the governor points out, by the absence of a fairly extensive bill market. We have not and cannot expect to have a bill market such as they have in London or New York, but the government can greatly assist if its policy is gradually to extend the bill market in Canada. The government could very well declare, without in the slightest degree impairing the present banking situation, or without any danger of encouraging wild speculation, as the minister puts it, that its policy will be not only to encourage the establishment of a bill market but to do everything in its power in cooperation with the Bank of Canada to secure the use of all the facilities that can exist in Canada for the encouragement of the buying and selling of bills. I shall not go into an analysis of the practice elsewhere, but I assume it is known to all that, for instance, in London a bill of sixty days or three or four months may pass through a dozen different hands during the period of its currency. I have seen bills that were endorsed so often that they had to stick on additional paper on which to write the endorsements. That is an active bill market; and a very small margin of profit, running to three or four decimals, is sufficient for the purposes of such a market. Nothing of the kind exists in Canada, but I can readily see how there could be built up in Canada an active bill market not only for government bills but also for commercial bills such as those indicated here. That leads me to suggest that possibly it might have been better if in this section the term of maturity had been made four months instead of ninety days.

Mr. DUNNING: The next section covers certain classes.

Mr. STEVENS: Yes, but not the ordinary class.

Mr. DUNNING: Yes—"(p) do any other banking business—" There is provision for up to one hundred and eighty days with respect to paper connected with the production or marketing of products of agriculture, the forest, the quarry and mine, or the sea, lakes and rivers.

Mr. STEVENS: I am glad the minister mentioned that, because I intended to refer to it. These, however, are what are known as active commercial bills dealt with in section (g) to which I have referred. The reason there was an enlargement of time in respect to the class of bills to which the minister refers was this: Take for instance live stock. It was found it was not possible to merchandise live stock within ninety days. Frequently those who were handling live stock on credit through the banks found that they were forced to liquidate prior to the time that the stock was fit to sell. Your market might on a certain day or certain week or weeks be so low that it would be unprofitable to market. And so it was found that so far as live stock and some other products of that class were concerned a larger period should obtain. However I am speaking of rediscount, bills of exchange, promissory notes and the like. They are more along the line of what might be called ordinary commercial paper. I suggest therefore that the minister would be quite within his rights and would not in any way jeopardize the interests of the bank or of the country if he made clear to the house what is to be the attitude of the government in regard to these and indeed other matters which in my opinion are vital to the operation of the Bank of Canada and its relation to the government and the problems of the country.

Another point I might very properly raise has reference to the production of gold. In this connection I shall give the figures for the last seven years. The production of fine ounces of gold for each year during the period 1929 to 1935 was as follows:

	Fine ounces
1929	2,238,452
1930	1,079,504
1931	2,344,281
1932	2,653,326
1933	2,789,285
1934	3,160,390
1935	2,871,845
Total	17,137,083

Canada is one of the largest producers of gold; I believe it is now in second place, although in the last year or two Russia has challenged our position in that respect. However it is safe to say that in the production of gold we are one of the first three countries. The question which occurs to me is this: What is to be the government's policy as to its control of the Bank of Canada in regard to the holding of a larger quantity of gold? In the disposal of gold what form or general policy will be adopted? If we are simply to take gold and use it as a commodity, exporting it as it is produced to the markets in New York and London, and occasionally in Paris, are we exhausting our possibilities under a system of finance operating through the Bank of Canada? The question might be asked: Has the government considered the advisability of retaining in Canada a larger portion of gold produced?—because I find

that the export of gold in the seven year period I have indicated almost equals the total production. Although I have not the figures under my hand, may I say that by checking I found that the export of gold practically equalled the production. Is it advisable to consider increasing Canada's reserve of gold and under existing laws making use of that reserve? I am quite aware that there is a distinct cleavage of opinion, but I do submit to the minister that with respect to these matters to which I have referred, and perhaps other matters to which I have not had time to refer, he might reasonably give the house a statement of government policy. While, I repeat, I respect the minister's sense of delicacy in dealing with these matters, surely if the government of Canada is to acquire and exercise control over the Bank of Canada, parliament has a right to know at least the broad general lines of policy of that bank operating through the new control, namely the government of Canada.

Mr. DUNNING: Mr. Chairman, I had not in mind quite the class of question the hon. member for Kootenay East (Mr. Stevens) has raised. I do not think the hon. member who asked the question about the broad policy to be adopted had in mind the matters to which the hon. member for Kootenay East has referred. I did not make note of his various questions as he proceeded to speak, because I expected each one would be the last, and up to a certain point I had succeeded in keeping his remarks in my mind. If in replying I do not cover all the points, perhaps the hon. member will come to my assistance. I had prepared some observations which I intended to use in reply to questions addressed to me a few days ago by the hon. member, and perhaps at this time it might be well to give expression to them.

The process of affecting our price level by monetary action is not nearly as simple as some would have us believe. Under certain conditions the price level will rise even if there is some decrease in the amount of cash in the country. Under other circumstances the price level will fall even though the cash is increased. Because of the introduction of greater weight, for the time being, of some other factors, conditions change from day to day. So that a policy in regard to cash which is proper in May may not be proper in June, even if the goal towards which we wish to move remains the same.

I believe it would be incorrect and improper for me to indicate my personal opinions or to appear to voice the opinion of the government with regard to the objective which we should attempt to attain in the matter of the price level, or to indicate by what monetary policy I thought that objective should be attained. Such an indication would give individuals an opportunity to anticipate any action which might be taken, and to reap a profit and in fact would be a far more serious indiscretion than advance information on the budget. May I invite the attention of the hon. member who asked the question to the fact that by creating uncertainty and apprehension we might interfere with or at least impede the realization of any desired objective. As a matter of fact, to a certain extent that has occurred in the United States, due to announcements in advance of objectives. Immediately upon an announcement being made, forces were started in motion which tended to impede the very desirable objective it was sought to attain. I think however it is quite in order for me to say that any suggestion that a deflationary policy is being pursued is incorrect, and any suggestion that a deflationary policy should be pursued is contrary to common sense. The views in regard to price levels which have been embodied in the declaration of more than one conference, so far as I am aware are still held in this and other leading countries of the world. My hon. friend may recall that in speaking on the resolution preceding the bill I made certain statements as to the functions and duties of the bank. In so far as those words indicate a policy, I shall repeat them. At that time I stated that when a boom is under way and getting out of hand it is the duty of the bank to put on the brakes by restricting credit, thus tending to cause a decline of prices, and to slow down the whole tempo of business and speculative activity. Conversely, in a time of depression, it is the duty of the bank to bring influences to bear in order to extend credit, thus tending to raise prices and quicken the tempo of business activity. The only criticism I make of my own words is that they might be taken to indicate that I share the views of those who believe that monetary policy is all important as an influence upon the economic life of a country and its people. I stated earlier this afternoon that I do not believe that. It is one of the major factors, it is true. Its importance changes from time to time, having regard to the weight for the moment of other factors. There are periods when it is all important; there are other periods when it is of no importance at all, temporarily at all events.

With respect to the specific question of my hon. friend, which I think was the major question he asked, as to a treasury bill market, certainly the information contained in the weekly statements of the bank and in the report of the governor at the annual meeting,

to which my hon. friend referred, indicate the increasing extent to which the government is making available treasury bills, and with the avowed purpose, as the governor has stated in his report, of building up that kind of market in Canada. The bank has the powers indicated by my hon. friend in paragraph (g) of the present act—not the present bill—with respect to the rediscounting of bills of exchange, and so forth. But my hon. friend will appreciate, I think, that the very fact that the banks are at present such large holders of the gilt-edged securities of the Dominion of Canada and its provinces operates to prevent the necessity on their part of presenting bills to the Bank of Canada for rediscount. Quite obviously they can secure necessary cash, if they wish to do so, by the much simpler expedient of depositing their dominion government securities. In a time of greatly increased business activity I hope, and I agree with my hon. friend in believing that it would be a good thing, for the development of an active bill market in Canada, but one must remember that not merely the Bank of Canada is required to accomplish that end.

Mr. STEVENS: No one would suggest that.

Mr. DUNNING: A knowledge of and an interest in a bill market is necessary on the part of a great many individuals and corporations. I am gratified to be able to say to the house that in recent issues of treasury bills investment by other than banks of sums of varying amounts is growing, thus indicating an appreciation of the value of a short term bill market on the part of those who have idle funds and are content to take the very lowest rate of interest for short term money. I do not think any amendment of paragraph (g) as suggested by the hon. member for Kootenay East is necessary at the present time, for the reason that the chartered banks up to now are not finding it necessary to use paragraph (g) or paragraph (h) for the purpose of rediscounting trade paper with the Bank of Canada.

My hon. friend raised some other question—

Mr. STEVENS: The question of gold.

Mr. DUNNING: Yes, gold. My hon. friend suggests that the government should consider increasing the volume of gold held within the country by the Bank of Canada. He did not suggest what advantage it would be to Canada to increase the gold holdings, and quite frankly I have been unable to convince myself that any advantage could accrue to the people of Canada at the present time from an increase in the gold holdings by the Bank of Canada on behalf of the people of Canada. I cannot see any advantage. I do not say that international situations might not change and become such as to make it appear wise to increase our gold holdings, but at the present time I consider them adequate; in fact the best good of the country is served by exporting gold as a commodity to the extent it is being exported, rather than increasing the country's gold reserves. I cannot think of any practical good which would immediately follow such an increase.

Mr. WOODSWORTH: May I ask the minister to make a little clearer one statement? He suggested, if I heard him aright, that it would not be wise for this government to give to parliament its financial policy.

Mr. DUNNING: No, no.

Mr. WOODSWORTH: I should like to have that made clearer. The minister suggested that were certain announcements made the government might be prevented from accomplishing the purpose it had in view, that there might be profiteering on the part of some who had advance knowledge; and the minister compared it with the evils of a leak in the budget. I can understand that it does not do to have a leak in the budget proposals, but after all the government does come down to the house and announce its budget. There comes a time when it has to announce its policy. Do I understand from the minister that it is too dangerous for the government to announce its policy in regard to inflation, deflation or reflation, if you like to call it that? The minister suggests that the government is not in favour of a policy of deflation, but surely there comes a time when parliament ought to know what the government's policy is, in a general way at least, in regard to financial affairs.

Mr. DUNNING: This is not a matter of financial affairs.

Mr. WOODSWORTH: Well, financial policy. I wish the minister would explain it a little, because otherwise it puts the government in the position of being very autocratic. A short time ago the Prime Minister said that we must not have any information in regard to the government's policy in international affairs, and now if another member of the government takes the position that parliament must not be given very much information with regard to monetary affairs—

Mr. MACKENZIE KING: I have never made the statement that the house should not have information on international affairs. What I did say was that there were times and seasons for all things, and that the time to consider international problems would come

a little later on in the session. I think subsequent events have borne out the wisdom of that attitude.

Mr. WOODSWORTH: Without going into that matter to-day, at least there were times and seasons a few weeks ago when the Prime Minister did not care to give to parliament the attitude of the government on international affairs, and what I would like to get at now is this: Can the minister tell us what would be the appropriate time for parliament to be informed with regard to the general financial policy of this government?

Mr. DUNNING: My hon. friend confuses terms so much that it is very difficult to answer him. The financial policy of the government with relation to the handling of governmental affairs and governmental business is and has been before the house, but what my hon. friend means, I think, is: What is the policy of the government in regard to affecting conditions in this country through the control of the Bank of Canada. Is not that what he means?

Mr. WOODSWORTH: That is what I call financial or monetary policy.

Mr. DUNNING: There is a wide difference between the two meanings. However, I will attempt once more to indicate.

Mr. WOODSWORTH: If I am confused, having given some thought to this matter for fifteen years, then many people in this country may easily be confused by the minister's statement.

Mr. DUNNING: I quite admit that. It is easy to understand how confusion may arise from information given by a layman—one who nevertheless has attempted over a period of a number of years to understand the subject, as I think my hon. friend himself has done—when experts who are constantly at his disposal themselves find it necessary to engage in much debate and study in order that they may be certain, if that is possible, that the conclusions of to-day shall be the conclusions of to-morrow. It is much easier to be on the other side of the fence than on the administrative side; it is much easier to be on the showman's side, declaiming—

Mr. WOODSWORTH: I do not think anything I have said merits a lecture from the minister.

Mr. DUNNING: I was thinking of something entirely different.

Mr. WOODSWORTH: I do not know what the minister's reference is to the showman's side. I simply asked a straight question, wishing the minister to explain a little more fully.

Mr. DUNNING: Will my hon. friend please accept my most abject apology. I had no reference to him, and I should not have made the reference in speaking. I hope he will accept that explanation.

Mr. WOODSWORTH: Quite.

Mr. DUNNING: I had in mind something entirely different and was about to go on to another point. My words would have explained themselves in a moment, but I shall not go further along that line. I want to try to satisfy, if I can, my hon. friend and to assert as plainly as I can that this government has nothing whatsoever to conceal in this matter. So far as the revelation of governmental policy with respect to the Bank of Canada is concerned, the policy is revealed, to those who study, by the weekly statements of the bank itself and by the annual statement of the governor of the bank, from which my hon. friend from Kootenay East was quoting so copiously a few moments ago. There are certain policies that can be revealed only by the event, and this is one of them. Why is that? A few moments ago I tried to show how the revealing in advance of an objective to be attained, through the management of currency, remember, lets loose forces which defeat the objective sought. Now, why is that? The answer is very simple. Immediately the objective is announced, if it be an objective of a higher price level, let us say, what happens? I possibly should not have compared it in respect of seriousness with a budget leak, because by comparing it with that I might be understood to be comparing it in character with a budget leak. It is an entirely different thing. I was comparing it in respect of seriousness; it is very much more serious because it advertises to everybody the advisability of following a certain course whereby a profit would be guaranteed by that announced policy. That has happened in some countries. My hon. friend, who has studied the matter, knows there are many instances in which that is so. It is in connection with policy of that description that I say we cannot make any announcement. I went as far as I could when I said that the policy of the bank and of the government is certainly not deflationary. I think parliament has every right to ask at this time, under the conditions which prevail and have prevailed during the depression, that our faces should be set against deflation. That would be the unanimous opinion of the

house. But the extent to which we go in the other direction is inherent in this whole policy of managed currency under which we are now operating through the medium of the central bank under government control and must be, as I have indicated several times, a matter of day to day and week to week study by experts, and constant consultation. To set an objective in a broad way would be, I believe, utterly to defeat the attainment of it because of forces which it would automatically let loose, and I hope that no one takes this as an indication that the government intends to follow a policy of inflation, because that would be untrue.

Mr. TAYLOR (Nanaimo): To what extent is the bank implicated in the purchase of silver? It appears to have made, in the ten months of operation, a very serious loss, amounting to nearly $500,000.

Mr. DUNNING: Subsection 4 of section 26 reads—and this is what parliament instructed the bank to do; it answers the question my hon. friend asks:

(4) The bank shall during the years 1935, 1936 and 1937 purchase and hold newly-mined Canadian silver as and when required so to do by the minister but the bank shall never be required to purchase more than 1,671,802 fine ounces in any year.

My hon. friend may know that there was a silver convention and an agreement among the nations with respect to silver. Under that arrangement Canada assumed certain obligations, and by section 26 of the act the Bank of Canada became the operative agent in the matter of carrying out Canada's commitments under the international convention. The loss to which my hon. friend refers is, of course, the difference, as at the end of the bank's fiscal year, between the value at that time and the cost of the silver which the bank holds under this section.

Mr. TAYLOR (Nanaimo): That seems to be an operation of the government and not properly of the bank.

Mr. DUNNING: My hon. friend might debate that, but I suggest that perhaps I have helped in the discussion getting out of order. We are not on that section.

Mr. QUELCH: We are interested in the question of ownership only inasmuch as it affects the policy of the bank. I quite agree with what the minister has said regarding deflation and inflation, and I am myself opposed to either. But I quite realize that there is a very wide divergence of opinion as to what exactly is meant by either of these two terms. The government will be taking over a greater control of the issue of currency and credit, and I would ask the minister this question. I do not think it will embarrass the government in any way, and undoubtedly an answer would go a long way towards restoring confidence in industry at the present time. What will be the basis for determining the amount of money that should be in circulation at any given time? Mr. Jackson Dodds stated before the banking and commerce committee that there should be enough money in circulation to buy the goods which are moving. I do not think the minister would agree with that statement; I hope not. There should be enough money in circulation to buy the goods which are available for distribution and which the people need.

Mr. DUNNING: What does my hon. friend mean by money?

Mr. QUELCH: Effective purchasing power. I am not referring to deposits not available for the moving of goods.

Mr. DUNNING: But what does my hon. friend mean by money?

Mr. QUELCH: Credit and currency in circulation.

Mr. DUNNING: Including chequing?

Mr. QUELCH: Certainly. To go a little further. Would the minister agree that, if possible, there should be sufficient money in circulation to pay the total prices of ultimate products which are available for distribution and needed by the people? That would not necessarily entail inflation in any sense of the word. Would the minister agree with that?

Mr. DUNNING: The statement is so very general that I doubt whether I could agree or disagree. The criteria set up are not to my mind complete criteria, and in some respects they go beyond what would be necessary. Certainly they are too vague for me to answer the question.

Mr. QUELCH: The general principle, then?

Mr. DUNNING: I do not recognize any general principle in my hon. friend's question. I am trying to understand the question. The hon. gentleman sets up as one criterion the needs of the people. Was not that one of them?

Mr. QUELCH: Would the minister agree that there should be enough money in circulation at any given time to pay the total prices of ultimate goods available for distribution? It stands to reason that if there is not enough money in circulation to buy the total factory

products available for distribution, this would necessitate industry curtailing its output, thus causing more unemployment.

Mr. DUNNING: A great variety of factors enter into that question. My hon. friend speaks of total goods as if that were something static. Our business of production, distribution and consumption is not static but dynamic. Certain classes of goods are, in the nature of things, stored for periods. They are not immediately required but are required later on. As I say, there is such a variety of factors as to make it impossible for me to answer yes or no to my hon. friend's question. I cannot see that he is setting up a standard which is a practical standard for me to answer yes or no, with respect to the volume of currency; there are so many modifications of his generalization as to make yes or no an impossible answer.

Mr. BENNETT: There are three or four questions that I should like to direct attention to with respect to this particular clause. The clause, as it is proposed to amend it, indicates perhaps more clearly than any other the desirability of a new institution having an opportunity to demonstrate its usefulness before drastic amendments are made either in its powers or in the exercise of its ordinary functions. This bank has been in existence for a short time, and during that period it has given an excellent account of itself. It has had time to issue only one annual statement which has been published, and that statement has been referred to during the progress of the discussion this afternoon. Among other functions which the government imposed upon the bank was that of acquiring the silver which had been purchased under the provisions of the silver convention. The loss to which the hon. member for Nanaimo (Mr. Taylor) referred could not under any circumstances be a loss if the silver were utilized for coining purposes, for the profit upon coining would be more than equal to any loss that could occur by reason of the difference between the price at which the silver was bought and the price to which it had fallen; that difference is substantially less than the profit accruing to the government from the coinage of silver, as indicated the other day by the hon. member for Vancouver-Burrard (Mr. McGeer). But, as regards the question of the note issue of the bank, it will be observed that by section 13 it is now proposed to expand the powers of the bank by providing that it may—

(d) buy and sell securities issued or guaranteed by the Dominion of Canada or any province having a maturity exceeding two years from the date of acquisition by the bank, but the bank shall at no time hold such securities having a par value in excess of fifty per cent of its outstanding note issue and deposit liabilities.

Its note issue at the date of the last annual statement, that is December 31, 1935, was roughly $100,000,000, plus its deposit liabilities, which on that particular date happened to be about $200,000,000, and the half of the two would make altogether, roughly $150,000,000. That is, the bank shall at no time hold such securities having a par value in excess of $150,000,000 on the 31st day of December, 1935—

... nor shall the bank at any time hold such securities maturing more than ten years from the date of acquisition of a par value in excess of three times the amount of the paid-up capital and rest fund of the bank.

The rest fund is $173,000—one can eliminate that for the present—and three times the present paid-up capital would be, roughly speaking, $30,000,000. I suggest to the committee that that departure from the provisions of the statute, to which great consideration was given, is one which might bring about great disaster to the bank if the powers were exercised, and I am one of those who hold that it is not desirable to clothe a new institution with powers unless we expect them to be used. As the statute stood before this amendment was suggested, it contained all the powers that, in my judgment, could reasonably be conferred upon the bank, having regard to later conditions which obtain or are likely to obtain in this country during any period of time that we can anticipate. The provision, therefore, with respect to investments should have some more adequate explanation than we have had so far. I do not know why it is thought desirable by the government to change that condition, to have the acquisition of securities of a certain type, namely those of the provinces and of the dominion, based upon some relation to the outstanding note issue and deposit liabilities, for I frankly fail to see the relation between the two, and to say that the bank shall at no time hold such securities which have a par value in excess of, as I have said, practically speaking, in terms of the last annual statement and of the new capital, $150,000,000. On December 31 last the bank held dominion securities amounting in all to $114,000,000; fifty per cent of its note issue at that time was $50,000,000, and fifty per cent of its deposit liabilities at that time would be another $100,000,000, making altogether a total of $150,000,000. But at that time the dominion banks had on deposit $18,000,000, and the chartered banks had their reserves deposited with the bank to the extent of $181,000,000.

That is the position as shown by the statement, and I should like the minister to explain why it has been thought desirable, after but one annual statement has been issued by the institution, to modify in the manner indicated the provisions of this paragraph (d) of section 13.

There is another point, which has been alluded to by the hon. member for Kootenay East (Mr. Stevens)—he mentioned it the other day but he did not develop it—and which I had proposed to speak about at some length. I am clearly of opinion that this bank should acquire a greater holding of gold, and if I were asked the reason why, I would, as a schoolmaster, refer to the explanation given by the minister himself on the page opposite page 6 of the bill as printed:

> This enlargement of the bank's power to hold securities with a maturity exceeding two years is necessary, partly because of the deletion of the words "exclusive of securities transferred to the bank under paragraph (c) of subsection three of section twenty-five," and partly because during the course of the next ten years the chartered banks will lose the right to issue approximately $100,000,000 of bank notes and the Bank of Canada's note issue will be expanded correspondingly. Other things being equal, the Bank of Canada must acquire an additional $100,000,000 in assets as an offset. In view of the scarcity of short term securities it would not be practicable to restrict the bank to the purchase of securities maturing within two years.

That calls for but two observations. One is that the development in this country of a market for short term securities—the bill market, as it is familiarly known in England, or more particularly, in Lombard street—can come about only through this bank participating largely in the first instance in these operations. Second, the bank has power to issue four dollars in paper currency as against every dollar of gold that is held as coverage. Would it not occur to most people that, by acquiring another $50,00,000 or $75,000,000 of gold and paying for it with Canadian legal tenders, the bank would be enabled to take care of any situation which might develop, instead of having recourse to the provisions suggested in the accompanying note? If the bank is to function in the manner indicated, according to the powers which we have conferred upon it, not by this act but by another act, namely in the issuing of paper money—using the colloquial term one hears on the street—if it exercises those powers to the extent that in another statute we have provided, it must acquire the gold coverage to enable it to do so, and gold coverage acquired at $35 an ounce to the extent of an additional $75,000,000, or even $50,000,000, would confer upon the bank a power of issue that is limited only by the provisions of the statute.

[Mr. Bennett.]

Mr. DUNNING: The bank has that power now.

Mr. BENNETT: That is what I am speaking about.

Mr. DUNNING: I mean, it has the gold now.

Mr. BENNETT: I am obliged to the hon. gentleman for his information, but I may inform him I am quite well aware of that fact. I thank him for his generous exposition of his own knowledge for the purpose of assisting me, but I am already aware of that fact. Being aware of that fact, I am merely pointing out that it may be advisable to add to the gold reserves of the bank for the purpose I have indicated, and in that event the bank would accomplish that purpose without much difficulty.

At the appropriate time, when this section was under consideration, I intended to say that I was wholly in accord with what was said as a mere suggestion the other day by the hon. member for Kootenay East. I had intended to elaborate upon it, but I shall not take time to do so now. I think, however, the acquisition of an additional $50,000,000 of gold at this time would serve a very useful purpose. It would keep in Canada that much bullion which would be available for the purposes provided by the act, and at the same time the purchase of that gold would release in this dominion that amount of money in Bank of Canada bills, what is colloquially called paper money. If the Bank of Canada acquired a thousand ounces of gold it would pay $35,000 in Bank of Canada paper money or bills which, as hon. members have said so frequently in the house constitute legal tender in this country. Inasmuch as the government has complete control over the matter and no gold can be sold outside Canada unless a licence is issued for its export, while I do not suggest that it is desirable to acquire a very large quantity of gold at this particular moment or that, I do suggest that we should be constantly accumulating gold, for what was said yesterday by the hon. member for St. Lawrence-St. George (Mr. Cahan) is something which is not very frequently discussed.

The export from this country of $40,000,000 of our gold reserves by a former Minister of Finance had a most detrimental effect upon our whole financial structure. That, I think, is admitted by people who are students of the situation within or without Canada. So seriously did we regard the matter, Mr. Chairman, that at a caucus of the party with which I was then associated in opposition I asked members of my party not to make any reference to the matter at all, because I believed

that it would not be in the interests of Canada that certain possibilities, which as a matter of fact later became actualities, should be developed. It was found that certain people outside the country took action, which I think it was well understood would be taken by certain astute gentlemen, and it was because we had incurred a risk, which risk had been realized by others, that we suggested that in the public interest nothing further should be said about the matter. Nevertheless, because of that action we were $40,000,000 of gold coin short in this country, and when I say "short" I mean that $40,000,000 of gold was utilized for the purpose of discharging a New York liability, which action lessened to that extent the amount of gold reserve held in this country. That could never be made up; as a matter of fact, in the early succeeding days after England went off the gold standard there was a diminution in our supply of gold coin and bullion until we could take the necessary action under the relief act to regulate the export of gold and provide that it should not be shipped out of Canada except under licence. For it must not be forgotten that Canadian banks, with head offices in Canada, are doing business in many countries. In the very nature of things the branches near at hand may depend upon the free movement of gold from the head office to meet any situation that may suddenly arise. When that right of free movement is changed it becomes necessary to consider every transaction in the light of meeting the difficulties that may arise in the country in which the bank may have the particular branch.

We had to deal with that question when we provided for the revaluation of gold coin at the time we took over the gold from the banks, and we provided that a certain portion of that gold should be treated as gold which was held for foreign reserves, using the word "foreign" as meaning all reserves or liabilities external to Canada. Under those circumstances I have thought, perhaps improperly, that we should add to our store of gold for the purpose not only of meeting the situation that must arise during the next few years in connection with the retirement of the paper money issued by the bank, but also of replenishing our stock of gold to something beyond the amount we held after there had been a diminution in our stock through the shipment of $40,000,000 of gold to New York. It is true that the revaluation of gold has increased the amount that appears after the dollar sign in the annual report of the bank. It is true also that we conferred upon the bank certain stabilizing powers with the profit which accrued through the revaluation from $20.67 to the current market rate on gold prevailing at the time the changes were made. The act itself was never proclaimed, but in the annual report of the bank "other assets" appear at the very substantial sum of over $3,250,000 and "liabilities not otherwise disclosed" amount to something over $2,000,000. So I assume that there has been a utilization, to some extent, of the profit that does not appear in the balance sheet except under the two items I have mentioned. Of that, of course, I have no knowledge except such as might be derived from the reading of an ordinary balance sheet.

Those three points, therefore, I suggest should be considered: First, the question of silver, to which reference has been made, and which I think takes care of itself; second, the question as to investments, which I think, calls for some wider explanation than we have received. In the drafting of that section originally great care was exercised lest we should provide a credit condition which would be injurious to the bank itself, and the restrictions imposed were of a double character. First, we had regard to the fact that the bank now holds a substantial quantity of Canadian securities as assurance against its guarantee or liability when it took over the Dominion of Canada notes. The exact figure I do not carry in my mind, but it amounts to several millions of dollars of Canadian securities held by the Bank of Canada for the purpose of indemnifying it against any liability which may attach by reason of it having assumed the obligations of the Dominion of Canada in connection with what we used to call the old dominion legal tender, or the note issue of the dominion itself. That expansion of power I find it a little difficult to understand; certainly the enlargement of the power for the reasons given is hardly sound finance, because it involves the acquisition of securities for the purpose of taking care of this additional note issue when the effective and profitable way would be to acquire gold when it carries with it a right of issue such as that mentioned in the other statute to which I have referred. And with respect to the acquisition of gold, without developing the subject at greater length, I think by reference to leading authorities I could give good reasons why we should gradually increase our holding. I shall not say more, because I do not desire to trespass too greatly upon the time of the committee in this regard.

Mr. DUNNING: Well, Mr. Chairman, the observations and views of my right hon. friend with regard to the reasons which should actuate the bank and the government to increase the gold reserve I shall study carefully and bring to the attention of those whose business it is to advise me and consult with me on those matters. With all

due deference I cannot agree at the moment with my right hon. friend's reasoning, because the acquisition of more gold would be the acquisition of something that is unproductive—

Mr. TAYLOR (Nanaimo): Hear, hear.

Mr. DUNNING: —whereas the method here provided is one which at least produces some activity. While saying that however, and speaking particularly to my hon. friend who applauded just now, might I say that I would not wish to convey any idea that the government do not believe in the necessity of maintaining adequate gold coverage. There may be different views as to what is adequate, but I may point out that at present the gold coverage is in the neighbourhood of sixty per cent of the outstanding currency and deposit liabilities. That, of course, is in excess of the minimum requirement agreed upon at the world economic conference, which minimum was twenty-five per cent. As to the wisdom of increasing our present sixty per cent margin in anticipation of the events to which the leader of the opposition referred, that is a matter for consideration. At the moment I cannot see the wisdom of doing as he suggests, but that does not mean that reflection and study may not bring me into agreement with the leader of the opposition in the matter.

With regard to the amendment to the section under discussion, it was prepared after serious consideration by and with the officers of the bank, who believe that this increase in relation to the powers of the bank to hold long term securities is the wisest manner of meeting a situation which will develop as the notes of the chartered banks are gradually, under the law, replaced by Bank of Canada bills. At the moment the increased power given may be summarized in this way, that at present the bank holds $130,000,000 of such securities. Under the amendment, so long as the liabilities of the bank remain the same, the increase would be $20,000,000. The limit of the power would be $150,000,000. My right hon. friend has some question in his mind about the yardstick which is used, that is the liabilities of the bank, the note issue and deposit liabilities, or in the other instance three times the amount of the paid-up capital and rest fund of the bank. That is debatable; I admit that at once, but the best judgment of those who have studied the matter and are advising me is that this section is necessary in the light of their present experience and that it should be passed, and can be adopted with safety.

[Mr. Dunning.]

Mr. BENNETT: The greatest failure of a chartered bank in modern days arose from its disproportionate holding of long term obligations and its inability to meet the cheques drawn upon it in the clearing house on Monday morning. In the drafting of the original section, which was done without reference to the bank itself, but only with reference to those who had the well-being of the institution solely at heart, it was thought that the curtailment of the powers to the extent indicated was the best possible assurance against the acquisition of what might become not readily negotiable long term securities.

To leave that question for the moment—for if those charged with the responsibility for administration have convinced the minister that the change is desirable, obviously any further observations are unnecessary—there was a statement made—to which an hon. gentleman responded "hear, hear"—that gold would be unproductive. Now, there is nothing that the bank could hold which would be quite so productive.

Mr. TAYLOR (Nanaimo): I doubt it.

Mr. BENNETT: Why? Under the provisions of our issuing act, when the bank has acquired $1,000 worth of gold it may issue paper up to $4,000. If anything is more productive than that I should like to know what it is. The hon. member for Vancouver-Burrard (Mr. McGeer) predicated a considerable part of his argument yesterday upon parliament exercising those powers. But an issue of paper money, to use the colloquial term, covered by gold, is regulated by international agreement whereby the government would hold not less than twenty-five per cent of metallic coverage in gold as against the issue of paper. That was the minimum. It is true that at the moment we have sixty per cent coverage, but when I am asked to accede to the explanation given on the opposite page of this section that it is proposed to acquire long term securities to enable the Bank of Canada to provide paper money for the chartered banks to the extent of $100,000,000, I am bound to say that my intelligence refuses to accede to that test, because by the acquisition of exactly $25,000,000 of gold, paid for by legal tender, for which the bank now has money in hand, it could at once discharge the obligation of $100,000,000 to the chartered banks. Or even if forty per cent were applied, which is the usual rule, and regarded as a high margin of safety—between forty and fifty per cent has been regarded as high, and ours is very high for reasons that under present conditions are

obvious to everyone—the bank could still do this. The explanation given in the bill does not call for more than a passing observation because it is so wholly inadequate to the matter in hand; it carries its own refutation.

Another matter having to do with this very question was mentioned by the hon. member for Kootenay East, and is one which, I think, is seriously engaging the attention of every Canadian who follows the monthly statements of the banks. We have the banks of this country owning much over a billion dollars worth of securities of the dominion and the provinces. The amount has been increased by nearly a billion during the last few years. In the very nature of things this central bank must discharge an ever-increasing responsibility, if there is an improvement in commercial conditions, for the simple and obvious reason that the chartered banks cannot provide money for their customers and at the same time have it locked up in long term securities. The answer may be made that the chartered banks can take the securities to the Bank of Canada and obtain from that bank sufficient money to enable them to meet the requirements of their customers. That is a perfectly legitimate answer. But every thoughtful man realizes, and those outside this country realize, that it is placing too heavy a strain on the financial structure of this country to compel the chartered banks—and it almost amounts to compulsion—to acquire with their depositors' moneys and their own capital so large a sum of the country's securities. The provision that we have made to relieve them of the strain through the obtaining of money from the Bank of Canada on the deposit of these bonds will create a situation which will result in an agitation of the very kind to which this committee has listened during the past few days, and such an agitation in the very nature of things will be successful. It is for that reason that I view with some degree, not of apprehension, which is an old and hackneyed expression, or alarm, but of more than casual curiosity, what may be the result of these matters being carried on in the way in which they are.

I think the question of inducing other commercial institutions than the banks to buy short term treasury bills is but an indication in this country of lack of confidence in commercial ventures, that is brought about by two things, one being the fact that the chartered banks are no longer willing to pay a reasonable rate of interest on what may be called current deposits of their customers. The result, of course, has been that commercial enterprises having in hand $100,000, or more, and sometimes less than that, make bids for treasury bills which mature in the succeeding two or three months, because they will not require money to pay dividend until after that time. In the meantime they would thus procure a sum of money by way of interest which would be in excess of what they would receive from the chartered banks. But that in itself has a restrictive effect upon the usefulness of chartered banks in connection with the commercial life of a country, for to the extent to which they are deprived of deposits which they formerly had available, and to the extent to which that money is utilized in the manner indicated, their ability to meet the demands of their commercial customers is lessened. However, as was pointed out a few days ago, that question has not arisen, because the chartered banks have on hand a substantial sum of money for which they cannot at this time find reasonable and profitable employment. Hence it is that from an examination of the annual report of the Bank of Canada it will be observed that, so far as I can see, at that time there was not a single dollar advanced by that bank by way of rediscount or by way of advances made on the security of the bonds of the country to any of the chartered banks. That is the position as far as indicated, although it may be that one of those items covers some advances, though I think not.

The position is that no advances were made, because lack of effective demand on the chartered banks for loans by commercial enterprises has resulted in those banks having a surplus of funds which they have utilized in the acquisition of securities to the enormous extent of over a billion dollars. Speaking not as a schoolmaster I would say that in my opinion that is not a useful or desirable condition in Canada.

Mr. DUNNING: I agree with the latter observations of the right hon. gentleman, and in case any incorrect impressions may go out from this chamber may I say that my right hon. friend's observations regarding the holdings of stock did not deal with what I had said. I said that if further gold were purchased under present conditions and deposited in the vaults it would be unproductive, and I was referring to the suggestion of the leader of the opposition that we purchase further gold. Of course gold can be made productive in the manner indicated by my right hon. friend, but the fact is that we do not require to issue further currency against our gold holdings, as we already hold such a large excess over the internationally accepted minimum. So any further acquisition of gold, so far as immediate

conditions are concerned, would be unproductive; and it is in that sense I use the term.

With respect to my right hon. friend's remarks regarding long term securities I would point out that respecting the ten year securities the only change from the existing law is the addition of the words "and rest fund of the bank." That is the only addition with respect to long term securities. The other provisions apply to securities of less than ten years duration.

Mr. BENNETT: But the two go together.

Mr. DUNNING: They must be combined, of course.

Section agreed to.

Section 14 agreed to.

On section 15—Denominations.

The CHAIRMAN: Is section 15 carried?

Mr. BENNETT: No. I wonder why this disputatious matter should have been thrown into the cauldron of politics at this particular time. Nothing has given me more concern than to find this provision in the bill at this time, having regard to the very difficult conditions under which we live. I do not propose to refer to the political side of the matter, and at this time I speak only for myself. It is not a matter which I regard as in any sense affecting those associated with me as a party. I have said quite freely that they may take any view they consider desirable. But speaking as a Canadian with as tolerant a point of view as any man in this chamber, and yielding to no man in my tolerance and my regard for the views and attitude of mind of every other Canadian, I find it difficult to understand why this question is now being precipitated into the debates of this chamber.

A short time ago we made a trial of what I thought was a not unreasonable suggestion, namely that all persons in Canada of French origin who so desired could obtain bills of the Bank of Canada printed or engraved in the French language. That in itself was a concession. It was admitted by everyone that it was a concession. My view is that very great changes, from the purely constitutional view, have been brought about by the tolerance, good will and kindly thought and appreciation of Canadians of one class who were content to accommodate themselves to the views of others. But when we enact in a statute that every bank bill in Canada shall be engraved in two languages we have created a situation which will involve in every session of parliament an effort being made to repeal.

That will happen as regularly as the sessions come; I am speaking as a result of experience. I must accept a large measure of responsibility for the provision of the law as it now stands. That provision stated that notes in either the English or the French language shall be available as required. I can point out only that the most strenuous supporters of the rights of our fellow French-Canadian citizens, as expressed by, for instance, the late Senator Belcourt, both in writing and in oral argument, rest upon the assumption that where an ethical group occupied a position in a country such as Canada before confederation or, in fact, before it became a part of the British empire, there was a common law right that they should speak their own tongue and be able to understand the business they had to transact written in their own language. The contention thus made is one which has found substantial agreement in the tolerant minds of their Anglo-Saxon fellow citizens, or those of other descent.

Let us look at the situation. The constitution deals with it in one way. But if I were in the province of Quebec to-day, before dissolution of the legislature, and I were to receive the orders of the day, I would not receive that document or the journals printed in the two languages side by side; I would have to take my choice. I would have freedom of choice. My fellow-member of French descent receives his orders of the day printed in French; my fellow-member speaking the English language and of British descent receives his in the English language.

In this parliament what is the position with respect to the statutes and journals? I am discussing a bill. I walk to the table and take from it a bill printed in either English or French. But the bill is not printed in columns, one English and the other French. I take my choice, exercise my freedom of action. I have conceded, because the statute so provides, the right of my fellow-citizen who clings, as Senator Belcourt pointed out in one of his addresses, to his own language. He selects from that table his French copy; I, my English. The orders of the day, which we have before us for this day, are printed in both languages. My French fellow-member has in his hands Routine Proceedings and Orders of the Day, but he is using a document which is printed in French. I happen at the moment to be using one printed in English. I exercise my right; he exercises his. He chooses the one printed in French; I choose the one printed in English. The statutes are in exactly the same position.

But we have gone further. In a spirit of tolerance and mutual good will, when we cele-

brated the anniversary of the founding of our confederation we placed on the stamps that were issued the word "postes" as a gesture, as an expression of good will, not because the law permitted it or required it—

Mr. LAPOINTE (Quebec East): Nor prohibited it.

Mr. BENNETT: Nor, as my hon. friend says, prohibited it, not that the law either asked for it or prohibited it, not that the law contemplated it one way or the other; I think that is a fair way to put it. But as a gesture of good will towards our fellow-citizens of French descent we have the word "postes." Upon the van that picks up the mail in this city there are the words, "Bureau de Postes." There is no justification in law for this, or any prohibition against it. It represents a spirit of tolerance and good will, and a desire to make concessions and undertakings in order that friction may disappear and harmony prevail among the peoples of this country.

Mr. MACKENZIE KING: If that is the case, why not follow it in this bill?

Mr. BENNETT: That is exactly what I am speaking of at the moment; that is exactly my point. In the bills we followed that course. We provided for freedom of choice on the part of those who wished to have their money printed in French, and for the first time in the history of this country as a gesture of good will and from a desire for a spirit of harmony we extended, not that privilege, not that right, but that gesture of good will in connection with our paper money so that a choice might be made by those who desired it to be printed in French as against those who desired to have it printed in English. I may say that even that concession brought about much criticism, and I should like to point out to this committee that the criticism went so far that in some cases we received letters with a mutilated bill, protesting, in language that I shall not repeat, against this action being taken. My answer in all instances such as that was this, that we had during a long series of years, in a spirit of the utmost good will and from a desire to conciliate differences and promote harmony, provided that a choice should be exercised by our fellow-Canadians of French origin and those of other origins, and that they might have bills, paper currency, printed in the language they desired, as their fellow-Canadians speaking other tongues might have bills printed in English. That freedom of choice was greatly resented in some quarters, and strong protests with respect to it were made to me personally from time to time. Now, Mr. Chairman, we are to be told that this gesture is to go to the extent of having all paper money issued by the Bank of Canada printed in English and French; that each language shall appear upon the bill. Is that quite fair?

Mr. LAPOINTE (Quebec East): Yes.

Some hon. MEMBERS: Yes.

Mr. BENNETT: Is that quite fair?

Mr. VIEN: Why not?

Mr. BENNETT: Why not? For this reason—

Mr. VIEN: Yes.

Mr. BENNETT: For this reason, that freedom of choice is all that was asked heretofore by our fellow-Canadians. Mr. Fielding, when the matter was put to him with respect to bank notes, met it by saying that he saw no way at the moment of dealing with it, and succeeding governments managed not to deal with it. When we did deal with the Bank of Canada we extended the principle of choice. That is, I repeat again, my fellow-Canadian citizens speaking the French tongue and of French descent would have in their possession bills, paper money, which was printed or engraved in the French language, and equally, English-speaking citizens of British descent could have in their hands and in their pockets bills engraved or printed in the English language.

Let us go a step further. The majority have the rights which are provided by statute; the minority have the rights which are provided by statute, from a purely constitutional and legal standpoint. From a purely legal and constitutional standpoint we deal with only a limited number of matters. We deal with the province of Quebec; we deal with this parliament; we deal with official documents that have to do with this parliament; and if these bank notes were documents which had to be dealt with under the provisions that relate to the papers and documents placed on the table of this house they would be printed in English and French, but both languages would not be on the same document. That cannot be gainsaid. It is within the sight and within the knowledge of every member of the committee.

Now I put this to my friends who have pressed this so strongly: In the light of the development of a spirit of amity and good will, a tolerance and a desire for harmony, many concessions have been made. These concessions will continue to be made. There has been resentment expressed here and there, but in the main the general spirit of tolerance has prevailed. Nevertheless, if any minority in any country has endeavoured to press its

will upon the majority, where it is a matter of freedom of choice, there has always been one result, and the minority itself has suffered from that result.

Mr. MACKENZIE KING: May I ask my right hon. friend one question?

Mr. BENNETT: Certainly.

Mr. MACKENZIE KING: Speaking of freedom of choice, is there any freedom of choice on the part of individuals as respects money in circulation as to their desire to have a bill which is printed in English or a bill which is printed in French unless the bills are bilingual?

Mr. BENNETT: Yes, that is just the point exactly.

Mr. MACKENZIE KING: In circulation.

Some hon. MEMBERS: Bills in circulation.

Mr. BENNETT: Circulation is not the question. The question in the first instance is—

Mr. MACKENZIE KING: My question was relating to freedom of choice when money is in circulation as legal tender.

Mr. BENNETT: So far as legal tender is concerned, we have provided that, if required, the money from the issuing power shall be printed in either English or French. What happens after has never been a matter for parliament or the legislature. Those who have followed, as many hon. members have, the judgments of the courts which dealt with the long struggle that originated in this city with respect to educational matters in Ontario, will get a clearer conception of what I am pointing out than they would otherwise obtain. Here we have endeavoured to provide a reasonable compromise; for it is unfair and incorrect to say that this is a bilingual country. The courts have said repeatedly that this is a country in which there are two official languages. The late Senator Belcourt pointed that out in one of his arguments, and I do not think there is any answer to it. There are two official languages in Canada, but this is not a bilingual country.

Mr. MARTIN: What is the difference?

Mr. BENNETT: The difference is so obvious that I know my hon. friend does not require an answer. There is a limitation with respect to the one and not to the other. The official language is provided for by section 133 of the British North America Act. That deals with constitutional rights, and the right creates the official language. But when you come to the question of official bilingualism you find that it does not exist. In this country, I repeat, we have two languages. I am not unmindful of the fact that during the last ten years there has been great agitation in some parts of Canada in connection with this matter, and it has been urged that it should be dealt with as is now proposed. I am not unmindful of the fact that it has been made the football of politicians, and that is the reason I am refraining from making any political observations regarding this matter. I do not propose to do so however great may be the provocation. I point out, however, to my fellow countrymen who are of French origin and speak the French language that those who will take the evidence of history for what it may be worth—and it is fairly important—will find that wherever the granting of a privilege or a concession by a majority has by the minority been crystallized into a right, resulting in a pushing of the demand beyond those moderate and reasonable boundaries that have marked the maintenance of harmonious relations between majorities and minorities, the consequence has been harmful to the minority. I plead, uselessly I admit, with the government not to do this thing at this time. We have at the moment great differences in this country, differences which we all deplore, differences the outcome of which we are fearful of, differences which threaten the very fabric of our confederation. Why not give a fair trial to what now is on the statute books? It has been there only a year; why not give it a trial? Why not let the demand for a change come about by that gradual process which would ensure that those who are most affected, namely, the majority, who are of British descent and speak the English language, will feel, as they do not now feel, the desire to do something further in a spirit of amity and good will? Why not do that? Why force this at the present time upon the people of this country? Why force it through parliament with the government's majority? Why do that? I cannot understand it, because this step that was taken in the Bank of Canada Act was a step further in advance, so far as my fellow Canadians of French origin are concerned, than any step which has been taken since confederation. It gave them the opportunity which, as I have pointed out, is the basis of all arguments that have been made to secure their bills, currency, from the bank printed in French as well as in English.

Now, to say that the will of the minority shall prevail over the will of the majority of the people of Canada is to create as dangerous a condition as it is possible to

create. I am not a prophet, but I venture to suggest that this provision will create such a situation that every session will see a demand for its repeal. Just as regularly as the session comes someone will rise in his place and move for leave to introduce a bill to repeal it. I say that in the light of the experience which came to the former government between the date of the passing of this statute and the time we left office. I say it seriously to my fellow Canadians. It has nothing at all to do with my relations to party. I have told my friends, as I repeat, friends having business with me in matters connected with the party, that my view has nothing to do with the party view or with the view they hold. I am giving, however, my own experience from the time we placed this provision on the statute books until the moment we left office, and I know whereof I speak. I say, in the best of good feeling and most seriously to my hon. friends: Do not do this thing. Do not do it now. I say that in view of communications which came to me personally, some abusive, some insulting, none commendatory. They indicated a condition in this dominion which I did not think existed. But if it brought about a resentment so great, criticism as harsh as that to which I have referred, because we provided for a free choice of language, either French or English, what will the situation be when we compel the majority to accept the decision that ultimately all the paper money of this country shall appear in the two languages? That is the issue. Never in my time have I been so much moved in my desire to prevent what I know will result from this action, and I am not guessing about it. It is a conviction in my heart of what is inevitable, from communications I have received, and from statements made to me. I know we are doing something that we shall deeply regret. I see that you are looking at me, Mr. Chairman; it is six o'clock.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. CHURCH: I wish to say a word or two about this particular section, inasmuch as I mentioned the matter in connection with the second reading of the bill. The history of the world, in my opinion, has been the history of minorities, but the history of Canada has been the history of compromises. Majorities seem to have no rights and can get nowhere in this country. The principle of compromise was effected by confederation, section 133, on the bilingual question, and was distinctly set out in the British North America Act, and there has been no change in this respect in any of the decennial revisions of the bank acts that we have had from 1867 down to the introduction of this section 15. The law distinctly sets out what are the rights of minorities to the French language; they are governed by the British North America Act. Confederation was a compromise. I have a great admiration for the qualities of the French nation, for all they did in the great war. The untold privations and human sufferings, the trials and tribulations, the anguish and suffering they endured for the good of humanity will stand in the future among the brightest pages of the most sublime patriotism in the history of the world. As I say, confederation was a compromise on this question. What was that compromise? It will be found in section 133 of the British North America Act, and the end of it was to be there without any extension, as follows:

> 133. Either the English or the French language may be used by any person in the debates of the houses of the parliament of Canada and of the houses of the legislature of Quebec; and both those languages shall be used in the respective records and journals of those houses; and either of those languages may be used by any person or in any pleading or process in or issuing from any court of Canada established under this act, and in or from all or any of the courts of Quebec.
>
> The acts of the parliament of Canada and of the legislature of Quebec shall be printed and published in both those languages.

My views on the second reading of this bill will be found in Hansard of June 2.

We had no banking legislation in this country, from 1867 on, other than in accordance with the provision for the revision of the bank acts every ten years which was silent on that point. Section 60 of the Bank Act on note circulation is more or less overridden by this new provision contained in section 15 of the present bill. For all these years we have been getting along very well together, and I might point out that there was no objection when the banks, for their own purposes, and purely as a banking measure in certain communities which were largely French, made a certain issue of bilingual notes according to the population and the business done at those branches. Had I been here I would have opposed that concession then. But now it is proposed to write that into the law of Canada and make legal all notes in French of the Bank of Canada. There is only one way to go about this thing if it is to be done legally. I contend that section 15 of this bill is a violation of the letter and spirit of confederation as set

out in section 133 of the British North America Act. Indeed there is no doubt about it. Section 133 lays down the law. Section 15 of this bill, I contend, is unconstitutional, and I am opposed to any extension of the principle it involves and of any compromise already made, but I believe the proper way for those who support this measure to go about the matter is to apply for an amendment of section 133 of the British North America Act, and then by way of the Bank of Canada Act, and I am opposed to any such amendment. I might point out that since the law was passed we have had the following innovations: one, federal blue book issued in two languages; two, our postal stamps were changed bilingually; three, bilingualism has secured a foothold even in the Ontario public school system, and a concession or compromise was permitted to allow a few notes in French for the use of branches in Quebec, in practice. And now parliament, by section 15 of this bill, is asked to issue notes in the French and English language. You cannot compromise on a great public principle. No doubt one side of a ten dollar note of this bank will be French and the other side will be English.

My stand on this matter is that I am absolutely opposed to any extension of the British North America Act along these lines. I have not an ounce of bigotry. I speak in this parliament sincerely and honestly what I conscientiously believe to be the truth and the whole truth, and I never change my views. I support principles, and they are fixed and admit of no compromise.

In conclusion, I contend that this section is against the spirit and letter of the British North America Act and the purposes of the fathers of confederation; everything that was done by them along these lines we are now going to undo. The matter came up in 1934 in connection with a French bill, before the banking and commerce committee, and this parliament laid down that section 133 was the law. The various finance ministers since confederation at every decennial revision of the bank acts were opposed to any change in the direction of introducing a bilingual note, until section 15 of the Bank of Canada bill was here introduced. The Liberal party headed by Mr. Fielding was opposed to a bilingual bank note, and various finance ministers on both sides since confederation took the same stand; they were absolutely against the principle of this bilingual section. It is going to lead to untold confusion in connection with the circulation of these notes, some of them internationally. Further, there is no demand for such legislation. The matter was not discussed in the last election. I never heard it mentioned anywhere in Ontario. I know the views of the people of Ontario. This note circulation clause of the Bank of Canada bill is copied from section 60 of the consolidated act of 1934 regarding banks and banking; the principle of that section is copied into the Bank of Canada bill with the bilingual feature added. I am not speaking for all the people of Ontario, but I believe I speak for some of the people of Ontario who are opposed to any bilingual extension of the British North America Act along the lines indicated, especially when it is recalled that Mr. Fielding, a former Liberal finance minister, and the banking and commerce committee a few years ago took a very strong stand against any innovations or changes to make bilingual notes legal tender. The Prime Minister last Thursday night laid down a rule for minorities which he expressed in the following words:

> The principle I am laying down is that there is no minority which is superior to the majority when that majority is the people of the country as a whole; and the people of the country as a whole have sent this present House of Commons to legislate.

They did not send this House of Commons to legislate to change the British North America Act and to have bilingual notes foisted on the people over their heads, and to upset the views held by all the finance ministers since confederation. I wish to protest against this dangerous change. It was never discussed in the constituency I represent. I have always argued sincerely and honestly along these lines; I shall continue to do so, and I believe I am taking the right stand in strongly opposing this innovation that is getting into our banking system, in the way I referred to it on the second reading of the bill on Tuesday, June 2. We have the Macmillan report; it is silent on this bilingual question. The various commissions took it for granted that this matter had been settled at confederation forever. I would have opposed any recent concession had I been here, and if necessary alone. I refer to the Royal Commission on Banking and Currency; I see there no reference whatever to bilingualism in their report. I have read the report three times; I studied the findings and the dissenting judgments given by one or more of the commissioners, and examined the index, and I could find no reference to or suggestion of any demand for bilingual notes in Canada. Why not leave things alone? As matters stand, those who need bilingual notes can get them at the French branches by applying to the branch office of the various chartered banks. I have consulted four or five bankers and they all tell me that there is no necessity for this bill; it is more of a political bill for

political purposes than it is a banking or economic bill. For that reason I am strongly opposed to it, and I believe the people of Ontario and the English-speaking majority are strongly opposed to it and to any extension under confederation of section 133 of the British North America Act, which was a contract made with the people of the old provinces of Canada. To any extension of that principle I am strongly opposed, and I will vote and speak against it at every stage of this bill, because it is against the letter and spirit of confederation.

Mr. TUCKER (Translation): Mr. Chairman, as a mark of my high regard for my Canadian fellow citizens of French origin, I wish to say a few words, as well as I can, in their own language.

Mr. LAPOINTE (Translation): Hear, hear.

Mr. TUCKER (Translation): I only wish I could speak French with the same fluency as our French Canadian members speak English. Since parliament has assembled most of them have delivered splendid addresses in English. I should like to return the compliment, if I could.

Some hon. MEMBERS (Translation): Hear, hear.

Mr. TUCKER: One of the things which makes me proud to be a Canadian is that I believe that in Canada we have gone farther than any other people in rising above racial and religious prejudices.

Some hon. MEMBERS: Hear, hear.

Mr. TUCKER (Translation): In the constituency of Rosthern, which it is my privilege to represent in this house, there are large numbers of people belonging to various races who all have become excellent Canadian citizens. Rarely does one hear any mention there of religion or race. A man is accepted for what he is—a good citizen or a bad one. I look forward to the day when that spirit will prevail throughout Canada, from the Atlantic to the Pacific.

On my way back from the war, I beheld, when passing through the city of Quebec, a sight the recollection of which always gives me deep pleasure. On the battlefield of the Plains of Abraham, Canadian citizens have erected a single monument to the leaders of the English and French armies, Wolfe and Montcalm, who both fought and fell there. This is typical of the feeling of the Canadian people.

We are just as proud of Montcalm as of Wolfe. They are two of the great heroes in our national history.

Some hon. MEMBERS (Translation): Hear, hear.

Mr. TUCKER (Translation): In concluding these few remarks in French, may I express the wish that the spirit in which we honour these two heroes may continue to grow in Canada so that we may work together, irrespective of race or creed, to make of Canada a land worthy of our heroic forebears whatever their origin, who were the pioneers of our country.

I will support this particular section of the bill.

Mr. LAPOINTE (Quebec East) (Translation): Mr. Chairman, before proceeding with the few remarks I intend to make, I wish to congratulate and thank my hon. friend from Rosthern (Mr. Tucker) for the kind words he has just uttered. He spoke as a true Canadian! I hope and trust that the views he has expressed will grow and spread throughout the Dominion of Canada.

(Text) I shall try to make my few remarks in answer to the speech of my right hon. friend this afternoon as moderate as I can, and I must congratulate the right hon. gentleman on the moderation of the language he used in discussing this matter. I shall even say that I believe my right hon. friend to be sincere, but he is desperately and dangerously wrong in the sentiments he has expressed. My right hon. friend is sorry that this matter is being, as he said, precipitated into the political field. Will he pardon me if I say that he is the man who is precipitating this matter into the political field? I shall even say that I am sorry my right hon. friend said that he expects this matter will come up at every session in the future, and that there will be motions for repeal, and so on. These words, coming from him, are almost a threat; at the least they are an invitation to do the very thing which he deplores.

I do not believe this will happen. If you look at the matter, Mr. Chairman, I think it is very simple. Before this Bank of Canada Act was introduced by my right hon. friend there were banks in Canada issuing their bills in both languages. The Banque Canadienne Nationale has branches not only in the province of Quebec but all over Canada; the Banque Provinciale du Canada has branches not only in the province of Quebec but throughout Canada, and the notes of those two banks are and always have been bilingual. I have in my pocket a five dollar bill of that type, but I shall not show it in these dangerous times. The parliament of Canada has taken away from these various banking institutions the right to issue notes. Under

the act as it stands this is to be done gradually, but in a few years there will be in this country no other bank notes in Canada than those of the Bank of Canada. I ask every fair-minded man in this committee whether it is right that the French population of this dominion, who have always had their bank notes printed in their own language, should be deprived of that right by the parliament of Canada.

Some hon. MEMBERS: You are not deprived of it.

Mr. LAPOINTE (Quebec East): I am coming to that, and probably that is the very reason why my right hon. friend and his government did what they did. That was not a concession, as my right hon. friend has said so many times. I come back to that word "concession," which I do not like. We are not conceded the right to live or to breathe the air of this country. We have that right. It was not a concession. There always have been bilingual bank notes in Canada, as my good friend from St. Antoine-Westmount (Mr. White) said the other day in his fine Canadian language. He showed that even before confederation there were these bilingual bank notes, and my good friend, who is as broad-minded as they make them, said that he was in favour of the change proposed by this bill. But mind you, Mr. Chairman, there was something else to justify making it compulsory that there be notes in both languages. Under section 133 of the British North America Act both languages are official in this parliament in the federal courts and in the courts of the province of Quebec. These bank notes are legal tender. As such they will be deposited in the federal courts and in the courts of Quebec where both languages have a right to exist. Surely it is right that these bank notes should be in both languages. I said in 1934, when I proposed the very amendment which is now embodied in this bill, that I was congratulating my right hon. friend on recognizing and acknowledging that this was to be done. What I was criticizing at the time, and what I criticize to-day in his attitude, is the method by which it was done. The moment you concede the thing should be done I cannot understand why there should be two opinions about the right method.

My right hon. friend speaks of the rights of the majority. First, let me tell him he is wrong in assuming to himself the right of speaking for the majority. In this house a majority of the English-speaking population of Canada is represented on your right, Mr. Chairman, and there is also a majority of the French-speaking population represented on your right. In what way could the rights of the majority be infringed by this amendment? I tell my hon. friends on this side of the house or on the other side, when anybody in Canada, whether during an election campaign or otherwise, blames them for the stand they are going to take in this matter, to ask those who criticize them if they prefer to have a bank note all in French if they are English-speaking, or all in English if they are French-speaking, or to have their own language on one side and the other language on the other side. After all, the bank notes issued under my right hon. friend's legislation are legal tender everywhere in Canada. You can pay a $10 debt in Ontario or Saskatchewan with a $10 bank note in French; no one can refuse it. But would not any man be better pleased to have a note with his own language that he can read on one side of it, if he cannot read the other side? I repeat that I cannot find any ground for the objections which are being set forth against this proposal. They are absurd.

In other countries there are some wise people too. I challenge anyone in this committee or elsewhere to show me a bank note of a country in which the language conditions are as they are in Canada, which bank note is not bilingual or even trilingual. Take Belgium; the bank notes there are printed in French and Flemish; in Switzerland there are three languages on the bank notes, French, German and Italian, and it is not so bad after all. In our commonwealth of nations there is South Africa where they have the same condition as in Canada, the bank notes are in Dutch and English. In the Irish Free State they have the two languages of the country on the bank notes. In no country of the world have they two sets of notes, one set in one language and the other set in the other language. Why should we have this stupid thing in this fine Canada of ours? I cannot believe that there are people in my country who are so narrow as not to see that it is better to have a bilingual bank note than to have two issues, one in English and one in French.

My right hon. friend says that under our constitution there must be two different sorts of documents. It has always been so, he said; you have the documents of the house in French and English, giving you the right of selection. If you prefer them in French you take the French, or if you prefer the English you take the English. This is so as a matter of convenience, because the document is less bulky, and for considerations of that kind. But is it so because of the constitution? I have under my hand the rules of this parliament as issued from time to time since

confederation. The first book of rules was issued in 1868, and in it one sees exactly what my right hon. friend said is not done in Canada. From the beginning they had one page in French and the alternate page in English, throughout the book. I have the books of 1876, showing exactly the same thing, and in 1896 the same thing. Since then it has been thought more advisable to have one book all in French and another all in English. But this was done not because of the law of the land, not because of any constitutional provision, but merely as a matter of convenience. I have before me similar books from the Irish Free State.

Let me say also how awkward it is for the banks to have to keep two sets of bank notes in their various branches where they have customers who ask for French notes or for English notes. To do so complicates the business of the banks for no good reason whatsoever.

Now, let me refer to what my hon. friend said, and dwelt upon for quite some time, that Canada has two official languages but is not bilingual. My hon. friend the member for Essex East (Mr. Martin) asked him a question which he disregarded but which was very proper. May I read to my right hon. friend the words of a man who has left his mark on the history of Canada, a man who was the leader of the party which is now led by my right hon. friend. Let me read to my right hon. friend the words of the greatest Conservative leader of all time in Canada, Sir John A. Macdonald, and I shall ask my right hon. friend to compare the words of that great leader with those the right hon. gentleman uttered this afternoon. Those words are found in the debates of the House of Commons for 1890, column 745:

> I have no accord with the desire expressed in some quarters that by any mode whatever there should be an attempt made to oppress the one language or to render it inferior to the other; I believe that would be impossible if it were tried, and it would be foolish and wicked if it were possible. The statement that has been made so often that this is a conquered country is a propos de rien. Whether it was conquered or ceded, we have a constitution now under which all British subjects are in a position of absolute equality, having equal rights of every kind—of language, of religion, of property and of person. There is no paramount race in this country; there is no conquered race in this country; we are all British subjects, and those who are not English are none the less British subjects on that account.

I commend those words to every Canadian in this year 1936. They are as true to-day as they were at that time. I note with pride that my hon. friends opposite are laying wreaths at the base of the monument to Sir John A. Macdonald in Kingston. All I wish is that his ideas may grow and germinate in this Canada of ours, and that all those who claim that they are his disciples; that they learned their political views and ideas from what he taught them in days gone by, may adhere to the views he then expressed, and stand by the principles which he said should prevail in all the Canadian provinces.

I believe I might be permitted to relate an incident in my life. Some years ago I had the honour to represent Canada on the assembly of the League of Nations in Geneva. At that time a question of minorities which had been annexed to other countries after the treaty of Versailles was being discussed and debated. One gentleman, a prominent delegate in the assembly and at that time president of the confederation of Switzerland, Monsieur Motta, said this to the delegates of the world there assembled:

> In Switzerland we have no minority problem. We are three races living here side by side. I belong to the race which is less populous, namely the Italian race. One of the two other languages I do not speak. I have been elected twice as president of this republic, even by men whose language I do not know. We have no minority question; we are all equal. No person in Switzerland believes that there is one controlling or dominating race or language, and I cannot see why those problems are discussed in other countries constituted as is Switzerland.

I wish that in Canada there may be no minority problem and that we should all act towards, live with and treat others as Canadians, purely and simply.

I will tell my right hon. friend that at this time in my own province I have read speeches made by young people who advocate the separation of Quebec from confederation, and the creation of a new French country. They claim that they cannot have their rights recognized in the Canadian federation. They are wrong; I have told everybody that they are wrong. From my seat in this house to-night I tell them that they are wrong. Even if their plans were carried out they could not achieve what we have achieved in confederation in building up a great free country. The same advice I give to those who think that people of my race should form a party of their own, and should not join one or the other of the great parties which divide public opinion in Canada. They, too, are wrong. Let us adhere to that party the prevailing ideas and principles of which are nearer to those held by us. It is desirable that no political party should be based on racial lines. The view which is sometimes expressed reminds me of the Roman Emperor

Caligula who used to say that he wished that all the Romans would have only one head so that he might cut them off with one stroke. I do not think that is desirable for any minority or any part of a country.

We should continue as we are. We should plead with our friends, our brethren from the other provinces in Canada, to join hands and hearts for the greater development of our country. My right hon. friend has pleaded with me; I plead with him when I say that I do not think it is wrong on the part of those people who speak my language to want to have bank notes with words in their language appearing thereon. I do not think that is wrong. Surely I cannot be branded as a narrow-minded nationalist. When I came to this house I could not speak a word of English; that was many years ago. Had I shared the views of some of my fellow-citizens in Canada I would not have undertaken the drudgery of acquiring that little knowledge I have of a language which at that time was so strange to me. It meant work to acquire that language. I thought I was acting as a good Canadian when I undertook to study it. Surely my hon. friends from my native province who are sitting here to-night are in the same position. It cannot be asked that they be considered only as people who are having concessions handed to them, as my right hon. friend has said. I plead with him not to use that word "concessions" any more either here, or anywhere else in Canada. We do not want any concessions. We do not need any concessions. We do not ask even privileges, we ask simply the right to live as we have lived. There are nine generations of my family buried in this country. I do not need concessions in Canada or anywhere else, and I believe no man or woman in Canada will accuse us of asking too much when we ask what is embodied in this amendment to the Bank of Canada Act.

Mr. HOWARD: Mr. Chairman, after listening to the wonderful speech delivered by our good friend from Quebec East (Mr. Lapointe), I hesitate to speak. On the other hand, as an English-speaking Canadian I should like to express my opinion on this subject because I took a stand upon it in the banking and commerce committee when the former government introduced its legislation dealing with the Bank of Canada.

I do not think that in this Canada of ours we should be going backwards, nor do I think any member of this house or any of the people of this country wish that. I have in my hand a piece of money coined in 1837.

[Mr. E. Lapointe.]

On one side is engraved "Province du Bas Canada—deux sous," and on the other side "Bank token—one penny," and the coin carries the coat of arms of the city of Montreal back in 1837.

I have another one before me, and on one side of it are the words "Province du Bas Canada—deux sous"; and on the other side "Bank token—one penny." This coin also carries the coat of arms of the city of Montreal, and is dated 1837.

I have before me another one, and on one side appear the words "Province du Bas Canada—un sou," and on the other side "Bank token—halfpenny, 1837." This also carries the coat of arms of the city of Montreal.

Another coin I hold in my hand has on one side the words "Lower Canada," in English, and on the other side in French "Un sou, 1837, Agriculture Bas Canada."

I have before me another coin, and on one side appear the words in English, "Quebec bank token, halfpenny," and on the other side in French, "Province du Canada, 1 sou, 1852," and bearing the coat of arms of the city of Quebec.

Another coin I have in my hand has on one side the words in French, "Province du Canada, deux sous"; and on the other side in English, "Quebec bank token, 1 penny, 1852."

When you go into other countries you find that in Belgium, for instance, the coinage is printed in French and in Flemish; in Japan you find an entirely different situation from Canada as to nationalities; yet the Japanese currency is printed in both the English and the Japanese languages. I find the two languages on this Japanese coin, one yen, and its English equivalent.

In China there are many languages, and their coins nearly all carry the English language as well as the Chinese.

In German West Africa, where we find German, Arabic and Dutch people, we find two languages printed on their coins.

On the coinage of British North Borneo we find the English and Bornese languages used.

In East India the coins are printed in both English and Hindustani. In India itself, where they have four principal languages, and in several other countries we find about the same principle carried out in the coinage.

But here we are to-night in the parliament of Canada making almost an issue of the use of the French and English languages on the paper currency of Canada, and after what I have said, Mr. Chairman, of the practice in other countries I am, to say the least, very much surprised at the discussion that has taken place on this clause. I considered my French-Canadian fellow-citizens as heirs and

joint heirs with me in the development of this country of ours. I consider them neither my inferiors nor my superiors, and all I ask is that we go forward hand in hand together to develop and make this Canada of ours what we all wish it to be. Some people may think this is a very small matter, some may think it is a large matter; but I would say that nothing is too small to create animosities and hard feelings which may prove a very serious hindrance in the development of this country.

May I give to my English-speaking fellow-members an outstanding example of how the two great races in this country can get along together in amity? In the city of Sherbrooke, in the county of Sherbrooke, back in 1881, the first French-Canadian mayor was elected for the city. At that time the population of the city of Sherbrooke was very largely English-speaking Canadians, about eighty per cent English to twenty per cent French-Canadian. In the municipal council there was one French-Canadian and all the rest were English-Canadians; yet with a council so overwhelmingly English a French-Canadian mayor was elected for the city. What has been the result of that act of equality and of generosity, not of any concession, which was the term used by the leader of the opposition? The result was that two years later an English mayor was elected, and when his term had expired a French-Canadian mayor was again elected. To-day the city of Sherbrooke is eighty per cent French-Canadian and twenty per cent English-Canadian, but that same tradition has been carried down through all the years, an English-speaking mayor for two years and then a French-Canadian mayor for two years. I quote that example because it shows the sense of justice and fair play that has animated the two great races in this country in the city of Sherbrooke since 1881, and I hope the practice which has prevailed ever since will always continue.

I shall not delay the committee further beyond giving one more example along the same line. Only two years ago a French-Canadian mayor of the city of Sherbrooke who had filled his two-year term of office, in view of the change in populations, decided that he would seek a second term. A great discussion took place, and finally an English-speaking citizen ran against the French-Canadian mayor whose term of office had expired, and to the honour of the citizens of Sherbrooke, when the ballots were counted in every single French polling division in the city a majority was given to the English-speaking mayor, showing the great sense of justice and fair play that animates our people. That is the reason why I am so keen that we do not call this "concessions." Our French-speaking fellow-citizens do not want concessions, and so in conclusion I would say: Let us play the game fairly and squarely; let us join hands one with the other whether French or English-speaking; let us have bilingual currency in this country of ours and show that we want to play the game fairly regardless of race, religion or nationality.

Mr. WOODSWORTH: This is not a matter on which I wish to speak at any length, Mr. Chairman, but in case there is a vote I wish to place my own personal position before the committee.

Two years ago when the legislation setting up the Bank of Canada was before the house the bill was reported from the committee and at the last moment there was introduced an amendment, as I recall it, along the lines of the clause now before us. I voted against that amendment, not so much on the merits of the case, I must confess, but because I resented an amendment of that kind being introduced at the last moment when it could not be adequately discussed and because it was dealing with a matter that was so likely to arouse a good deal of discussion and perhaps bitterness.

I must say that as between the two plans, the one of having a bilingual currency and the other of having two sets of notes, as at present, my judgment is that the bilingual currency is preferable, and for that reason I personally shall have to support the legislation as it is before us to-night, even though I voted against an amendment along this line previously introduced. And yet, in saying that, I regret that the government has seen fit to make the change at this time. I listened to and was very greatly impressed, as we all were, by the eloquent speech of the Minister of Justice (Mr. Lapointe). But I do not think that in matters of this kind the question can be settled simply as one of right or wrong; it is much more complicated than that. The English-speaking people of Ontario, or at least a great many of them, start from one set of premises; the French-speaking people and even the English who reside in Quebec start from an altogether different set of premises, and there is no point at which these two sets of arguments meet. After all, the problem resolves itself largely into a conflict of fundamental ideas which people hold to most tenaciously. I think there was something in what the leader of the opposition (Mr. Bennett) said, though I regret his use of the word "concessions," that unless we are very careful in Canada we may easily introduce matters which will prove very inflammable indeed, and for my part I would say that our French-Canadian friends will have to exercise just a little bit of care

not to be too aggressive in pushing their particular point of view, just as I feel very strongly that the English speaking-population have sometimes been prejudiced with regard to these matters of language and so on. For my part it is a matter of indifference whether we have bills printed in both languages or not; it is not important at all from my standpoint. I say, however, that if we are going to carry out the spirit for which the Minister of Justice pleads we shall have to recognize a little more clearly than we do the point of view of others in Canada and not to press too aggressively our own viewpoint. I know that is a little vague and it is an ideal which it is very difficult to attain, but I felt that to-night I ought to give my own point of view. That some of my colleagues may not think as I do merely emphasizes the fact that such questions provoke personal reactions and that a good deal depends upon how we weight this or that factor in the problem.

Mr. DUNNING: Naturally, a number of considerations were in the mind of the government in dealing with this matter and in drafting this particular section. I take the view that the question of principle, in so far as there is a principle, was adopted in the year 1934 by the parliament which preceded this one, but the principle was applied in a manner calculated, as experience has proved, to produce rather than to allay the kind of friction to which reference has been made. There is a marked difference between printing separately in each language the routine proceedings of this house—which any one of us may accept or reject—and printing separately in each language legal tender which passes from hand to hand. We have plenty of evidence of the objection to the present method. Frequently protests come to me, as my right hon. friend admitted they came to him, from English-speaking parts of Canada. Why? Because French bills had turned up there. There is no means whereby the turning up of English bills in Quebec or of French bills in other parts of Canada can be prevented, and there is complaint on that score. I say that a more intelligent method of dealing with the matter is to put both languages on the same bill. The parliament and the government of Canada during the course of many years have recognized the desirability of this method in matters of currency. For example, I have in my hand a Canadian postal note, the kind of postal note that has circulated in Canada these many years, printed in both languages on its face. I have before me a Canadian postal money order circulated in these terms in Canada these many years, printed in both languages.

[Mr. Woodsworth.]

I have personal reason to know that prejudice can be aroused by these documents. I am one of those who have suffered politically because of my belief in this matter. In 1930 the candidate supporting my right hon. friend made the most, and in the most public manner, of what is called the French language issue and promised without qualification that if his party were returned to power French on these postal notes and post office orders would be removed. This did not happen. But I say that if we were right in 1934 in providing for French separately in connection with currency we ought consistently at the same time to have provided for separate English and French postal notes and postal money orders.

Now, with regard to the purely practical aspect, may I point out that the method at present in use is expensive to the bank. It involves two separate sets of plates for every note. If that can be reduced to one, there is a saving of $29,000 in connection with any new note. The existence of the two different sets of notes involves, of course, separate sorting of the stock and the turn-over. Think of it—and the turn-over. Although the demand for French notes is experienced chiefly in Quebec and Ontario, it is necessary to keep a stock of both at all the agencies of the Bank of Canada right across the country, because we are required to make the notes available in either language throughout the dominion. The need to sort the notes as they are paid in nearly doubles the labour of sorting in the important agency of Montreal and considerably increases it in Ottawa and Toronto. This is indeed the chief extra cost which is incurred. Both English and French banks tend to pay into the central bank notes which do not suit their requirements as to language, and it therefore follows that the total receipts and reissues of notes are greatly increased above what would normally be the case if the notes were bilingual. It is my opinion that the cost of the work of sorting the notes of a single type would be much less than half the cost now involved. The existence of two kinds of notes also involves a double set of books with respect to the currency issue, and, of course, larger space in vaults, which is not possibly a material factor. In connection with expense, it is bound to increase steadily by reason of the diminution of the chartered banks' issue. Expenses due to the present system will necessarily increase steadily. In connection with the sorting alone I believe it is fair to say that between $9,000 and $10,000 per annum could be saved by the substitution of a single note for each denomination in the place of the two which are now issued. There are

other considerations of a minor kind, but in the main this is, I submit, the proper thing to do. It is the practical application of the principle which the parliament of Canada accepted in 1934.

Section agreed to on division.

On section 16—Gold and securities to be turned over to bank.

Mr. BENNETT: I have to remark that here, again, the draftsman has departed from the usual rule, for anyone picking up the statute after it has been amended by this committee will find it difficult to discover how the Bank of Canada came into being at all, having regard to the disappearance of the section that deals with the certificate, and now the government is eliminating from the record the provisions that deal with the bank assuming the liability it did with respect to dominion notes and the turning over of the gold which the bank held. I am only going to point out, that in no previous statute which I can recall that had to do with the creation of even an ordinary corporation did the sections which had to deal with the antecedent conditions of its coming into being disappear because certain amendments were made. I content myself with making that observation.

Mr. DUNNING: I think my right hon. friend has a point there. Even I as a layman can see that the retaining of a proviso which relates to a non-existent section in so far as the statute is concerned after it is amended does appear to be an error. Perhaps the Minister of Justice (Mr. Lapointe) will be good enough to move that section 16 of the bill be struck out.

Mr. BENNETT: Well, it may be necessary to maintain it because of certain changes which were made in another section. It will be recalled that, in the power which is now conferred upon the bank to acquire securities, reference is no longer made to excluding the securities that were given to the bank to ensure it against loss in connection with its assumption of the obligation connected with the issue of dominion notes, and the two sections, of course, have a close relation the one to the other. This old section 16 was the one which enabled the Bank of Canada to take over the gold held by the country as well as by the chartered banks, and which enabled the new bank to receive from the crown, that is from the dominion, certain securities bearing rate at three per cent per annum for the purpose of being an effective and efficient guarantee against loss on the part of the bank because it had assumed responsibility for the note issue by the Dominion of Canada. If we repeal, as we are doing, subsections three, five and six, and then say—

> Provided that the authority to pay the principal of and interest on securities issued to the bank under the aforesaid subsections three and six shall continue.

—six and three both being repealed, we certainly have a condition to which even I, in my capacity as schoolmaster, might direct attention.

Mr. LAPOINTE (Quebec East): Suppose we cancel section 16 altogether.

Mr. DUNNING: That is the suggestion.

Mr. BENNETT: All right; I think you will find some more difficulties.

Mr. DUNNING: Well, my right hon. friend can see difficulties I—

Mr. BENNETT: I have no intention of obtruding them on the notice of those who have no desire to see them.

Mr. DUNNING: I was accepting what I thought was a valuable suggestion by my right hon. friend, and proposing that section 16 of the bill might be struck out. As I understand it, that would have the effect of leaving in the act the subsections noted in small print on the opposite page. I am trying to find out what difficulty would be created by leaving them in the act, but inasmuch as they relate to what shall be done on the day on which the bank shall be authorized to commence business—that is the whole point, I think—I thought my right hon. friend would look at it in his capacity as a lawyer.

Mr. BENNETT: He has no advice to offer. I have been endeavouring, Mr. Chairman, to present suggestions which I hoped would be helpful. Having had them designated in the form they were, I address myself to the chair and leave myself entirely in the hands of the committee.

Section agreed to.

On section 17—Reserve defined.

Mr. REID: Before that section is carried there are some matters I should like to speak about, and it is my intention to move an amendment to section 26 of the act. It will be remembered that last year and again this year I introduced into the house a bill to amend the Bank of Canada Act in respect of the remonetization or greater use of silver. On both those occasions this bill was thrown out by the Speaker as not being in order, but on both occasions only fifty per cent of the proposed measure was criticized by the

Speaker. The particular matter I have in mind this evening is in connection with subsection 4 of section 26, which is the clause relating to the agreement signed by Canada in London, in 1933. The present clause in the bill reads thus:

(4) The bank shall during the years 1935, 1936 and 1937 purchase and hold newly-mined Canadian silver as and when required so to do by the minister, but the bank shall never be required to purchase more than 1,671,802 fine ounces in any year.

In my opinion this should not have been placed in the Bank of Canada Act at all. This was in accordance with an agreement signed in London in 1933, when, I believe, some twenty-six countries attended. At that gathering a resolution introduced by the United States for the greater use and the adoption of silver was finally disposed of by certain nations agreeing to do certain things within the next few years. The United States, Canada, Australia, Mexico and Peru agreed to purchase between them 35,000,000 ounces of silver during the years 1935, 1936 and 1937, and other countries, including India and Spain, agreed not to sell over a certain amount of silver during those same years. This was introduced into the house, and, as I said, should have been in a special bill and not have been placed in the Bank of Canada Act. Of the 35,000,000 ounces, the United States agreed to purchase 24,421,410 ounces; Canada agreed, as I have pointed out, to purchase 1,671,802 ounces, and the other countries I have mentioned agreed to purchase the balance. Briefly, that is the history of the London conference agreement, but I want to draw particular attention to one word in the Bank of Canada Act which I do not believe exists in any other statute of this country, and that is the word "never." It says in the Bank of Canada Act that the bank shall "never" during those years purchase more than that.

Mr. DUNNING: It does not say "never."

Mr. REID: The act says that the bank shall "never" during the years mentioned be required to purchase more than 1,671,802 ounces. When the matter was before the house I endeavoured to have that word "never" taken out. I asked for an explanation, and I think it is pertinent to the amendment I am offering to read the remarks of the then Prime Minister (Mr. Bennett) as they appear at page 4262 of Hansard for June 25, 1934:

The word "never" is probably an undesirable word to use in a statute, but it was put in this bill for a definite purpose, namely to prevent false hopes being created in the hearts of those who might be concerned. During the currency of the world's agreement it will be observed by the hon. gentleman that everything depends upon the agreement being kept. And India, being the key to the situation and having agreed as she did agree, we have added these words to indicate what our position will be, because we will have more silver than we will know just what to do with.

Right there, Mr. Chairman, the right hon. gentleman was in error in stating that we would have more silver than we would know what to do with. In the mint at that time they had between three and four million ounces of silver which was being used for the issuing of coins, but at that time none had been purchased under the agreement. During the past few days we have heard a great deal about living in the days of ox carts, but I wonder how many members realize that in spite of the up to dateness of our so-called monetary system in connection with the issuing of cheques and credit, the faith of the people of the world still clings to the precious metals. When I mentioned that of silver I want to point out that sixty per cent of the population of the entire world still use silver in their everyday transactions and still look upon it as real wealth.

I realize, in advocating this change, that most people fear that the printing press will be turned on, but in the short time I am going to take up I am going to try to show that we have here something that will act as a kind of a brake and a stabilizer, if I can use that word, against the issuing of unlimited paper money. Confidence is the one thing the people must have in their currency if we are to carry on without panic or disaster, and we must also have discernible limitations. I am going to endeavour to show that silver is one of those discernible limitations, and I maintain that we should add it to gold in connection with the further issue of paper currency.

The present valuation of our gold, which is roughly $180,000,000, has been brought about by the action of the United States, which raised the price from $20.67 per ounce to, roughly $35 per ounce. In this country we are getting the benefit of that action. No one can say how long that arbitrary value will remain; it may drop or rise again to-morrow. I listened with a great deal of attention to the hon. member for St. Lawrence-St. George (Mr. Cahan) when he spoke of uncontrolled inflation and mentioned what happened in Germany. I should like to point out to the hon. gentleman that the value of the United States dollar in the markets of the world has not been reduced by the issuance of millions of paper silver certificates. It is true that when gold was revalued at $35 an ounce the dollar dropped to about sixty cents, but after the issuance of silver certificates by the United States the value remains

at about the same figure. The policy of the United States is worth noting. They have undertaken by statute to purchase silver until the silver reserve amounts to twenty-five per cent of the gold held by that country, and they are paying for the silver without going to the banks and borrowing money on which interest must be paid. It must be borne in mind that the silver certificates, one of which I hold in my hand, are just as valuable as the Canadian dollar, if not more valuable. On its face the silver certificate says, "one dollar in silver payable to the bearer on demand," while if one looks at our bills one finds that all one can do is to exchange one piece of paper for another. So, if it comes to having something tangible, the United States dollar may have the edge on ours, and in a case of a panic it might be in greater demand because it is backed by a precious metal.

What has Canada done in regard to silver? I should like to point out, first, that Canada is the third largest producer of silver in the world, with the United States the leading nation. In 1935 Canada produced 10,000,000 ounces of silver, so this country has a great deal to gain by recognizing this metal. We are trying to extend our trade with the United States, but in my opinion we slapped the United States in the face when we inserted the word "never" in this act, saying that we were not going to raise false hopes in the hearts of people with regard to silver. It may be that no leadership is going to come out of Europe and that by turning to the orient and South America the United States is going to take the lead in the Pacific as far as trading is concerned. If so her silver policy will play an important part. To carry out her policy she will still have to buy well over a billion ounces of silver, and I may say that at the moment she is buying practically all the newly-mined silver produced in Canada. Last year I believe the United States made a profit of some $19,000,000 on the newly-mined Canadian silver. When the hon. member for Vancouver-Burrard, (Mr. McGeer) was speaking the other evening he endeavoured to outline the profit that was accruing to this country in regard to silver and the silver dollar. He was not quite correct, nor was the Minister of Finance correct when he stated that we were making no such profit. My information comes from the master of the mint, and it may interest many hon. members to learn that on every silver dollar issued we make a profit of between sixty and seventy cents.

Mr. BENNETT: That is a gross profit.

Mr. REID: Yes. So far we have issued approximately $500,000 in silver, and on every one hundred thousand silver dollars issued by the mint this country makes a profit of between sixty and seventy thousand dollars.

Mr. DUNNING: Net or gross?

Mr. REID: Gross. As has been pointed out, in Canada silver coins are eight-tenths fine, and there are three-fifths of an ounce in each dollar. Each ounce contains 480 grains. If the silver in our dollar were pure each dollar would contain 360 grains, but it is only ·800 fine. Until 1921 our silver coins were ·925 fine, but in 1921 the act was changed and we reduced the percentage of silver in our coins until now they are ·800 fine. So a silver dollar actually contains only 288 grains or six-tenths of an ounce of silver. If silver is bought on the world market at forty cents an ounce, as it has been bought at times, the actual cost of the silver dollar is only twenty-four cents. But, irrespective of the price of silver, every ounce of silver minted makes $1.60 in coin, so that if an ounce of silver costs forty cents there is a gross profit of $1.20 on every ounce minted.

At one time this country produced as high as 30,000,000 ounces of silver a year. In 1910 there were produced 32,869,264 ounces, and it might interest the committee to know that there were at that time engaged in the industry approximately 15,000 men. Last year the production was not as great; we produced only some 16,000,000 ounces, and there were engaged in the industry only some 1,500 men. To-day we are looking for employment for our people, and right here is something which we can produce in abundance and which is in world demand. Here we have in our hills, especially in British Columbia, a product which is in demand in most countries of the world and will certainly be in demand in most countries of the world for some time to come by our neighbour to the south, which country has to buy well over a billion ounces if they fulfil their agreement or statutory requirements. Of course our bankers do not like that idea, as we would be making money or currency without any interest and naturally they would be against that. Those who trade in money are the ones who grow rich; the others grow poor, and the United States, by giving the lead in silver may well, as I say, become the leading trader in the orient and Pacific countries. We at least should have supported the United States in her silver buying policy.

Many countries to-day are turning to silver. One notices when a panic takes place, as has taken place in France, that the first thing

the people do is to get hold of either gold or silver and hide it or take it out of the country. Some day there may be in the world a perfect system under which all business can be done with paper money, but until that time comes we have to do business with the world as other countries want us to do it. I repeat: There are over 1,200,000,000 people in the world who use silver or live in silver using countries. It may be said that we might disrupt the world if we went on a silver basis. I realize that if the economic affairs of a country are changed too quickly, this might lead to confusion, but I noticed the other day in this connection that experts are now claiming that if Great Britain paid her debt now to the United States this might create havoc in that country. It is questionable, of course, whether that debt will ever be paid. I am advocating, however, that greater consideration should be given to this silver question. The trade of the world, it should be noted, can be paid for in only two ways, either in goods or in some currency acceptable to the country which is selling the goods. It was when barriers were raised by each country against others, and countries were forced off gold, that the tragic circumstances of unemployment with its consequent distress which we have witnessed during the past few years took place. There is not enough gold in the world to finance the world's trade. Three countries practically control it all. I believe the United States is up against the financiers of the old world, who are endeavouring to cling to the gold fetish, but it may well be that the United States by her silver policy will compel those nations to come back to the old system and again use silver along with gold. In Canada we could well use all our silver. The leader of the opposition this afternoon talked about gold going out of this country, pointing out that it might be well to keep that gold here—

Mr. BENNETT: Some of it.

Mr. REID: —and issue $50,000,000 in paper against it. He indicated that the $50,000,000 in paper put into circulation would be good for the country. I quite agree. But he could have gone a little further. We could do the same with our silver, and perhaps do even better with our silver than we are doing with our gold. The United States is paying its miners 64½ cents an ounce for newly-mined silver. I wonder how many in this committee know or care what the United States is doing in regard to that. I am going to state it and ask hon. members why we in this country cannot do the same thing. In the United States the miner can take 5,000 ounces of newly-mined silver to the mint, which keeps 2,500 ounces and mints the rest into silver dollars. Two thousand five hundred ounces of silver make close to $3,500, so the miner takes $3,500 new, shiny silver dollars back for his 5,000 ounces of silver. That nets him a price of approximately 64½ cents an ounce. We in this country could do the same thing. Either we could issue silver certificates for our silver output or we could issue partly silver dollars and partly silver certificates. If silver certificates were issued we would have a backing to our currency which cost this country little more than the cost of the paper. I should like to hear the minister say why we could not or should not do that in Canada. Oh, yes, we may be told perhaps that putting more paper into circulation will not help. But I know that in 1921 the total paper money in circulation was $464,444,000 and the trade of the country was over $2,000,000,000. The trade of the country last year was well over $1,000,000,000, but our total note circulation, according to the figures I have, was $209,864,870. If that amount of note circulation was required in 1921 to do the business of the country, surely we could issue more paper currency, even to an equal amount, without causing any havoc or distress or bringing about a crisis by undermining the value of our dollar in the markets of the world. I maintain that we could. If we backed our currency with at least one-quarter in silver as the United States are doing, I believe we would more readily hold the confidence of the people, if not strengthen it, and, after all, confidence must be maintained, especially in regard to currency.

Now I am coming to the amendment that I have to offer, because that is what I am interested in at the moment, as well, of course as in advocating silver. The Bank of Canada Act, section 25, subsection 3, provides that:

> On the day on which the bank is authorized to commence business the minister shall transfer to the bank—
>
> (a) gold held by the minister for redemption of dominion notes;
>
> (b) silver held by the minister for redemption of dominion notes valued at the market price of the fine silver content thereof.

When that was enacted we had no silver held for redemption of dominion notes. The only silver we had was the silver in the mint.

Mr. BENNETT: Did we not have silver in the vaults?

Mr. REID: The information I have is that there was none in the vaults; that all the silver was held in the mint. There may have been some held in the vaults for the mint.

Mr. BENNETT: Part of it had been purchased as far back as the time of Sir Henry Drayton as Minister of Finance, shortly after the war. I was wondering if the hon. member was saying that the amount which was included in the vaults of the Department of Finance was there for the mint, because it was all to go there ultimately.

Mr. REID: It was held for the mint by the Minister of Finance, but it was held for coinage purposes. There was no silver held at that time for the redemption of dominion notes. That did not come about until we procured it under the London agreement. Subsection 2 (a) refers to silver bullion received under the next preceding section. There was no silver held for the redemption of notes, so no silver could be taken over under the bank reserve.

I am proposing an amendment to take out the word "never" and to make the amount mentioned in the London agreement, namely 1,671,802 fine ounces the minimum amount instead of the maximum amount as at present. I move in amendment:

That subsection 4 of section 26 be deleted and the following substituted therefor:

(4) The bank shall purchase and hold newly-mined Canadian silver as and when required so to do by the minister, provided that during the years 1935, 1936 and 1937 the bank shall be required to purchase and hold not less than 1,671,802 fine ounces in any year.

Before the amendment is put I should like to say one word more. I know the statement will be made that the bank is not prohibited from purchasing silver, but if hon. members will read the act as it stands to-day I think they will agree that this is a prohibitory clause, and that the bank cannot purchase unless the minister says so. When we examine the present clause we find it states that the bank shall during the years 1935, 1936 and 1937, purchase and hold newly-mined Canadian silver as and when required so to do by the minister. Stopping at that point one would conclude that the minister could order the bank to purchase more silver. Then, if one reads the balance he will find that the act actually prohibits or precludes the minister from ordering the bank to purchase more, because it states that the bank "shall never be required" by the minister to purchase more than 1,671,802 fine ounces. My amendment does not interfere with the first paragraph; it permits the minister to purchase silver as and when he requires to do so, and it makes the London agreement amount the minimum rather than, as at present, the maximum. This will be at least a gesture towards our neighbour to the south who is endeavouring to cut a new path and to bring about, if possible, stabilization of world currency, if I may use that expression. I would ask the minister's very favourable consideration of that which I have now placed before the committee.

Mr. DUNNING: The change involved in the amendment is that the minister's power to require the bank to purchase newly-mined silver is extended indefinitely. By the subsection now existing the minister's power extends to the years 1935, 1936 and 1937, the language of the statute being:

The bank shall during the years 1935, 1936 and 1937 purchase and hold newly-mined Canadian silver as and when required so to do by the minister ...

And for the time being I shall stop at that point. The amendment is that:

The bank shall purchase and hold newly-mined silver as and when required so to by the minister—

Without any limitation on the minister's power to require the bank so to do to the three years involved under the present law. Then, the proviso is changed, because the law as it stands at present is:

... the bank shall never be required to purchase more than 1,671,802 fine ounces in any year.

The amendment is:

... provided that during the years 1935, 1936 and 1937 the bank shall be required to purchase and hold not less than 1,671,802 fine ounces in any one year.

I am inclined to the view that on both these counts the amendment is out of order. The first suggestion enlarges the minister's power to require beyond the year 1937, and the change from "never be required to purchase and hold not less than" to "shall be required to purchase and hold not less than," is out of order as a measure which could be introduced only by a member of the government and with the approval of his excellency.

Mr. REID: Before the question is put, may I say that I am sorry the minister has taken that attitude. When I put my views before the house on a previous occasion this part of the proposed change was never touched upon. Exception was taken to the first part. It was pointed out that no member could introduce legislation involving an expenditure of money. I contend that it looks now very much like quibbling on words. I am endeavouring to give the minister power, but I am still permitting the Bank of Canada in the years 1935, 1936 and 1937, to purchase 1,671,802 fine ounces of silver. That is the real gist of the amendment. At the present time the bank cannot purchase one ounce more, and if hon. members will take the trouble to look

at the last statement of the Bank of Canada they will find that it has only two years' supply on hand. She cannot purchase more because of the prohibitory clause in the Bank of Canada Act, and to-day we are allowing our silver to cross the line, where the United States are making millions of dollars out of it. We shall before long find ourselves on the short end of the stick, if some action is not taken. If the amendment is not worded correctly, perhaps the minister would word it in a manner which would take it outside the prohibitory rule.

Mr. DUNNING: Mr. Chairman, while you are considering the point of order on the main question involved, may I call the hon. member's attention to the fact that the present act merely puts a limit upon the amount of silver which the minister may require the bank to purchase. It does not mean that the bank of its own volition could not acquire a larger amount of silver. Paragraph (a) of subsection 1 of section 21 of the act empowers the bank to buy and sell gold, silver, nickel and bronze coin and gold and silver bullion. The limitation in the section of the act now under discussion is simply a limitation upon the minister's power to require the bank to do so and so. I point out that under another section of the act the bank has power to acquire silver. The limitation in this instance is upon the minister's power to require the bank to do so.

I cannot say anything further on the point, but possibly I might be permitted to give some general information on the silver situation as it applies to the Bank of Canada. It must be remembered that silver is a commodity subject to fluctuation, and indeed wide fluctuation in price. Last year the price of silver fluctuated from less than forty-five cents to about eighty cents per fine ounce.

Even the very small holdings of the Bank of Canada resulted in a loss of $489,368 to the bank between March 11 and December 31 of last year. The dominion government, of course, through the Royal Canadian Mint, and not the Bank of Canada, is the coinage authority of the country. The dominion government is at all times prepared to coin and make available to the public such supplies of silver coins as the public demand will absorb. Last year the silver dollar was issued for the first time, and so far 428,200 of these coins have been put into circulation. The 1936 silver dollar is now being coined; so far 205,200 of these coins have been put into circulation and the government has undertaken to coin as many silver dollars as the public will absorb. I should add that the Royal Canadian Mint has on hand a stock of silver bullion amounting to approximately 3,000,000 fine ounces, which, based upon the average for the last ten years, is sufficient to take care of our normal coinage requirements for about ten years. That information I thought the committee should have with respect to the present coinage situation.

Mr. BENNETT: I wish to answer just one point that was raised by the hon. member for New Westminster (Mr. Reid) who directed attention to the fact that I pointed out last year that we did not know what to do with silver on hand. As a matter of fact we had practically ten years' supply of silver on hand. That is what I meant to say, and we did not know what to do with it because, with the demand being as it was, we could not usefully coin it into dollars, quarters and dimes. That is the reason for the observation I then made. I had the same information on the subject as the Minister of Finance has given to the committee. I have thought—and I supported the thought by such action as we could take—of increasing the use of the silver dollar. There is in British Columbia an organization that has been urging very strongly the issuing in increasing numbers of the silver dollars. The special silver dollar that was issued last year met with a very considerable demand, but unfortunately not for currency purposes. Very few of these dollars were used, as a matter of fact, in the ordinary commercial channels, but they were put away as souvenirs. The coinage of a new dollar this year to the extent of $200,000 must add something to the circulation of silver dollars, but for some reason best known perhaps to those who are familiar with the psychological resentment against having heavy pieces of coin in one's pocket, the silver dollar except among the Chinese and others from the orient has not had a very wide circulation. As a matter of fact, I have never personally received in this country in recent years a silver dollar in change.

I think the hon. gentleman overlooked the fact that under what he was good enough to refer to as the London agreement there was a purchase of silver prior to the Bank of Canada Act coming into force, and the provision in the Bank of Canada Act that the bank should be the agent for the minister in acquiring the silver for those three years was introduced so that the bank authorities, those who had to deal with gold and silver bullion, should themselves make the purchases rather than the minister. I say that to the hon. gentleman because there was some silver that had been acquired by the Minister of Finance under the London agreement and that was

available for redemption purposes. That was what was meant by that provision of the section to which the hon. gentleman has referred. As to the larger question, of course, I have nothing to say.

Mr. REID: I should like to add just one word, and to ask the Minister of Finance two questions. I should like to know definitely if the bank is now empowered to buy or could buy all the silver it wanted.

Mr. DUNNING: There is no question of that, as I understand the law.

Mr. REID: If we are just going to put out silver dollars we shall never make any great headway. When I think of British Columbia and all its idle silver mines, which could put thousands of our people to work as they were at work in 1910, when 15,000 were employed in the silver mines; when I think that we could take over the product of those mines and pay for it without any cost to the country and strengthen the confidence of our people for they would know that behind the issuance of the silver certificates would be a precious metal which had an intrinsic market value apart from any monetary value placed upon it, and in view of the fact that the United States is going ahead and will purchase more than one billion ounces of newly-mined silver at the world market price, I think we could well consider what could be done in this country by taking our newly-mined silver at a guaranteed price and, as I said, without any cost to us at all. If we are looking forward to putting our people at work, this is one way in which we can do it, and it may be that the United States is giving a lead to the world. I believe she is bucking the gold bloc of financiers who are determined to keep the world on the gold basis. There are only three countries in the world to-day which have the gold to trade with, and the trade of the world has in consequence become stagnant. This is a question which the people can understand. It is as old as the hills, and as long as the people have faith in precious metals, as they have at the present time, we should look to our mines, take the silver we have and issue silver money or currency without cost to the government.

Mr. BENNETT: In view of what the hon. gentleman said in the earlier part of his observations respecting the attitude taken at the time the bill was introduced, I would point out that he has overlooked one fact, and that is that in 1910 India had not been put upon the gold standard, and silver then had a value in India, from the standpoint of acquisition, which it does not now possess. The Indian situation is the one that complicates the whole question of silver. The accumulations of silver in India, as I pointed out in 1934, when the bill was in the form in which it was, are very large, and it was because India agreed to the terms of the London convention that it became effective at all. The hon. gentleman will remember that Senator Pittman is the great protagonist of the silver theory in the United States, and he was chairman of the committee that brought about the signature of the London agreement, but to do so he had to effect an arrangement with India, which arrangement was based upon certain restrictions that are indicated in the agreement which was tabled.

There is one other question apart altogether from the Indian situation, and that is that the policy resorted to by the United States has perhaps fallen down—perhaps that is not an unfair way to put it—because the price of silver, which was as high, I think, as eighty cents an ounce, certainly somewhere over seventy cents within the last fifteen months, has now dropped until it has reached the figure of, I think, twenty-two pence an ounce in London, and the price in America is the world price. That is the reason that in 1934 the provisions in the act were as they are. It will be recalled by the hon. member that the first function which the bank possesses is to buy and sell gold and silver bullion. That is one of its general powers. This was, so far as we are concerned, merely a matter of convenience when we put it into the statute to enable the Bank of Canada to discharge a duty which, under the agreement, rested upon the Minister of Finance.

The CHAIRMAN: I quote from Bourinot, 4th edition, page 407, chapter 13:

> No cases can be found of any private member in the Canadian commons receiving the authority of the crown, through a minister, to propose a motion involving the expenditure of public money. No principle is better understood than the constitutional obligation that rests upon the executive government, of alone initiating measures imposing charges upon the public exchequer. On one occasion, in the English commons the consent of the crown was given to certain formal resolutions proposed by a private member with reference to charges in courts of law to be defrayed out of the consolidated fund. It was thought, however, that any resolution placing a charge on the consolidated fund should be moved by a minister of the crown, and the more regular procedure was thereupon carried out. It was distinctly affirmed, however, that the member who proposed the motion involving the charge was within his right when he had the sanction

of the crown, but it was generally admitted at the same time that it was better, as a matter of policy, that the proposition should emanate from a responsible adviser of the sovereign.

Under section 17 of the bill the minister is restricted in the purchase of silver, but in this amendment there is no restriction. I therefore rule the amendment out of order.

Mr. BENNETT: Perhaps the minister will now explain the reasons why the changes have been made with respect to foreign exchanges which the bank may hold.

Mr. DUNNING: I can add very little to the explanation opposite the section in the bill. From the standpoint of administration the amendments are meant to make clear the intention of the original paragraph:

> Under the old wording the "balances" held in the central banks mentioned might be balances in any currency. The new wording restricts the balances held as reserves to balances held in the form of pounds sterling, United States of America dollars and currencies which by law or in fact are convertible on demand into exportable gold.

The same change is made in regard to bills of exchange.

Mr. BENNETT: I really cannot understand how the author of the note can speak with such authority as to the intention in connection with this matter. It was quite the opposite so far as I am concerned. We were giving power to this bank to hold exchanges that were exchangeable in law and in fact for exportable gold. That was the whole point, and we did not restrict them to the limitations now imposed. The section provided:

> (b) foreign exchange, which shall mean—
> (i) balances with the Bank of England, the Bank for International Settlements, the Federal Reserve Bank of New York, and a central bank in any country whose currency by law and in fact is convertible on demand at a fixed price into exportable gold.

That was done with malice aforethought, so to speak. It was intended that if it were desirable in the public interest to acquire either Belgian or Holland exchange, that might be done; especially was that true with respect to Holland exchange at that time. The effect of the amendment is that the definition of foreign exchanges is limited to balances in pounds sterling. I have some little difficulty about that, because some of the Scandinavian countries have so arranged their monetary system as, to use the colloquial language of the street, to tie themselves to the pound. It may be that the limitations

[The Chairman.]

at the end will remedy any difficulty in that regard, because it says:

> —which by law and in fact are convertible on demand at a fixed price into exportable gold held in the Bank of England, the Federal Reserve Bank of New York, the Bank for International Settlements or a central bank in any country the currency of which is convertible as hereinbefore described.

What is the difference between the two? That is my difficulty. It turns the sentence around, but at the end of it it meets the difficulty to which I refer. When the hon. gentleman says that it was the intention of parliament to do so and so, I point out that the new section also provides for foreign exchange of the "central bank in any country the currency of which is convertible as hereinbefore described." It no longer applies to Belgium, but it certainly does to Holland, and that is what the original statute provided for, namely, any exchange that was convertible by law and in fact into exportable gold. There is, for instance, a limitation as to the minimum quantity that can be drawn. I believe that in some countries it is the equivalent of $4,000, and it is drawn in bullion and not in coin. But it is in law and in fact convertible into exportable gold. Reading the two sections, I should like to know, as a matter of information, just what the difference is.

Mr. DUNNING: I am advised that under the section as it stands it would have been possible to hold a balance in the Bank of England in terms of Chinese yen or of Brazilian milreis. The intention of the amendment is to make it clear that the balances must be in pounds sterling, United States of America dollars and currencies which by law and in fact are convertible on demand, and so on.

Mr. BENNETT: If there is any doubt about it I cannot see it. However I do not want to stand in the way.

Section agreed to.

On section 18—Inspection.

Mr. DUNNING: This explains itself.

Mr. BENNETT: I doubt the desirability of the inspector general of chartered banks being the man. He is a servant of the chartered banks and is paid by them. It must not be forgotten that he is paid by the chartered banks.

Mr. DUNNING: He is not their servant.

Mr. BENNETT: He is not their servant in the sense that they can tell him what to do, but he is their servant in the sense

that they provide the money to pay him. I do not think this section as it stands, entrusting that power to the inspector general —and I speak in the light of experience—is desirable, because it is the very thing which, in fact, I consider undesirable, inasmuch as it places the destiny of that phase of banking operations entirely in the hands of one who is paid by the chartered banks themselves. That I regard as very unsound, in the light of the experience I had when I was in the Department of Finance.

Mr. DUNNING: I do not know what the experience in question was, but I may point out that the original section was:

> For the purpose of this section the bank may authorize the inspector general of banks or one of its own officers ...

And so on.

Mr. BENNETT: I know that.

Mr. DUNNING: If there is any serious idea that the inspector general of banks, on the ground that the banks are required to pay him, is in any sense not the servant of the minister and subject to the minister's instructions, then I should prefer to change that provision, but it seems that, as a matter of convenience in determining that the return required by subsection 2 of this section is correct, in connection with the inspector general's normal duties, it is more convenient for him to do this work than for anyone else to do it; and making it a requirement instead of being optional on the part of the central bank that the inspector general shall do it, clarifies the situation completely in that regard. I frankly confess that I had not thought of the point raised by my right hon. friend, that the fact that the inspector general of banks is appointed by the chartered banks involves in any sense a responsibility on the part of the inspector general to the chartered banks. The requirements of the law is that the chartered banks shall pay, but the law also provides that he is an officer of the Department of Finance and takes his instructions from the minister.

Mr. NEILL: May I ask what way he is paid, whether by fees charged for his services, or amongst the banks themselves by arrangement, or how?

Mr. DUNNING: The expenses of his office are made by law a charge upon the chartered banks, and they are assessed for the cost.

Mr. BENNETT: Paid by the banks through the Canadian Bankers' Association as a matter of convenience, I think. This question engaged the attention of the late government, and the inspector general was put forward as being a suitable person, but we did not leave it at that; we provided that one of the officers of the Department of Finance might be required to make inspections. I well recall the appointment.

Mr. DUNNING: One of the officers of the bank, not of the Department of Finance.

Mr. BENNETT: Well, of the central bank. He now becomes an officer of the crown. This officer of the central bank has to make the investigation, and the investigation is one of very considerable importance. Personally, if I had to do it over again, I would eliminate the clause which provides for the inspector general to make the investigation, and would provide that it should be done by an officer of the bank, and I may say, in the light of more mature knowledge, that the provision for the appointment of an inspector general is wholly useless, being in practice without value. I well remember when Mr. Robb dealt with the matter in the way he did. I was not then in the house. I think it was nothing more than a bit of window-dressing. My considered opinion is that it serves no purpose and is wholly without value.

Section agreed to.

Section 19 agreed to.

On section 20—Appointment of auditors.

Mr. BENNETT: This is an extraordinary section. It takes away from the shareholders the right to appoint the auditors and vests it in the governor in council, which, I think, is highly undesirable. Inasmuch as the Minister of Finance is made a shareholder for all purposes except one, and that one the election of directors, and that the ordinary right of shareholders still obtains with respect to class "A" shareholders, the appointment of the auditor should come from the shareholders and not from the governor in council. I can conceive of nothing that would be less calculated to inspire confidence than a set-up of that kind, by which the governor general in council is to name the auditors. That matter also was discussed considerably in committee. The auditors for the present year have been appointed; it is provided that the governor in council shall make the appointment not later than January 31 in each year. This year the auditors have been appointed by the shareholders in accordance with the provisions of the law. I take it that this section would not be applicable until next year; then, when the shareholders meet, as they will, to deal with the report of the governor and the directors of the bank, they should be asked, I submit, to appoint the auditor, and the list or panel from which they shall make their

choice is limited to the type of men who are auditors of chartered banks. Is it quite right to say that the governor in council shall name the auditors when you still continue to provide ownership with respect to class "A" shares, and class "B" shares, you have said, shall have all the rights and privileges which are incidental to ownership of shares except one, namely the right to vote for the election of directors? Should not the shareholders and not the governor in council elect the auditors?

Mr. DUNNING: My right hon. friend is quite correct. There is no intention of changing the auditors selected last January, but it is thought that, having regard to the completely changed set-up and to the government control, the appointment of auditors should be the function of the governor general in council in such a case. It is a difference of view so far as my right hon. friend and I are concerned, but the government has considered the matter and desires to appoint the auditors of the bank, subject to the limitations contained in the section, which are that the auditor must be eligible to be appointed as the auditor of a chartered bank, and no person shall be eligible for appointment if he or any member of his firm has been auditor for two successive years during the three next preceding years. Provision is there for the changing of auditors in order that the audit shall not become stereotyped in character or get into a rut, but it is thought that the power to appoint should be vested in the governor general in council.

Mr. BENNETT: Of course there is no function exercised by shareholders that has been more jealously guarded and more determinedly held than the right of shareholders to elect auditors. Directors have at times endeavoured to exercise that power, but the right of shareholders to determine who shall audit the accounts has been conceded, I think, in practically every case nowadays. It will be recalled that when Mr. McLeod of the Bank of Nova Scotia first set up the claim that there should be an independent audit of the banks, the banks objected to it and said that it was impossible to do it, but ultimately the right of the shareholders prevailed, and the banks are now subject to an independent audit. In the section we passed this afternoon we provided that shares issued to the minister shall carry with them the same rights and obligations as class "A" of the capital of the bank except that the holders shall not be entitled to vote at the election of directors. I am quite content to leave the section as it is, but never before in my time has the governor in council been clothed so frequently with the powers of parliament. If you take the statutes and read over, as I shall do presently, the number of cases in which this has been done, you will find that the governor in council is appearing more frequently than in any set of statutes we have passed in recent years. We are now taking away from the shareholders the right to elect their auditors and putting it into the hands of the governor in council, which cannot but be the very negation of modern practice with respect to banks.

Section agreed to.

Sections 21 and 22 agreed to.

Title agreed to.

Bill reported.

Mr. SPEAKER: When shall the bill be read a third time?

Mr. DUNNING: At the next sitting of the house.

Mr. BENNETT: I think the bill should be reprinted, in view of the very substantial changes that have been made in it in connection with the set-up, and of the fact that we were not favoured with having them in the votes and proceedings antecedently to their being moved; they have appeared only from time to time. The bill will have to be reprinted for the senate, anyway. It might be desirable to reprint the bill; I should think it could be done to-night without any great difficulty, and I think this would expedite business in the senate as well. There are two sections in particular that, I believe, should be reprinted as a whole.

Mr. MACKENZIE KING: The bill will be reprinted, and we shall not proceed with it to-morrow.

CANADIAN NATIONAL RAILWAYS

PROPOSED BRANCH LINE FROM SENNETERRE TO ROUYN, QUEBEC

Hon. C. D. HOWE (Minister of Railways) moved the second reading of Bill No. 90, respecting the construction of a Canadian National railway line from Senneterre to Rouyn, in the province of Quebec.

Motion agreed to and bill read the second time.

Mr. FINN: Mr. Speaker—

Mr. HOWE moved that the bill be referred to the special select committee on railways, canals and telegraph lines.

Right Hon. R. B. BENNETT (Leader of the Opposition): The minister will remember that the final report of one of the rail-

way committees has been made. Is it intended to refer this bill to the special committee that had to deal with the Canadian National Railways or the ordinary railway committee?

Mr. HOWE: I should have said the standing committee on railways, canals and telegraph lines.

Motion agreed to.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR EXPENDITURE, INDEBTEDNESS AND THE REFUNDING OF MATURING OBLIGATIONS

Hon. CHARLES A. DUNNING (Minister of Finance) moved the second reading of Bill No. 84, respecting the Canadian National Railways and to authorize the provision of moneys to meet certain expenditures made and indebtedness incurred during the calendar year 1936.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Sanderson in the chair.

Sections 1 to 4 inclusive agreed to.

On the title.

Mr. BENNETT: Mr. Chairman, the bill to which we have just given second reading and referred to the standing committee on railways, canals and telegraph lines contemplates an expenditure of approximately $6,000,000 for the construction of a branch line, which is to be a capital charge of the Canadian National Railways. This bill traverses the same ground in part, namely in paragraph (b) of section 2, which reads:

> Construction and betterments, including coordinations; acquisition of real or personal property, and working capital, not exceeding $2,500,000.

Then the section proceeds:

> Provided, however, that for such purposes the aggregate principal amount at any one time outstanding of the notes which the national company is hereby authorized to issue from time to time shall not exceed the sum of $9,959,000, being the total of the items hereinbefore set out.

That makes it perfectly clear that unless some provision is made to deal with the additional expenditure this statute will be inconsistent with the provisions of the previous statute which it is proposed to pass. In other words, when that statute has been passed, authorizing this construction, the two statutes will be inconsistent, because the maximum that can be issued by the railway company during the year is provided by this statute. That maximum is now to be increased by nearly $6,000,000, and there should be a corresponding entry made in at least one of the two statutes.

Mr. HOWE: I may say that while the branch line bill to which reference has been made calls for a total expenditure of some $6,000,000, only a small portion of that amount will be spent this year. I think it will take most of the season to make the surveys. The railway estimates that considerably less than $1,000,000 will be involved this year.

Mr. BENNETT: That should be provided for in some way in this statute, I should think.

Mr. DUNNING: I think the previous bill is the usual one providing for the issue of securities with respect to a specific matter, and it does not affect this bill.

Mr. BENNETT: Due to the rapidity with which the previous bill was passed I did not look that up, but I expected it to be so. This statute provides, however, that for such purposes, among those purposes being construction and betterments—

> —the aggregate principal amount of any one time outstanding of the notes which the national company is hereby authorized to issue from time to time shall not exceed the sum of $9,959,000 ...

I was only suggesting that some general words should be added which would provide for this added expenditure. Possibly the other bill could be amended to read, "notwithstanding anything contained in the Canadian National Railways Loan Act of 1936" or something like that. I thought it well to point out that there is an inconsistency between the two bills.

Mr. DUNNING: Before the bill with respect to the construction of the branch line proceeds through its final stages, consideration can be given by the law officers to that point. My hon. friend the Minister of Transport (Mr. Howe) will see that that is done.

Title agreed to.

Bill reported, read the third time and passed.

LOAN OF $750,000,000

Hon. CHARLES A. DUNNING (Minister of Finance) moved that the house go into committee to consider the following proposed resolution:

> That the governor in council be authorized to raise by way of loan under the provisions of The Consolidated Revenue and Audit Act, 1931, an amount not to exceed in the whole the sum of seven hundred and fifty million dollars for paying or redeeming the whole or any portion of loans or obligations of Canada

and also for purchasing and withdrawing from circulation unmatured securities of Canada and for public works and general purposes.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Mr. DUNNING: The reason for the resolution now before the committee is to renew the general borrowing authority to the government. The last statute enacted in this connection, in 1934 or 1935, provided for an authority of $750,000,000. That sum will be exhausted by July of this year. Exhaustion is fairly rapid, partly by virtue of the use of treasury bills, which under the terms of this type of act increase the amount every time short term bills are issued, even for renewal of existing issues. The authority sought is similar to that which has been given on former occasions.

Mr. BENNETT: Were there provisions in respect to public works and general purposes in the last act?

Mr. DUNNING: Yes.

Mr. BENNETT: I was not quite sure.

Resolution reported, read the second time and concurred in. Mr. Dunning thereupon moved for leave to introduce Bill No. 98, to authorize the raising, by way of loan, of certain sums of money for the public service.

Motion agreed to and bill read the first time.

CANADA SHIPPING ACT, 1934

Hon. C. D. HOWE (Minister of Marine) moved the second reading of Bill No. 53, to amend the Canada Shipping Act, 1934.

Right Hon. R. B. BENNETT (Leader of the Opposition): I desire to point out that we must reserve certain rights as to the principle contained in the portion of the bill relating to sheltered waters. As long as our rights are reserved to discuss that in committee, I have no objection to proceeding with the second reading.

Mr. DUNNING: That is understood.

Mr. R. E. FINN (Halifax): I should like to ask the minister whether or not there can be discussed under this bill the question of the sale of the ten ships—nine now, as one has been lost—and the contract that has been entered into with the English company?

Mr. HOWE: This bill has to do with amending the Canada Shipping Act of 1934, and has nothing to do with the sale of the ships mentioned by my hon. friend, so I hardly think this would be the occasion to discuss that matter.

Mr. FINN: I might say that all I could hear of what was said was the word "shipping." I am satisfied that this bill has nothing to do with the matter I mentioned, as the minister says. But I could not hear; the articulation of some hon. members of the government is of such a kind that you cannot hear what is said and the only way you can find out is to rise to your feet. You do not make a mistake, but they think you do.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

On section 1—Definitions.

Mr. CHURCH: This includes the great lakes. I had intended at this session to introduce a bill to place shipping on the lakes, which is in a precarious position, under the control of the board of railway commissioners. I understood the minister was going to bring down a bill. There exist on the lakes conditions which are not creditable. Men are working on these ships for a few cents an hour. Besides that, labour conditions are bad and in breach of the health laws of the provinces. I think the minister should give some undertaking that something will be done during the coming navigation season. What is shipping coming to? A number of the boats are tied up. There should be some regulation. We know that there were armed gunboats on lakes Ontario, Erie and Huron, in breach of the Rush-Bagot treaty, smuggling stuff into a friendly country. The shipping industry needs some government support to try to revive it. I hope that during the recess the minister may see fit to look into the working conditions on these lake boats.

Mr. BENNETT: This section is objectionable for a reason that has been frequently urged in this chamber. It gives the minister power to determine what are sheltered waters on the sea coasts of Canada. Such a power is not usually granted by any statute. It is a very important matter. Paragraph 55 of section 2 reads:

> "Minor waters of Canada" means all inland waters of Canada other than lakes Ontario, Erie, Huron (including Georgian bay), Superior and Winnipeg, and includes all bays, inlets and harbours of or on the said lakes and said Georgian bay.

It is now proposed to modify that by a new definition reading:

> "Minor waters of Canada" means all inland waters of Canada other than lakes Ontario, Erie, Huron (including Georgian bay), Superior and Winnipeg, and includes all bays, inlets and harbours of or on the said lakes and said Georgian bay, and such sheltered waters on the sea coasts of Canada as the minister may specify.

That is, it clothes one man with authority to decide what are minor waters of Canada, on both Atlantic and Pacific sea coasts, regardless of any other consideration. I think that is an intolerable condition, if I may use language which sounds harsh. It is intolerable that in a country such as this one man may be clothed with that power, having regard to the purpose for which it is to be exercised. The purpose is abundantly clear in the explanatory note, which reads:

> The object of this amendment is to give power to the minister to include under the expression "minor waters of Canada" as defined in the Canada Shipping Act, 1934, such waters on the coasts of Canada as he may consider comparable with the minor waters described in the said act. This will allow the masters of ships working in such waters to be men holding certificates for minor waters and in some cases temporary certificates. The only change in the paragraph is the addition of the words underlined.

The real crux is contained in this sentence:

> This will allow the masters of ships working in such waters to be men holding certificates for minor waters and in some cases temporary certificates.

In other words, the minister has the authority to determine whether or not a given bay or inlet on the coast of British Columbia or on the Atlantic coast of Canada is a minor water. The same would apply to Hudson bay. Assuming that he decides a certain body of water is a minor water, as he alone may determine, he then has the right to accede to the request made that a man holding a certificate for minor waters, one who is not a navigator at all in the broad sense in which the term is used in the Shipping Act, or a man holding a temporary certificate, may take command of a ship that sails to and fro in those waters.

To a substantial degree that would cover the coastal trade of New Brunswick, Nova Scotia, Prince Edward Island and Quebec. As the paragraph now reads, without any limitation, it would cover the coastal trade on the Pacific coast. I protest against conferring such a power upon any man, however eminent he may be. So far as I know I have not seen any such power as is here contemplated conferred upon any minister. Just think what it means! One man is to determine that the inlets on the Pacific coast of British Columbia are minor waters. John Smith, a man with no certificate for deep water sailing, comes to the minister and says, "I have a minor water certificate. I am going to sail a ship and become master of a boat which has to do with trade in those waters." Or a man with a temporary certificate may approach a member or a supporter of the government, and that member or supporter may say, "Yes, I can fix you up," and in turn would say to the minister, "All you have to do is to declare that this is a minor water." The provision is supplemented that even with a temporary certificate one may operate a vessel in those waters, some of which are most dangerous. Nevertheless, that power is to be given. Had the former government attempted to do such a thing I believe I would have heard some hon. members now sitting in front of me speaking, from their then places in the house, about autocratic and dictatorial powers. This power does not cease to become that because it is exercised by a Liberal government; it is just as vicious in the one instance as in the other. To clothe one man with that authority is, I believe, a negation of the whole theory upon which the shipping act is based. After all, it deals with technical matters, with the lives as well as the problems of many people. When we clothe one man with authority to declare that a bay or an inlet on either the Atlantic or the Pacific coast is a minor water, and when in another section we confer upon him further power to clothe—putting it within the terms of the act—only reasonably qualified persons with power to be masters of ships going to and fro on those waters, the government are carrying their power to an extent which is not usual, and which I should assume very few men would seek to exercise.

Mr. HOWE: There is no sinister purpose behind the provision.

Mr. BENNETT: I do not suggest that there is.

Mr. HOWE: This is a power exercised by the secretary of commerce in the United States and by the board of trade in England. The effect of the act as drawn is that a man running a ferry across Burrard inlet is acting illegally because he has not deep sea papers. Similarly a man running a ferry at Sydney is acting illegally.

Mr. BENNETT: We have dealt with that in another section.

Mr. HOWE: Nevertheless it is a fact that a man navigating a vessel on Burrard inlet must have deep sea papers. Surely that is not the intention. In England the board of trade have similar regulations, but they refer to smooth waters, rather than inland waters. We have the anomaly that the St. Lawrence river at Father Point comes under the provisions of the minor waters regulations, despite the fact that at that point the river is thirty miles wide. Yet any inlet on our Atlantic or Pacific coasts, or any harbours

thereof, is a major water, and a man going across is on the deep sea, according to the Canada Shipping Act.

Surely we are making only a necessary provision. As I say, one man will exercise power here, and by the law of the United States one man exercises power in that country. But they would not exercise it without obtaining the expert opinion of their shipping experts.

Mr. BENNETT: One man does not exercise this power in Great Britain, and any one familiar with the manner in which the board of trade exercises its power in this regard will realize that it has magnificent machinery to deal with the matter. I suggest that when the minister states that the condition in England is comparable with the exercise of power by one man he is making an unfair comparison. That is equally true with respect to the United States. The minister has said that the secretary of commerce can exercise a similar power, but I would say it would be almost as bad there as it is here.

When the minister speaks about deep sea navigators he forgets that we had an extensive discussion in this chamber when section 118 of the act was passed, at which time we discussed the "requirements for certificates of service as masters and mates." We declared that:

> Every British subject who (1) served as a master or mate of a foreign-going or home-trade sailing ship of over seventy-five tons, gross tonnage, before the first day of January, one thousand nine hundred and thirty-one, for a full period of twelve months within ten years immediately preceding the date of his application for certificate of service—

—could be a master or mate. That subsection caused a great deal of discussion. It must not be forgotten that while we are an autonomous community exercising our rights to the full, so far as this parliament is concerned, nevertheless the shipping act stands in a position different from that of other legislation of this house. Representatives of one government under the same premiership as the present one, and those of the successor to that government endeavoured so far as possible to secure uniformity in the shipping laws of the British empire.

I am objecting to the power being exercised by one man, whoever he may be. My objection has nothing to do with the present minister, but has to do with the question of power being exercised by a single individual.

Mr. HOWE: We are not departing from English practice. All powers of the British board of trade are concentrated in the chairman of the board. The other members simply advise. The chairman of the British board of trade, the secretary of commerce in the United States and the Minister of Transport in Canada have the same power, in their own territories.

Mr. BENNETT: It is the president of the board of trade in England.

Mr. NEILL: There is one point the leader of the opposition has not appreciated. In 1934, when the shipping act was being amended, I was one who again and again begged the then Minister of Marine, the Hon. Mr. Duranleau, to permit the bill to go before the committee dealing with marine and shipping matters. It was a large bill, indeed, one of the largest ever placed before the house. The minister would not accede to my suggestion, but expressed his determination to jam it through in committee of the whole house, where no adequate debate could take place among those familiar with the subject. The result was that there were surprisingly few blunders that have to be corrected this year, but this is one of them.

The leader of the opposition states that this is a technical matter and he does not like to see the power placed in the hands of the minister, but just because it is a technical matter it will be dealt with not by the minister alone but by his experts, men who from long years of experience out on the coast as inspectors, surveyors, and in positions of that kind are in a position to judge, men whose reputation and livelihood are at stake and who are not going to allow themselves to be used for any political purposes the minister might have for the moment. The minister cannot possibly make the decision himself in these matters because it is of so technical a character.

Mr. BENNETT: He is the man who does it just the same.

Mr. NEILL: Yes, in the same way that he does a great many other things, on the advice of his responsible officers.

The situation was this. It is a dual one. It was not altogether the fault of the last act, but the situation was this. Under the act that was in force before the act of 1934 the minister had power to grant what were called temporary certificates, and it was highly desirable that he should do so. The leader of the opposition talked about an intolerable position, but there has been an intolerable position created by our failure to adjust these

things in the act of 1934. In the act prior to 1934 the minister was not given power, although we thought he was, to give temporary certificates, the character of which I shall deal with in a moment. For many, many years, partly from laissez-faire or a desire not to open the act, it was always interpreted that the minister had that power under that section, and for many years the practice was for the minister to grant these temporary certificates. In the act of 1934 we more or less copied the same language, but the act was not to come into force until it was proclaimed. Then in virtue of that, as the act was not proclaimed, we kept on working under the old act subsequently to that date, under which we thought the minister had the power, and which in practice he had for many years. Then some smart man in the department perhaps took it to the Justice department and suddenly discovered what was very palpable, that the wording of the old act in no way justified the minister granting any temporary certificates at all, and those who were entitled to them were then left utterly up in the air. The result was that the order went out that no more would be granted. The act of 1934 did not help it any, and this is an attempt to remedy that situation.

Now I speak of the necessity of these things. Perhaps the leader of the opposition has the picture in his mind of some man who has very little marine knowledge taking a big steamer through some narrow passage, but that is not the picture at all.

Mr. BENNETT: No; that is not what I have in mind.

Mr. NEILL: Picture a bay, a mile and a half across, and somebody taking an eighteen foot launch across. It goes just above the five ton limit. If it is under five tons he can put forty people into it, and go to Jamaica, and there is no one to say him nay, but if it is over five tons, and therefore a larger and more comfortable, bigger engined and safer boat, but especially a safer boat—and a great deal depends, not upon the length of the boat, but upon the housing on it—then according to the act of 1934 he must have a certificate that would entitle him to take the boat through the Panama canal if he wished. He cannot afford to get a ticket like that; he cannot afford a master's certificate, and therefore the public are greatly inconvenienced because they do want to get across this bay. The result is this, and I have seen it happen more than once: He cannot afford a master's certificate; he cannot afford to hire a man with a master's ticket, and so he says: I shall have to cut down the boat so that it comes just to 4·99 tons, just under the five ton limit, and then he can take all the people that he can crowd on board, in utter defiance of all rules of safety. There were some rules about having a life belt for each person, but he did not need to know anything about running a boat or about the rules of the road or anything of that kind. You may say: Why didn't he go and get a master's certificate or get a man with a master's certificate? Well, the work won't stand that, and if they have to do that it simply means that they will fall back on a smaller boat under five tons, where there are no restrictions and much less safety.

I understand that the department has in contemplation—I forget whether it is provided in this act or in the regulations—that these men who are applying for temporary certificates shall have some reasonable qualifications. They will have to pass a test for sight and hearing, know the rules of the road and the elementary rules of signalling, which will make it reasonably safe. For my part I infinitely prefer to cross these comparatively sheltered waters, or semi-sheltered, waters in a boat that is run by a man who has not much deep sea knowledge but who does know the waters. That is the all-important thing. A man with the deep sea knowledge to take a boat from here to China has not the knowledge of the local waters that the local man has, and that is why it is desirable to give a temporary certificate, renewable from year to year, to the man with local knowledge, because local knowledge is infinitely more valuable for the purpose than the deep sea knowledge that would enable a man to take the Queen Mary to England.

I remember on one occasion being stormbound up the coast. Something had happened to the steamer; I think the propeller had dropped off, and I proposed to go down by means of Indian canoe. There was a bishop stranded in the same way, and having a kindly feeling for the cloth I offered to take him along, but, no, he would go on his own. I started off next morning with the Indians I had selected, and went half way on my journey; then I discharged those Indians and took on another bunch for the remainder of the distance, some fifty miles, local Indians who would know the local currents and how to navigate the local waters, and as a result I succeeded in getting home in two or three days. The bishop, strong in his religious convictions, took a bunch of Indians and they went all the way through, but not having the local knowledge required for the latter part of the journey they upset in running across a current coming out of some side river, and the bishop would have been drowned if it had not been for somebody coming along

with a launch. I mention that only as an illustration. One Indian was just as good as another, and possibly the bishop's bunch was better than mine spiritually, but they had not the local knowledge that brought me safely home—I hope for the advantage of Canada. It is the local knowledge that counts. Give me a man who can run an engine and has the local knowledge of the waters, a man who can pass a test for sight, hearing, colour, and elementary signalling, and he will not endanger the lives of anybody. That is what I want to impress on the leader of the opposition, that the very fact that we can get these men with temporary certificates makes it so much safer to travel. Otherwise we are compelled to go in a boat that measures 4·99 tons where there are no restrictions whatever. It is really an advantage. There is no danger of their exceeding what is reasonable, because a government employee whose job depends upon his vigilance will see to it that no one who is not entitled receives a ticket to cross unsafe waters; for if any accident happens both his reputation and his job are gone. I admit that as the leader of the opposition put it, it would seem that too great a power was being placed in the hands of the minister. But this is once that we can trust it to him, not because of his personality but because in the very nature of things, this being a technical matter, he will get technical advice and see that a wise use is made of the regulations.

Mr. FINN: No one in this house or outside it knows exactly where we stand in connection with the shipping laws of Canada. There is a shipping act which has been passed but which has not yet been proclaimed; it is to be proclaimed in August next. This is an amendment to an act which is supposed to be on the statute books, the Canada Shipping Act of 1934. Would one be right in assuming that the act has been proclaimed? I have looked at the sections at the back of the bill and I do not see anything about the proclamation, so that I would gather from that fact that the act is already in force.

Mr. HOWE: No; the act has not been proclaimed.

Mr. FINN: This act of 1934 has not been proclaimed?

Mr. HOWE: No; but it is the intention to proclaim it as of August 1 of this year.

Mr. FINN: I submit, then, that the amendment which has been offered by the minister is not valid. The act has not been proclaimed; it is not law, and therefore it cannot be amended, because you cannot amend an act that is not in force unless it is specifically stated that you are amending an act which is to be proclaimed. This amendment presupposes that the act is already on the statute books, but as a matter of fact the act is not on the statute books in so far as its being operative is concerned. It has no force and effect and—I speak subject to correction—I do not think we can amend something that is not an act but merely an enactment which will be proclaimed in August. Perhaps the law officers of the crown will be able to inform me whether or not the point I take is correct.

Mr. HOWE: I took the question up seriously with the law officers of the crown and they assured me that an act is an act from the time it is enacted, whether it is operative or not. The act is part of the statutes of Canada and can be amended.

Mr. FINN: Then, if it is an act, it must be in force.

Mr. HOWE: No, not necessarily.

Mr. FINN: If it is not in force it is not an act; it is merely something that is on the statute books. If it is of no force or effect it is not an act and cannot be until it is proclaimed. I submit, therefore, that you are amending something that is not an act, as we understand that word, that is, an enactment which is operative as a law of the country. However, if the law officers of the crown have so advised, then the responsibility rests with them. This is a voluminous act, and it seems to me that the proper thing to have done was to amend the interpretation clause, setting out what these waters in question are. What is the number of the bill?

The CHAIRMAN: Number 53.

Mr. FINN: In the interpretation clause of the act there will be found a definition of every term used: "foreign voyage," "home trade voyage," "home trade ships," and so on. Then we come to the minor waters of Canada, which means all inland waters of Canada other than lakes Ontario, Erie, Huron, including Georgian bay, Superior and Winnipeg, and all bays, inlets and harbours of or on the said lakes and Georgian bay.

The CHAIRMAN: It is eleven o'clock.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Friday, June 12, 1936

The house met at three o'clock.

AGRICULTURE AND COLONIZATION

Mr. J. FRED JOHNSTON (Lake Centre): In the absence of the hon. member for Macdonald (Mr. Weir), who is chairman of the committee, I move that the third report of the select standing committee on agriculture and colonization be concurred in.

Motion agreed to.

CANADIAN NATIONAL RAILWAYS

BILL TO PROVIDE FOR APPOINTMENT OF AUDITORS

Hon. C. D. HOWE (Minister of Railways and Canals) moved for leave to introduce Bill No. 99, respecting the appointment of auditors for National Railways.

He said: Mr. Speaker, under the terms of the Canadian National-Canadian Pacific Act the auditors for the Canadian National Railways are appointed annually by a joint address of both houses of parliament. We are following the usual procedure in that regard.

Motion agreed to and bill read the first time.

CUSTOMS TARIFF

CONCURRENCE IN SENATE AMENDMENTS

Hon. J. L. ILSLEY (Minister of National Revenue) moved the second reading of and concurrence in amendments made by the Senate to Bill No. 71, to amend the customs tariff.

He said: The bill as amended by the Senate is unchanged in sense, but certain minor changes have been made.

Mr. CAHAN: Can the minister tell us on what date these amendments appeared in the votes and proceedings?

Mr. ILSLEY: June 5. The bill as passed by the House of Commons had appended to it no schedules. The items in the tariff that were changed appeared in the sections of the bill. For instance in section 4 there was a long list of tariff items, and in two later sections there were also lists of tariff items. The Senate thought it preferable to take the lists of items out of the respective sections and append them to the bill as schedules, and they have amended the bill accordingly.

There is also one correction of what is obviously a misprint in section 3. The word "thereof" should be "therefor," and that change has been made. I therefore move:

That the amendments made by the Senate to Bill No. 71, sent up from the House of Commons, intituled "An Act to amend the Customs Tariff," be agreed to, and that the said bill be further amended in consequence of the said amendments as follows:

(1) That the schedule or lists entitled by Senate schedule A. schedule B, schedule C, be transferred to the end of the bill, after section 7 thereof;

(2) That section 7 of the bill be amended, on line 4 of page 19, by striking out the words "preceding sections," and substituting therefor the words "schedules hereto."

These amendments do not alter in any way the sense of the bill.

Motion agreed to; amendments read the second time and concurred in.

SPECIAL WAR REVENUE ACT

CONCURRENCE IN SENATE AMENDMENTS

Hon. J. L. ILSLEY (Minister of National Revenue) moved the second reading of and concurrence in amendments made by the Senate to Bill No. 76, to amend the Special War Revenue Act.

He said: The amendments made by the senate have not changed the sense of the bill.

Sir GEORGE PERLEY: On what day did they appear in the votes and proceedings?

Mr. ILSLEY: June 11. The amendments are simply to take the schedules out of the sections and place them at the end of the act. I therefore move:

That the amendments made by the Senate to Bill No. 76, intituled "An Act to amend the Special War Revenue Act," sent up from the House of Commons, be agreed to, and that the said bill be further amended in consequence of the said amendments as follows:

(1) That clause 18 of the bill (on page 19) be amended by inserting in line 2 of the said clause immediately after the word "act," the words "and the schedule hereto."

The law officers inform me that it is technically necessary to make this further amendment.

Motion agreed to; amendments read the second time and concurred in.

EXCISE ACT AMENDMENT

Hon. CHARLES A. DUNNING (Minister of Finance) moved the second reading of Bill No. 77, to amend the Excise Act.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Schedule amended.

Sir GEORGE PERLEY: Does this bill follow exactly the resolutions as they were passed by the house? If there are any changes or additions, will the minister give an explanation?

Mr. DUNNING: Offhand I do not know of any change. I will just make sure.

Mr. STEVENS: Clause 1 includes the schedule. For the purpose of clarifying the matter in my own mind I should like to ask a question. The line underlined on page 2 indicates that spirits distilled from wine shall be subject to no duty of excise. Then just below, in subsection 2, definition of Canadian brandy, it says:

... shall be deemed to be Canadian brandy and shall be dutiable accordingly.

Spirits distilled from wine in Canada is Canadian brandy, is it not? How, then, can you say that spirits distilled from wine, which I think may be described as brandy, shall be subject to no duty, and then in the next clause provide that Canadian brandy shall be dutiable? To me it seems an inconsistency, but it may be due to my lack of knowledge.

Mr. ILSLEY: It is only when spirits distilled from wine are used for a particular purpose that they are subject to no duty of excise; that is when they are used in fortifying wine.

Mr. BARBER: During the discussion of the tariff item the question of alcohol for use in the manufacture of patent and proprietary medicines and for druggists' use generally was spoken of. The regulations set the minimum at five gallons. Representations have been made to me that it would be appreciated by the smaller druggists throughout the country if the minimum could be changed to two gallons. I think the minister said at the time he would take that into consideration.

Mr. ILSLEY: I would still be prepared to give consideration to that suggestion. Whether it can be done this session or not is another matter.

Mr. BARBER: That of course will not help much. I thought it was a question of regulation outside of the act. It just means that many of the smaller druggists, who do not care to carry in stock five gallons at a time, would be benefited. It would be of advantage both to the department and to those who use this product in manufacturing that they be permitted to secure the smaller quantity. I understood the minister to say it was a matter of regulation.

Mr. ILSLEY: It is a matter not of regulation but of legislation.

Mr. BARBER: Where does it appear that it is limited to five gallons?

[Sir George Perley.]

Mr. ILSLEY: It is in the main act; that which appears in the bill is merely the schedule.

Mr. DUNNING: Replying to the hon. member for Argenteuil as to the extent to which this bill follows the resolution in committee of ways and means, may I say that I have now examined it and find that with the exception of the provision for Canadian brandy when used for fortifying wine, it follows exactly.

Mr. COLDWELL: In connection with the freedom from duty of spirits used for fortifying wine, I suppose a matter of revenue is involved. But I should like to bring before the minister another point of view, namely that spirits used in fortifying wine and imported free of duty can be used to make a potent intoxicating liquor to be sold at a comparatively low price. Many of the criticisms now being made about drinking among our young people can be traced to the use of fortified wine. In my opinion anything which tends to lessen the price of this particular kind of liquor is a moral danger, if I may put it that way. In the province from which I come it was suggested a year or two ago that the wine might be sold in the beer parlours. Fortunately the objection was so great that the suggestion was not adopted.

Mr. DUNNING: The representations made by the grape growers are to the effect that the making of spirits out of what is known as sick wine is a necessity to prevent great wastage in the grape growing and wine producing industry. It is represented to us very strongly, and I believe with some force, that the suggestion here made involves the removal of a definite discrimination against the grape grower with respect to this use of his product. I believe it has very little bearing upon the use of spirits for fortification purposes, inasmuch as they are used for that purpose in any event. At the present time sick wine would become more largely a waste product, from the point of view of the industry, if it could not be used for fortifying purposes in the place of other fortifying elements.

Sir GEORGE PERLEY: I suggest that paragraph (ii) on page 2 should be changed to read "shall be subject to no duty or excise" instead of "no duty of excise."

Mr. DUNNING: I believe "of excise" is correct.

Section agreed to.

Section 2 agreed to.

Mr. CHAIRMAN: Shall I report the bill?

Mr. POULIOT: Before you report the bill, Mr. Chairman, may I direct the attention of the committee to something most extraordinary. Very often it is impossible for the comptroller of the treasury to check the revenue from each tax. In connection with some taxes the Department of National Revenue, both excise and customs branches, have difficulty in indicating the amounts derived therefrom. That is very extraordinary. It seems to me there could be a way of informing people about it. Each tax brings in a certain definite amount, and any person asking for the amount derived from a certain tax should be able to get that information. The condition is unbelievable, but I could bring the attention of the Minister of Finance and the Minister of National Revenue to several returns I got last year in which there were certificates from excise and customs commissioners to the effect that they were unable to state the exact amount of one tax for several years. That is a most interesting situation, because it related to the taxation imposed by that super-genius in financial matters, the ex-Prime Minister. He was born in finance, he sweats finance and he knew everything about it. He wanted to have a special way to inform people about finance in Canada, and it was impossible for his ministers to tell the exact amount derived from certain sources of taxation. Therefore may I bring your attention and that of the committee to the importance of knowing how much the government can get from one source of taxation. It can be done, and I hope it will be done. I ask the ministers of finance and national revenue to take note of what I have said in order that they may inform the country as to the revenue derived from each taxation.

Bill reported, read the third time and passed.

COMBINES INVESTIGATION ACT

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved the second reading of Bill No. 97, to amend the Combines Investigation Act.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

Mr. MACKENZIE KING: The reason for the amendment is set forth in a communication I received some time ago from Mr. Sedgewick, chief commissioner of the Dominion Trade and Industry Commission. I think it well to put the communication on record. It is as follows:

Dominion Trade and Industry Commission
Canada

Ottawa, May the 6th, 1936.

Right Honourable W. L. Mackenzie King, P.C.,
Prime Minister,
Ottawa.

My Dear Prime Minister:—

I have observed that in your statement to the house of the business to come before it this session you mentioned a possible amendment to the Combines Investigation Act. I have frequently discussed the matter of amendments with Mr. McGregor and there are a number of amendments which, in our opinion, would be advisable but we feel that there is one which is a necessity if any investigations are to be made under the Combines Investigation Act. In my opinion it would be absolutely unsafe to go on with an investigation—at least an investigation which might be expected to result in a criminal prosecution—without an amendment to section 24 of the act. This section was amended in the dying days of the last session in the Senate and the House of Commons concurred in the amendment, very possibly without having had any real opportunity to consider it. In the result, documents which the investigator, under the Combines Investigation Act, might require to have produced to him in his investigation would be privileged and not admissible against the offender in a subsequent prosecution if section 24 remains in its present position. The section as it stands now is as follows:

"24. No person shall be excused from attending and giving evidence and producing books, papers, or records, in obedience to the order of the commission, on the ground that the oral evidence or documents required of him may tend to criminate him or subject him to any proceeding or penalty, but no such evidence or documents so required shall be used or receivable against such person in any criminal proceedings thereafter instituted against him, other than a prosecution for perjury in giving evidence upon such investigation, inquiry, cause or proceeding. 1923, c. 9, s. 18; R.S., 1927, c. 26, s. 24; 1935, c. 54, s. 17."

If your memory will carry you back to the Combines Investigation Act when it was introduced in 1923, you will perhaps recall that the corresponding section as the act was drafted was in substantially the form of section 24 as it now exists but as the bill was going through the house you had the section amended to strike out the words "or documents," as it appears now in line six of section 24, and inserted the word "oral" before "evidence," which latter word is now the first word in the sixth line.

I am quite satisfied in my own mind that the Dominion Trade and Industry Commission —of which I am Chief Commissioner—would not risk having an investigator require the production of any documents until this act is amended.

I hope it may not be considered presumption on my part to say the amendment suggested is indispensable to a proper administration of the Combines Investigation Act.

Yours faithfully,

George H. Sedgewick,
Chief Commissioner.

As indicated in the communication just read, there are other amendments to the Combines Act which will be necessary, but

the government has thought it advisable to reserve them for a subsequent session. This amendment quite evidently is imperative.

Section agreed to.

Section 2 agreed to.

Bill reported, read the third time and passed.

LOAN OF $750,000,000

Hon. CHARLES A. DUNNING (Minister of Finance) moved the second reading of Bill No. 98, to authorize the raising, by way of loan, of certain sums of money for the public service.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Short title.

Mr. BENNETT: How much remains unexhausted under existing legislation?

Mr. DUNNING: I have not the exact figure in mind. Last night I stated that it was expected to carry us until about July. Some time during the month of July, in consequence of treasury bill issues, the present authority will be exhausted.

Section agreed to.

Sections 2 and 3 agreed to.

Bill reported, read the third time and passed.

UNEMPLOYMENT

AMENDMENT OF UNEMPLOYMENT RELIEF AND ASSISTANCE ACT, 1936, TO ASSIST PROVINCES IN RESPECT OF RELIEF EXPENDITURES

Hon. NORMAN McL. ROGERS (Minister of Labour) moved that the house go into committee to consider the following proposed resolution:

That it is expedient to bring in a measure to amend section four of The Unemployment Relief and Assistance Act, 1936, being chapter fifteen of the statutes of 1936, to empower the governor in council to grant financial assistance to any province by way of loan, advance or guarantee to an amount not exceeding the amount payable by the province for its share of the cost of unemployment relief and undertakings during February and March, 1936, and under any agreement between the dominion and the province entered into under the authority of the said act.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Mr. ROGERS: Mr. Chairman, when bill No. 19, the Unemployment Relief and Assistance Act, 1936, was drafted, it was proposed to obtain from parliament authority for the governor in council to grant, where necessary, financial assistance to any province by way of loan, advance or guarantee, of a total amount not in excess of the total amount payable by the dominion to such province under any agreement entered into under the authority of the act. The assistance was thought at that time to be sufficient to meet the relief requirements of the various provinces, and consequently section 4 of the act was so worded.

However, in the case of one or two of the western provinces no arrangement had been made at the expiry date of the Relief Act, 1935, for financing their relief requirements for February and March and applications to the dominion for assistance for those months were received too late to be dealt with under that authority. I may say that the requests were in connection with loans that were naturally subsequent to expenditures for relief and, therefore, the applications for loans for those particular months arrived at a date following the expiry of the Relief Act, 1935 In addition, representations have been made that the provincial share of relief outlays in some cases exceeded the total amount payable by the dominion under agreements entered into under the authority of the act. For these reasons it is considered necessary to establish a new criterion, as it were, for loans to be made to the provinces for relief purposes. Under the bill which will be founded upon this resolution there will be an amendment of section 4 only of the Unemployment Relief and Assistance Act, 1936. As proposed in this resolution, the dominion will be empowered to grant financial assistance where necessary to any province of its share of expenditures for relief and relief undertakings during February and March 1936, and under any agreement which may be entered into under the authority of the Unemployment Relief and Assistance Act, 1936.

Mr. HEAPS: While we are discussing this question of unemployment, could the minister tell the committee the unemployment situation at the present time? How many are on relief this year as compared to the number on relief last year?

Mr. ROGERS: According to the latest figures, which are preliminary figures and therefore subject to possible rectification, the total number in receipt of relief during the month of April, 1936, was 1,357,704, while the total number in receipt of relief in the month of April last year was 1,432,516. I can give my hon. friend the complete breakdown of that figure if he wishes it, but there has been a decrease in the number receiving relief of something less than 100,000.

Mr. BARBER: Can the minister give us the total cost of relief in April this year as compared with April of last year?

Mr. ROGERS: I have not that information before me at the present time, but when the bill is in committee I shall be very glad to supply it. The dominion grants in aid to the provinces were increased by 75 per cent in December of last year, as my hon. friend is aware, and there was a reduction of 15 per cent at the beginning of April of this year.

Mr. HEAPS: I do not want to pursue the unemployment question at this time, and I shall accept the suggestion of the minister that it be discussed when the bill is in committee. I should like the minister to give a résumé of the steps which the government are taking to cope with the unemployment situation. According to the figures given by the minister it would appear that the number on relief is about the same as it was last year. After all a reduction of approximately 100,000 persons is infinitesimal, having in mind the general unemployment situation. I think this committee, as well as the country, has a right to know what measures are contemplated by the government to deal with the very pressing and grave situation with which we are faced.

Mr. BENNETT: Perhaps the minister will inform us whether or not the securing of larger sums by parliamentary action is for the months of February and March only, or are additional months included as well?

Mr. ROGERS: I am informed that the reference to the months of February and March arises from the circumstances which I explained a moment ago. So far as I am aware, the applications for loans covering expenditures for last year are confined to the months of February and March. My right hon. friend is aware that these loans are made not through the Department of Labour but through the Department of Finance. I think my colleague the Minister of Finance will confirm what I have just said in that regard.

Mr. DUNNING: The applications for those months from certain provinces were not in prior to the expiry of the previous authority.

Mr. BENNETT: What supervision will this dominion parliament or the government of Canada have over the expenditures provided for under the agreements made under the authority of the act? Since we were dealing with this legislation before I have had occasion to follow up the question which I then raised as to the supervision which the government was exercising. I pointed out that the government had removed from office one who had been sent by the Department of Finance to check over the expenditures in Saskatchewan. I find that certain relief expenditures in that province are under the control of a disbarred lawyer who was guilty of embezzling trust funds. That would hardly be a highly desirable person to have in charge of the expenditure of moneys which we have to pay.

Mr. ROGERS: Would my right hon. friend care to name the official in question?

Mr. BENNETT: I prefer not to mention a man's name.

Mr. ROGERS: Is my right hon. friend suggesting that he is an employee of the dominion government or of the Department of Labour?

Mr. BENNETT: I said he was in charge of expenditures in the province of Saskatchewan. Two others who are employed in connection with this matter are disbarred members of the legal profession. In another case recently the appointment was made to an important position of one who had embezzled tax funds in a nearby county. I mention these matters with some hesitancy, but it is my duty to do so in view of the fact that I did make inquiries when this legislation was before the house. I mentioned the necessity for a rigid check being continued, because the former Minister of Finance, Mr. Rhodes, had found it desirable. He did so, but the man in charge was removed. We now have additional accounts for the months of February and March and I should like to know from what provinces they come and what the total expenditures are to which we are now asked to make an additional contribution.

Mr. DUNNING: As I said a moment ago, certain provinces did not get in—

Mr. BENNETT: I asked what provinces.

Mr. DUNNING: I shall come to that in a moment, if my right hon. friend will allow me to make my statement. As I explained, certain provinces did not get in their applications for February and March prior to the expiry of the previously existing authority. By detail, the province of British Columbia has applied for loans of $435,000 and $460,000 covering the provincial share of direct relief for the months of February and March. Applications for these loans were received too late to be dealt with under the previous authority. Manitoba submitted an application for a loan of $205,000 covering March expenditures. This application was received too late to be dealt with under the

Relief Act, 1935. In the cases of Saskatchewan and Alberta, authority was obtained under the Relief Act, 1935, to grant loans covering their share of direct relief up to March 31, 1936.

Mr. BENNETT: What sums were actually paid to Saskatchewan under the order in council? The orders in council passed with respect to Saskatchewan and Alberta were orders in council that contemplated expenditures being made, and I directed attention to it at the time. How far we had jurisdiction under the Relief Act to make advances to be accounted for I am not now discussing. At one time, certainly, the law officers thought that there was no power under the act to make advances to be accounted for under the provision with which we are now dealing, although there was power to make it for certain purposes. The question I am now asking is this: What were the expenditures in the months of February and March in Saskatchewan and Alberta, and what is the comparison of the expenditures given for British Columbia and Manitoba, $435,000 and $460,000, with the same months the year before?

Mr. DUNNING: I have not that information at hand but I shall be glad to give it when the bill is in committee. With regard to the officials in question, so far as I know there were no officials of the federal government in Saskatchewan of the class described by my right hon. friend.

Mr. BENNETT: I pointed out that the Department of Finance had found it desirable and in the public interest necessary to have officials check up the expenditures that were being made under provincial auspices in order that we might not be called upon to pay more money than we should. With respect to farm labour, with the best efforts that could be made at the time the services of the gentlemen in question were dispensed with, there could not be discovered within a thousand all the persons that were supposed to be receiving these farm placement advances to which the minister referred when we were discussing this matter. Subsequently the matter could not be pursued for the reason that they were withdrawn; but it is quite clear that in some instances sons in the home were receiving the benefits of this act. Whether or not that was strictly within the terms of the act, I am not now expressing any opinion. Other instances of that kind developed. I did suggest to the Minister of Labour the desirability of some check being exercised with respect to that matter, and I should like to know whether one is being made.

Mr. ROGERS: Hon. members will recall that when this matter was brought up before by the leader of the opposition he was good enough to suggest that a suitable opportunity for giving him the information respecting Saskatchewan might be afforded when the estimates of the Department of Labour were before the house. I made the necessary examination and have the report as to the particular question which he had in mind. I am bound to say that to the best of my recollection the only official under the Department of Finance in the province of Saskatchewan was sent there originally for the purpose of dealing with a special accountable advance of $9,000,000, but I shall have the full report available and shall be glad to give the substance of it to the house when the bill is in committee.

Mr. BENNETT: This bill was not on the order paper and we had not contemplated that a bill that had been passed would be amended so shortly afterwards. It is an unusual course but one that is sometimes resorted to. Do I understand that no sum is to be mentioned at all and that the governor in council is to have control over unlimited funds in this regard?

Mr. ROGERS: My right hon. friend will no doubt recall that when disarmament was under consideration at Geneva some years ago a distinction was drawn between qualitative and quantitative limitations. One may fairly say that we are inserting here a qualitative limitation upon the amount of loans that may be made by the dominion government. Under the former legislation there was no such distinction. Under the legislation now proposed, we are limited to the amount which the province may pay as its share of direct relief. We did consider very carefully the feasibility of introducing a quantitative limitation, but I am quite sure that my right hon. friend, from his own close acquaintance with the administration of relief during the last few years, will understand that there were difficulties, formidable difficulties, in the way of carrying out that objective. But we have introduced a qualitative limitation which is not to be found in the relief acts of previous years.

Mr. BENNETT: The comparison which the hon. gentleman has instituted between disarmament and this particular matter has of course some striking features. Is the federal treasury to be disarmed for the purpose of

enabling raids upon it to be carried out successfully? I judged from what the hon. gentleman said on a previous occasion that it was to safeguard the federal treasury against the attacks that might be made against it that he had provided it with such heavy armament that there was no doubt the defence would be complete. I judge from what he says now, having regard to the analogy he has sought to make, that he has concluded that his armament is entirely too heavy and that he must dispense with some of his heavier artillery and some of his guns with a view to facilitating the approach of the enemy. That is the only conclusion one can draw from the observations he has made. The blank cheque does not cease to be a blank cheque because there is an ultimate restriction placed upon it. When the hon. gentleman said that my own close knowledge of the situation was sufficient to induce me to believe that the matter was a difficult one to deal with, I can only say that is quite true. But I hardly expected to have the recognition of it come from the source from which it does; that was wholly unexpected. It is an occasion for gratification to think that it took an amendment to a bill passed this session to enable the hon. gentleman to make the discovery, and I trust that as he proceeds in the administration of the department he will have some sympathy with those who were charged with responsibility on a previous occasion; and more numerous will be the instances in which he will realize that the policies which were followed by them were policies to which he himself has given and is giving adherence. The limitation placed upon armament is of course, shall I say, somewhat elastic because it leaves the expenditure with the province. Surely it would be possible to arrive at an amount not exceeding so much money in view of the known experience of, say, the four years during which one had fairly complete knowledge of what was being done by the various provinces. Would it not be possible to have such a sum, not exceeding so many millions of dollars? Would that not have been a quantitative restriction upon the amount, which would have been perhaps very valuable armament for the federal treasury as against the attacks to which the hon. gentleman has referred? And possibly the amount named would have to be such as to make it undoubted that it would meet the requirements of the situation. It will be remembered that during one of the years we did place first of all a quantitative restriction and that latterly, owing to the attitude taken by the then opposition, there was a limitation placed upon the amount that might be used for relief by the dominion.

Mr. ROGERS: But none upon loans.

Mr. BENNETT: The amount that might be advanced.

Mr. ROGERS: But no restriction upon loans.

Mr. BENNETT: No restriction with respect to loans but with respect to money that might be used, by way of loans or otherwise, for the particular purpose of direct relief. In other words, the particulars were always given by the provinces of the purposes for which they required loans, and a limitation was placed at the instance of the then opposition upon the amount that might be made available by the treasury for direct relief.

Mr. ROGERS: Does my right hon. friend suggest that there was a restriction upon the power of the dominion to lend to the provinces?

Mr. BENNETT: No, certainly not, but there was a restriction placed upon the amount that might be utilized for a given purpose. Doubtless the hon. gentleman has the various acts before him in pamphlet form. I cannot recall whether it was in 1933 or 1934, but if he will look it up he will see what the limitation was. There was no limitation placed upon the power to lend to the provinces, but in every event the Minister of Finance inquired as to what sums of money were to be utilized for specific purposes, and it will be recalled that there was that limitation placed upon direct relief expenditures to which I have referred.

Mr. GARDINER: I am sorry I was not in the house a few moments ago, due to my presence being required elsewhere, but I understand that the leader of the opposition had some criticism to make as to the administration of relief in the province of Saskatchewan, and in connection with certain officials there. There were, of course, a considerable number of persons engaged in the administration of relief in Saskatchewan, and in fairness to them I think any criticism of the kind that I understand was made should include the names of the persons referred to. I suggest that the leader of the opposition name the persons to whom he had reference.

Mr. BENNETT: I mentioned one person and said he was a disbarred member of the legal profession, and that he had been guilty

of embezzling funds. Originally I had intended to mention the name, but I thought it might be unfair to that individual to do so. The government have seen fit to place him in a position of importance, and as far as the government is concerned I have no hesitancy about it.

Mr. DUNNING: This government?

Mr. BENNETT: No, the Saskatchewan government.

Mr. GARDINER: At what time?

Mr. BENNETT: I could not give the time, but it was since we were discussing this bill. Whether or not he is there to-day I cannot say. However, I will bring down the letter and the details of the charge at the time he was disbarred, and if it is thought desirable, though I think it is perhaps questionable, I shall be glad to give the name to the house or to the minister or to anyone who may desire it. Whether or not it should be placed upon Hansard I cannot say. When the bill is in committee I shall leave myself in the judgment of the house in that regard.

Mr. GARDINER: What was the nature of the position held by the gentleman?

Mr. BENNETT: In connection with the administration of relief.

Mr. GARDINER: Out in the country or at the head office?

Mr. BENNETT: My memory is that he was in a position of some considerable authority, that he was not an ordinary administrator out in the country, that he had come into Regina and was administering from there. I will have the letter with me and will give those particulars when the bill is in committee.

Mr. GARDINER: I understand that three persons were referred to.

Mr. BENNETT: There were two others who were also members of the legal profession and who, according to my information, were also in the same unfortunate position.

Mr. COLDWELL: Probably the matters to which I am going to refer should be discussed a little later but I am raising one or two points now in order that the minister may have the information at hand when we are in committee. I am quite troubled because of the intimations I am receiving from various parts of Canada with regard to the dissatisfaction that exists, particularly among the young men who were inmates of the camps—first, intimations from men themselves, and, second, intimations from people in cities where these men are assembling and congregating. I happen to know that in some cities quite a number of these men are endeavouring to get along by seeking assistance from persons on the street, and in that connection a situation is developing which may cause this country a great deal of difficulty unless it is looked into very carefully.

There is another feature to which I should like to refer. Various types of work are being paid for at various rates. A moment ago one matter in connection with Saskatchewan was brought to the attention of the committee. To-day I received a letter from a district in my constituency where young men are engaged in the planting of trees. They are paid twenty cents an hour for a ten hour day. Young men working on the railways receive twenty-five cents an hour for a ten hour day and work beside men regularly employed who are receiving higher rates of pay. The condition, it seems to me, is one upon which this house should be fully informed, so that when we return to various parts of Canada we may discuss it with some intelligence and knowledge. Consequently I raise these points now so that when further questions in regard to them are raised, as undoubtedly they will be at the proper time, the minister may have the information before him.

Mr. ROGERS: I shall be very glad indeed to discuss the matter referred to by my hon. friend. I might say, however, that information with respect to men who have left relief camps should be examined with care and a realization that some at least in the relief camps were unwilling to accept the employment that was made available. I can say also that work has been offered to all those who were in relief camps at the time of the announcement that provision was to be made for special maintenance work upon the railways. All those who have left the relief camps without accepting railway work have done so of their own accord. There was no compulsion upon them to leave, except as the projects themselves were completed. Many have left of their own volition. As to the further reference of my hon. friend, in regard to men working beside each other and receiving different rates of pay, I suggest that he could go into almost any factory in this country and find artisans working side by side at different scales of pay, because they are doing different kinds of work. I think I can assure the hon. gentleman that with respect to the extra gang work on the railways, if

some are receiving higher pay than others it is because they are in positions of supervision.

Mr. MacINNIS: While we are dealing with this matter of the men on railway work, Mr. Chairman, for a considerable time I have been asking that the agreement between the railway department or the labour department, whichever it is, be tabled. I have asked for it, but up to the present it has not been produced. I made inquiries to-day but was unable to obtain any information. In order that we may deal with these complaints intelligently I think we should have this agreement before us. It should be before members of this house in order that we may consider it before prorogation and know under what conditions work is being offered to these men. I hope the minister will try to have that agreement for us when this bill comes up for second reading.

Mr. BENNETT: I have just a further word to add. Probably the minister is not in a position to speak of this matter to-day, but it is well to give him notice so that when the bill is in committee he may be able to give us the information that is in his possession or can be secured with regard to the matter I mentioned to the Minister of Railways and Canals the other day. I find that the Minister of Labour is charged with the responsibility in connection with the work on the railways. Am I now correct about that? I was informed that it was his department that looked after the employment of these men on the maintenance of way.

Mr. ROGERS: I think perhaps a true statement of the situation would be this: The camps were conducted by the Department of National Defence and remained under the effective administration of that department. The Department of Labour has acted rather for the purpose of demobilizing the inmates of the camps. The Department of Railways and Canals arranged, with the railway systems, the agreement under which the Department of Labour was to supply ten thousand men from the relief camps as conducted by the Department of National Defence. It has been a task which has involved close and continuous cooperation between the Department of National Defence, the Department of Labour and the Department of Railways. The agreement was executed by the proper officials of the Department of Railways with the officials of the railway company.

Mr. BENNETT: Then my first understanding is correct, that the actual paying of the men, their distribution, and the determining of the kind of work they are to do, will be done under the direction and supervision of the Department of Railways.

Mr. ROGERS: The payment of wages is to be by the railway company, but under the supervision of the Department of Railways. As my right hon. friend will recall, the particular item in the relief estimates which dealt with that matter was in the estimates of the Department of Railways.

Mr. BENNETT: That was my original understanding, but I was told later that the Department of Labour was carrying on part of the supervision. I see now from what the minister has said that the supervision of his department was in regard to getting the men out on the right of way.

Mr. ROGERS: The transference.

Mr. BENNETT: Yes, from the camps. I think that has been made abundantly clear. I confirm what the minister said as to having been advised from many quarters that a number who were unwilling to work left the employment to which they had been taken on the right of way of the railway, and that was true particularly in western Canada. I wonder if the minister will be in a position to give any figures in respect to that when the bill is under consideration—not that it is so much a matter that will affect the legislation, but as indicative of the general conditions that prevail. He might then be in a position to indicate also what wages are being paid the various classes of labour engaged on the railway. He told us the other day that he thought the agreement was being concluded. When we get into committee on the bill I take it the agreements will be available for examination.

Mr. ROGERS: I am sure the agreements will be available. As I have explained to the committee, they are between the Department of Railways and the railway company.

Mr. COLDWELL: May I suggest, in view of the remarks of the leader of the opposition, that the minister might also bring down some information in regard to the conditions under which the men who were sent out were expected to work, which possibly had some bearing on the reasons for their leaving. I have particularly in mind the Cherry Creek camp, fifteen miles west of Kamloops in British Columbia. If the conditions were as stated to me—and the men who told me their story, I may say, were men who last summer did not participate in the relief trek, and who were regarded as good and reliable men in the camp; I checked up on them—it might be well to look into the conditions

under which the railways are employing some of the men, and I mention this one camp particularly.

Mr. WOODSWORTH: There is another matter that I should like to bring to the attention of the minister. When the federal government grants relief to provinces there ought to be some greater check on the action of the provinces, some assurance that the people who are in need will receive an adequate scale of relief. The provinces seem to leave the matter to the municipalities; in some municipalities at least the scales of relief are very low, and sometimes certain classes are discriminated against. I had a case the other day—if my memory serves me correctly it was from a town in western Ontario—in which relief was refused to one or two young people in the home because the mother was in receipt of old age pension. The old age pension originally of course was a matter of dominion legislation. I think it comes under the administration of the Minister of Finance as far as this government is concerned. I know the detailed administration is by the provinces. Certainly when we passed that legislation some years ago the idea was that the old people would be entitled to the benefit of that pension for themselves. In this case a poor old woman's pension was diminished on account of her having to keep one of her sons who otherwise would have gone on relief. I think in such cases the dominion government ought to insist that the purpose of the old age pension legislation be carried out, and that the giving of relief be on a scale adequate to the maintenance of something like a decent standard of living. I know there are difficulties, but some of us get a great many complaints of this kind, and I think the dominion government should insist on adequate standards and a better system of relief than prevails in some municipalities.

Mr. McGREGOR: Has the minister had any application from the Temiskaming and Northern Ontario railway for help along the same?

Mr. ROGERS: I have received no formal application myself. I take it that what my hon. friend desires to know is whether the government have received such an application. It is possible that my colleague the Minister of Railways would be able to answer.

Mr. HOWE: No application came to my office from the T. and N.O.

Resolution reported, read the second time and concurred in. Mr. Rogers thereupon moved for leave to introduce Bill No. 100, to amend the Unemployment Relief and Assistance Act, 1936.

Motion agreed to and bill read the first time.

DOMINION ELECTIONS ACT, 1934

Hon. FERNAND RINFRET (Secretary of State) moved the second reading of Bill No. 78, to amend the Dominion Elections Act, 1934.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Short title.

Mr. CAHAN: I should like the Secretary of State to inform me with accuracy as to whether this bill applies solely to by-elections. It is my understanding that this bill amends the Dominion Elections Act, 1934, only in respect of by-elections which may be held pending the general revision of the act.

Mr. RINFRET: I can give the hon. member for St. Lawrence-St. George complete assurance that this amendment applies only to by-elections, and I believe section 2 makes that perfectly clear. Earlier in the session I introduced a bill to postpone the annual revision of the closed lists. The house agreed to that bill, but it was also agreed that if the special committee dealing with the elections and franchise acts was not in a position to report and recommend the adoption of a general act at the present session, we would make provision either to revise or to prepare lists for by-elections. The present bill, and Bill No. 81, which I hope may be considered in a few minutes, are for that purpose and for that only. They apply solely to by-elections which may be held before general amendments may be made to the act.

Mr. LAWSON: Do I understand the minister to say there is another bill to be considered concurrently with this one?

Mr. RINFRET: Yes. The hon. member is aware that we have two electoral acts, namely the Dominion Elections Act and the Dominion Franchise Act. Although they are separate enactments they are applied together, and we are making amendments to both. In both cases, however, they are to be applicable only to by-elections.

Mr. LAWSON: Why did we not consider Bill No. 81 before considering the present one?

Mr. CAHAN: I believe consideration of the bill would be facilitated if I were permitted to refer to certain sections before

they are called; otherwise the interrelation of the sections is such that one might have difficulty in following the amendments.

Mr. RINFRET: I have no objection.

The CHAIRMAN: With the consent of the committee, the hon. member may proceed.

Mr. CAHAN: I shall not delay consideration of the measure. Section 3 refers to the supplying of copies of lists of electors and the supplying of election material, all of which is dependent upon the provision appearing at the bottom of page 2 of the bill. Paragraph (D) (4) is as follows:

(4) If the polling division is urban, the returning officer shall prepare from the geographical list of electors a separate list for each polling station established therein. The list shall be divided numerically according to the consecutive number given to each voter on the printed list of electors so that approximately an equal number of electors will be allotted to each polling station necessarily established in such polling division.

By looking at the opposite page hon. members will see that for the geographical list there is substituted another list prepared alphabetically. I wish to oppose any substitution for the geographical list. I cannot deal with the conditions obtaining in any other city; my intimate knowledge is confined to conditions in one electoral district of one city, but I do say that the geographical list as prepared and used at the polls in each polling division has to a very large extent prevented frauds. Further it has prevented impersonation. I have no hesitation in saying that in times past in the city of Montreal impersonation has been carried to an extent not known in any other city in Canada. Although I do not speak from personal knowledge, I know that following one election in which I took part an examination of the returns disclosed, to the satisfaction of competent men reviewing the situation, that at least a thousand impersonations had been carried out in the electoral district of St. Lawrence-St. George. That is a condition of affairs against which every possible protective provision should be enacted.

The adoption of the geographical list enables an inspection of the list to determine who are registered for each particular building or apartment house. For instance, in one of my elections, before the geographical list was adopted, an unfortunate circumstance arose in connection with an eminent clergyman, one of the most respected of the Catholic clergy of Montreal. He had provided for a hostel for young men from outside the city attending universities in Montreal. It was an enterprise which was most advantageous for parents in the country who are sending their sons either to Catholic or to Protestant schools, because in law and in scientific departments many Catholic students attended McGill university as well as the university of Montreal. When the names are on the list and classified according to letter, without considerable research it is difficult to ascertain what names appear for a particular address. In one of my elections through careful investigation we sifted out the facts and found that for this residence for students attending the universities fifty-six names had been added to the list, and they were names of persons who had not been known as residents in that place. When names are registered geographically such frauds are easily perceived, and the proper oath may be administered to the applicants for voting as they appear.

I should dislike very much to see the geographical list abandoned, either at the polls or in the preparation of the lists. Enumerators proceeding along the street can easily prepare their returns in geographical sequence, because they enter one house after the other, and turn in the names in that order. If the change at the bottom of page 2 and the top of page 3 of the bill means that the geographic list is to be abandoned or limited in any way, I am very much opposed to it.

Mr. RINFRET: Mr. Chairman, perhaps I should also avail myself, like the hon. member for St. Lawrence-St. George (Mr. Cahan) of the privilege of saying a few words, dealing with the bill generally.

I wish to remind the committee, in the first place, that this and the other bill have been prepared by the special committee appointed for the purpose, and their report was a unanimous one. I know that my hon. friend never had it in his mind to suggest anything else. I think we are all agreed that we have only one purpose, and that is to provide proper amendments to the act in order that by-elections may be carried on in an orderly manner. The chairman of the special committee sitting beside me, the hon. member for Swift Current (Mr. Bothwell) may also have something to say on the bill.

These amendments are intended solely for by-elections, but I do not think I misrepresent the idea that was in the minds of certain members of the committee when I say that in order to save time and give expression to some of their views on elections generally they have taken this occasion to introduce in both bills two or three features which were not necessarily urgent for the purpose of holding by-elections.

The objection to the act of 1934, if it had remained as it stood, was that we were afraid a general revision would be very costly and would achieve little purpose because the electors would not avail themselves of the opportunity of revision if no special election were in view in their particular constituency. At the same time the committee did not recommend local revision where a by-election is to take place. It has recommended the preparation of new lists, and in making such recommendation the committee has had in view the saving of time. That is why in certain clauses of the bill changes have been made, to save time and facilitate matters.

I might also point out that the committee has recommended a couple of changes in Bill No. 78, which we are now considering. One restores in rural polling divisions the right of an elector whose name does not appear on the list to present himself at the poll and take oath and vote. That right did exist under former electoral acts. The other change does away with the absentee vote.

As to the particular section to which my hon. friend referred, again I wish to say that the idea that seems to have actuated the committee was to facilitate the preparation of special lists for by-elections. I have notes here on that particular section which indicate that in this case the change has been made for the convenience of election officials, and it will be noted that it will apply only to cases in which there are two or more polling stations in the same polling division. That is to say, if in a certain polling division the number of electors is too large to have it kept single, and it is necessary to divide it in two, then it is provided by this amendment that a list may be prepared in a numerical way, doing away with the more complicated system of having both numerical and geographical lists. I do not think there can be much objection to that. It will apply only in exceptional cases where subdivisions must be established by the electoral officer in one polling division, but it does not do away, if I understand the amendment correctly, with the former method of preparing lists in polling divisions at large.

Mr. CAHAN: Let me say to my hon. friend that I can deal from personal knowledge only with St. Lawrence-St. George. In that district nearly every polling division has to be divided into subdivisions for the purpose of polling, but that does not necessitate any doing away with the preparation of the lists according to streets and numbers. The procedure which is followed under the existing law is that the lists are prepared street by street, with each number in sequence. What is the number that may be permitted for the poll? Is it three hundred?

Mr. RINFRET: I think it is three hundred.

Mr. CAHAN: If it runs over three hundred, all that the official has to do is to post up a notice and say that the names on the list from such and such down to such and such, perhaps half way down the list, will vote in polling booth No. 1; and the others will vote in polling booth No. 2, and almost invariably polling booths No. 1 and No. 2 are in the same building, on either side of the hall of entry. But if you do away with the preparation of the lists of names according to the geographical sequence, you facilitate fraud in the constituencies of which I know, to an extent that has not prevailed in recent elections. It is monstrous that impersonation should be possible under any election act to the extent to which it has prevailed in some of the constituencies of which I know. It is not for me to go into local affairs, but the preparation of the geographical list prevented in the constituency of which I know the recurrence of frauds perpetrated under the local list—

Mr. BENNETT: Does this amendment take that away?

Mr. CAHAN: I do not know.

Mr. BOTHWELL: I might draw the hon. member's attention to the provision in the amendment to the Franchise Act, Bill No. 81. We still make up the geographical list in the same way as the list was prepared under the original bill.

Mr. CAHAN: But what do you do with it?

Mr. BOTHWELL: It is sent to the returning officer. I will read the section:

Rule 3.—On a day to be fixed by the commissioner and notified to them by the Registrar of Electors, the enumerators shall prepare a complete list of all the names, addresses, and occupations of the persons who are qualified as electors and who are resident in the polling division (or part thereof)) for which they have been appointed. Such list shall be prepared in all urban polling divisions in geographical order, that is, by streets, roads and avenues, as in Form No. 7. The enumerators shall also prepare in like form a sufficient number of copies of such list to comply with Rule 5.

I am reading from the amending franchise bill.

Mr. CAHAN: That is Bill No. 81. Read from Bill No. 78, the one we are considering. That geographical list is not the list used at the polling.

Mr. BOTHWELL: Section 3 (D) provides:

If the polling division is urban, the returning officer shall prepare from the geographical list of electors a separate list for each polling station established therein.

He has to take that from the geographical list.

Mr. CAHAN: He has not to prepare a separate list. There is no reason in the world why he should do it. The geographical list is there; it is printed, and all he has to do is as he has done in the preceding elections, say that those on the list, from such a number down to such a number in a certain polling division will go into No. 1 booth to vote.

Mr. BOTHWELL: Does this section change that? It is not the intention to change it.

Mr. CAHAN: In other words, the list which you prepare from the enumerators is a geographical list, and that is the list for the elections at the present time. Here you say that although you have gone to the expense of preparing a geographical list for the purpose of voting in any polling station, which has to be subdivided into two or three polling booths, a new list shall be prepared. Instead of saving money, it seems to me that new expenditures will have to be made and that the new list will have to be renumbered. The result is that it will be almost impossible for the officials at the polling booth to keep a careful count of those who are entitled to vote and their places of residence, as registered. We are not eliminating any expenditure. At the bottom of page 2 you provide for striking out subsections 4 and 6 of section 33 of the present act, and for making substitutions therefor. I suggest that there is no need to strike out those subsections when you have the other section in the Franchise Act providing for a geographical list. If it is thought that that should be amended, let us amend it. I do not know whether the chairman of this committee represents a rural or an urban riding.

Mr. BOTHWELL: Rural.

Mr. CAHAN: I can quite realize that the hon. member would not appreciate the difficulties with which we are confronted in urban districts.

Mr. BOTHWELL: Some members of the committee represented urban ridings.

Mr. CAHAN: Did they come from Montreal?

Mr. BOTHWELL: One member did.

Mr. CAHAN: In view of the conditions which prevailed in the city of Montreal I cannot understand why any urban representative should ask for a change. I do not think any representative from the city of Montreal can stand in his place and say, so far as the preparation of the lists and the administration of the electoral acts were concerned during the last general elections, they were not administered with a propriety and exactitude and fairness unprecedented in the recent electoral history of that city. Why break down these barriers to fraud and misrepresentation?

Mr. RINFRET: If I thought that that section would have the effect that my hon. friend thinks it will have, I would not endorse it. I hope the committee understands my position. This bill was not prepared by myself or by the officials of my department; it has been recommended unanimously by a committee of the house consisting of both urban and rural members from all parties. I must say that I fail to see in this section the danger pointed out by my hon. friend. We are discussing this bill in somewhat piecemeal fashion, but let me point out that the lists will be prepared—

Mr. BENNETT: Geographically.

Mr. RINFRET: In geographical order. Where the lists are prepared and at the last moment, perhaps a few days before nomination, the returning officer finds that in a certain polling division he has more than the required number of electors, he is allowed by this section to prepare a numerical list for that subdivision or polling station. My hon. friend says that in his constituency that procedure would be pretty general, but I believe in most of our city ridings this would not happen more than about once in forty or fifty polling divisions.

Mr. CAHAN: I do not agree with that.

Mr. RINFRET: Section 3 provides for the preparation of special lists for a by-election. The committee has recommended that a polling division shall be the polling division adopted on the occasion of the dominion general elections held on October 14, 1935. A writ is issued and lists are prepared according to the polling divisions which obtained at the last general election. The enumerators do their work and lists are prepared a few days before nomination day. The returning officers have to subdivide a certain number of polling stations. I disagree with the hon. mem-

ber for St. Lawrence-St. George as to the number of stations in connection with which this would be necessary. From my experience I believe this will happen in only a few cases. In order to save time the returning officer can prepare numerical lists for voting. I cannot see any danger in procedure such as that, because it will be only exceptional. I believe that the committee in submitting this bill and the one that follows had in mind the fact that it might be preferable to make this experiment in a by-election to incorporating the changes in the general act when it is revised. This is not my proposal; it is a proposal unanimously recommended by a committee composed of members from all sides of the house.

Mr. BENNETT: Like my colleague, the hon. member for St. Lawrence-St. George (Mr. Cahan), I had some doubt about this, but I think if one reads it carefully he will see that the geographical list obtains.

Mr. CAHAN: Quite so, in the first preparation.

Mr. BENNETT: First of all we have provided that the same polling divisions shall obtain in a by-election as obtained in the last general election. That is number one; that is settled. Second, the Franchise Act provides for the preparation of lists, and it follows the same provision with respect to geographical locations as were followed in 1935. I thought there was some doubt about that, but it is clear beyond peradventure. We come now to the next point about which we had some doubt. The returning officer, whose duty is defined by the statute, receives the list. Some confusion arose, at least in my mind, as between a polling station and a polling division. The polling division has not been changed from what it was in 1935, but the polling station may be. It states on page 3 of the bill:

> The list shall be divided numerically according to the consecutive number given to each voter on the printed list of electors so that approximately an equal number of electors will be allotted to each polling station necessarily established in such polling division.

That is, there may be 300 in a division and the effort of the returning officer may be to divide that into two stations of 150 each, or into three stations of 100 each. On the opposite page appear the details as to how the list is made up by the franchise officer. The geographical conditions of the Franchise Act are continued and have not been changed. I think that is fairly clear. At first I had some doubt about it, but I think it is clear.

[Mr. Rinfret.]

Mr. MacNICOL: May I give an explanation of this section? I had some part in drafting it and to me it is clear. It is the same procedure that was followed in the last general election. The lists are prepared, and where there are more than 300 names at any poll the returning officer divides it in two. In my own riding, if I remember rightly, there were 131 polls, but on election day the returning officer, finding over 60 of these polls with more than 300 names, divided each of these in two. On page 28 of the franchise bill we find a sample page of a voters' list. In many of the polling subdivisions in my riding there were over 400 names and the lists were divided as on page 28. If we take that as an example, that page has only 50 names. If the allotment per poll were 50 instead of 300, and if the returning officer followed the procedure of the last election, dividing the poll in two, each poll would have 25.

Mr. RINFRET: I can clear that up in a moment. This is only a sample, and it is not intended to apply to 50 names. Fifty have been given merely as an illustration, but the list would contain many more names than that.

Mr. MacNICOL: The list may have anywhere from 300 to 500 names. It is provided that if the polling substation is urban the returning officer shall follow the geographical list. There is no intention of changing from the present geographical method; that remains in the act. He has to prepare a separate list for each polling subdivision and these shall be divided numerically. That is the way it was done the last time; I do not see any change.

Mr. RINFRET: I appreciate the fact that to have the general aspect of both pieces of legislation it might have been advisable to do what we have been doing so far. But we are not only going from one section to another but from one bill to the other. Perhaps now that we have discussed the general principle the chairman will call the sections one by one. This discussion has taken place on section 1, the short title, which I suppose carries.

Section agreed to.

On section 2—Amendments to apply in the case of by-elections.

Mr. RINFRET: Section 2 provides that all amendments in this bill, the provisions of the general act, "are not amended, repealed

or otherwise affected by the provisions of this act except in so far as the holding of by-elections is concerned."

Section agreed to.

On section 3—By-elections.

Mr. RINFRET: This section provides that the polling divisions shall be those established for the last general election. Paragraph (B) permits the transfer of lists and copies of lists from the franchise officer to the returning officer without the necessity of sending them to the central office in Ottawa. That is to save time in remote parts of the country. Paragraph (C) proposes some minor changes in order to make the general act apply to by-elections. Paragraph (D)(4) is the one we have been discussing, and I understand it has been agreed to. Paragraph (E) does away with the disposition which was necessary in the general act and which should not apply in by-elections, the provision whereby, when an elector moved from one constituency to another, if he were not qualified to vote in the new one he would retain his right to vote in the constituency he had just left. In by-elections, the committee has suggested, no one should be qualified to be on the list unless he has resided three months in the polling division where the by-election is held. Paragraph (F) re-establishes the principle whereby in rural constituencies an elector who is not on the list may come to the poll and be vouched for, a note being made that he is entitled to vote. Paragraph (G) strikes out all the sections with respect to the absentee vote. The committee did not regard it as having been a great success, but no matter what opinion one may have on that point I think we can all agree that there should not be absentee votes in a by-election. Paragraph (H) modifies four different forms so as to make them applicable to the purposes of this bill.

Mr. CAHAN: I do not think that the explanations given by the minister are altogether satisfactory. What I am insisting on is that the list of voters for each polling station, which is used by the officials at that polling station, shall be a geographical list. In the elections which were held in some of the cities at the last general election I should think that at least sixty out of ninety polling divisions were found to include a larger number than three hundred, which I believe is the limit, and therefore a division was necessary. No separate list was prepared in a different numerical order, but the deputy returning officer took the printed list and counted down to half of that list and then gave the first half to a polling station which he called polling booth "A" and the other half to another polling station which he called polling booth "B," which were both usually in the same building. But the geographical sequence of the names was continued for each list so dealt with and no separate printing nor separate typewriting for the urban district was necessary at any time. Paragraph (D) on page 2 reads:

> If the polling division is urban, the returning officer shall prepare from the geographical list of electors a separate list for each polling station established therein.

What I wish to make clear is that such list shall be prepared geographically and divided numerically according to the consecutive numbers given to each voter on the printed geographical list. From the time the first list is made up in geographical order to the time of polling, the list prepared for the officer in each polling booth should be geographical. Otherwise it is impossible to protect the polls. If my hon. friend is prepared to admit that this list shall be prepared geographically and then divided numerically according to the consecutive numbers in that printed list, I am content.

Mr. BOTHWELL: Perhaps I might explain. At page 36 of the Franchise Act the geographical list is dealt with, and every voter gets a number on that list. The voters are numbered consecutively. When it comes to dividing that list as between polling stations the returning officer simply takes the first half of the list, we shall say—

Mr. CAHAN: That is what he should do.

Mr. BOTHWELL: That is exactly what is intended by this section.

Mr. CAHAN: If the hon. gentleman will allow me, we took particular pains in the sections which are being repealed to show that this subdivision must be made in such a way that when divided the lists would be geographical. Now you have struck that out. If you will make it clear that this list so divided shall be a geographical list and divided numerically according to the printed geographical list, I am content, but to leave it in doubt—

Mr. BOTHWELL: I do not think there is any doubt.

Mr. RINFRET: Perhaps my hon. friend will agree to this proposal: This bill applies only to by-elections, and for all we know there might not be one by-election in an urban centre during the year. The committee

was unanimous in recommending these amendments, and I may say that the chief electoral officer informed me that this would mean a considerable saving of time, as well as being a much simpler way of dealing with the matter. There might be very few polling stations, perhaps none, where this would apply during the coming year. My hon. friend has registered his protest. It is possible that the committee may have overlooked his point, but I believe the committee went into these questions pretty carefully, and these amendments were recommended unanimously. My hon. friend differs in opinion with the committee. Why not try this out? As I say, it will apply only in exceptional cases; it is intended to save time, and it has been recommended not by one party but by representatives of all parties. I should be averse to making any alterations of such a kind in a bill which has been unanimously recommended by representatives of all sides of the house. Of course my hon. friend has a perfect right and is quite in order to discuss every section of the bill, but apparently his views on this point, though strong, are to some extent personal. He has registered his protest and made his remarks, and now perhaps the committee will agree to pass the bill as it has been recommended. If we find that there is actually any point to my hon. friend's remarks, when the committee deals with the general act next year they may pay heed to the representations which have been made this afternoon.

Mr. CAHAN: If the statement made by the hon. member for Swift Current, who was chairman of that committee, is correct, then my suggestion simply makes very clear the purpose and intent of the committee which prepared this amendment. There is no doubt about that. I am not urging any change in the intent and purpose of this amendment as stated by the chairman of the committee, and therefore I do not feel that in pressing for a clarification of these two lines I am attempting to disparage the deliberate judgment of the committee. I have no such intention. The hon. gentleman says that he proposes to save some expense by not carrying out my suggestion. There is no possibility of saving expense—

Mr. RINFRET: I said that time would be saved.

Mr. CAHAN: There is no possibility of saving time if the view of the hon. member for Swift Current, in which I concur, is correct. But if I find a meaning different from that expressed by the chairman as being the will and opinion of the committee, why not clarify these two lines in order to make it clear that this separate list also shall be a geographical list and that the geographical order shall be followed? The hon. gentleman says that this is a personal matter with me. I am simply giving my experience. It is not personal. As a matter of fact, if my personal ambitions are carried out probably the hon. gentleman will have an opportunity of contesting a by-election in the constituency of St. Lawrence-St. George under this very provision. But I have seen in past elections, so much of fraud and impersonation which is utterly disgraceful to the electoral system of this country, that all I desire is to see this clause clarified so that hereafter there may be no opportunity for fraud of that kind. If it is made clear that this list for each polling booth is to be a geographical list, numbered consecutively according to the geographical list first prepared, I shall accept it, but I think I might fairly ask to have this line amended in order to make that perfectly clear.

The CHAIRMAN: My record shows that sections 1, 2 and 3 have been passed.

Mr. RINFRET: That is true.

Mr. CAHAN: Section 3 has not been passed.

Mr. RINFRET: I did go from one section to another, but I shall not press that objection at all. In passing may I be permitted to say that although we seem to disagree upon this minor point I hope this bill will never be needed for a by-election in St. Lawrence-St. George. I consider my hon. friend one of the most distinguished members of this parliament, and certainly we want him here right along.

Mr. CAHAN: What I do say and ask is this: It is only fair, if there is any doubt in this connection, that the purpose and intent of the committee should be carried into effect by the express words used. You would need to put in only one word, I think. If you would make it clear that the separate list for each polling section is to be prepared as printed geographically, that is all I ask. That polling list for each polling station should show on its face that it is prepared geographically, in the order of the streets and numbers. If you make that clear, I am content.

Mr. CAMERON (Cape Breton): I think it is as clear now as it possibly can be. I am sure that was the intention of the committee. The list must be prepared by streets, and each name as it appears must be numbered. If the polling division contains more

than three hundred voters then the proper officer will make the list. But he must make it in numerical order. Suppose we have Bay street containing eight names, he will have to take those eight, and take Bronson avenue with fifteen, and so on until he gets 300. If there is a remainder of 100 or 150, he must take them in their numerical order, which must be the geographical order too.

Mr. STEWART: As a member of the committee, I wish to assure this committee that we endeavoured to preserve the geographical feature of the list, believing it had value. I think the matter may be clarified by looking at page 36 of Bill No. 81, in which will be found the geographical feature and the numerical feature as well. In subdividing you just go on down to the number you subdivide, which does not destroy the geographical feature.

Section agreed to.

The CHAIRMAN: Shall I report the bill?

Mr. CAHAN: Well, I object to reporting the bill, because the point to which I have referred should be made clear, and to my mind it is not. If the hon. member for Cape Breton North-Victoria (Mr. Cameron) had been through as much trouble as I have, if he woke up next day after an election to find that a thousand impersonations over which he had no control, had taken place in his district, he would feel differently about the matter.

Mr. CAMERON (Cape Breton): I assure the hon. member that if I thought for a moment this was not sufficiently clear I would agree with him. I do not wish to see any impersonation. It cannot be done unless the officer fails to do his duty.

Mr. CAHAN: I suggest that by changing one word you could make it clear; in the third line of page 3, which reads:

The list shall be divided numerically according to the consecutive number given to each voter on the printed list ...

If the word "geographical" were inserted—

Mr. MacNICOL: The printed list itself is geographical.

Mr. RINFRET: If the change is made the section becomes useless, because it was intended not to do that. At the same time if we can clarify the matter and satisfy my hon. friend, as long as the members of the committee do not disagree I shall not offer any further opposition.

Mr. CAHAN: Then I move that the word "printed" in the third line on page 3 be struck out and the word "geographical" inserted in lieu thereof.

Mr. BOTHWELL: Why not just add the word "geographical" after the word "printed"?

Mr. CAHAN: I am content.

Amendment withdrawn.

Mr. BOTHWELL: Then I move:

That the word "geographical" be inserted after the word "printed" in line 3 page 3.

Mr. RINFRET: I will accept that amendment if everyone will agree on that.

Mr. NEILL: Should it not be before the word "printed"?

Mr. CAHAN: No, after the word "printed."

Amendment agreed to.

Section as amended agreed to.

Bill reported, read the third time and passed.

DOMINION FRANCHISE ACT, 1934

Hon. FERNAND RINFRET (Secretary of State) moved the second reading of Bill No. 81, to amend the Dominion Franchise Act (Dominion by-elections).

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

Section 1 agreed to.

On section 2.

Mr. BENNETT: This includes many paragraphs. Perhaps we had better take the first one.

Mr. RINFRET: Yes; we had better take them one by one.

On paragraph (a).

Mr. RINFRET: This does away with a section in the general act which would have no meaning in this by-election act.

Paragraph agreed to.

On section 2, paragraph (B).—Qualifications.

Mr. BENNETT: I see a little trouble with this paragraph. Paragraph (c) reads:

(c) has been ordinarily resident in Canada for at least twelve months and was ordinarily resident in the electoral district in which the pending by-election is to be held not less than three months before the date of the issue of the writ of such by-election—

How can we say that?

—and has continued to be ordinarily resident therein until polling day.

He might know about the polling day, but could not know he would remain at that particular spot until such time as the by-election is held. Is there not a contradiction in this instance. How can we say that he has continued to remain resident until polling day when his name goes on the list three months before polling day.

Mr. RINFRET: My right hon. friend is right in his contention. I understand he does not object to the principle.

Mr. BENNETT: No.

Mr. RINFRET: His objection is to these words?

—and has continued to be ordinarily resident therein until polling day.

Mr. BENNETT: Yes.

Mr. RINFRET: I think the right hon. gentleman is right.

Mr. BENNETT: The paragraph does not make good sense, in its present form.

Mr. RINFRET: Of course it was printed and prepared strictly in accordance with the recommendations.

Mr. BENNETT: I understand that.

Mr. RINFRET: I am inclined to think that the last line should be stricken out.

Mr. BOTHWELL: The only explanation I can give of the peculiar wording is that in rural districts a man may vote, although his name is not on the list. He can be vouched for. It was apparently with the idea of covering that situation that this particular wording was used. I must admit, however, that it seems awkward.

Mr. BENNETT: Perhaps the section might be permitted to stand until we have discussed other paragraphs. Members of the committee and the minister would have a chance to look into the matter.

The CHAIRMAN: Shall paragraph B stand?

Mr. NEILL: Before we let it stand may I say that the period of three months is too long. First, we have three months before the issue of the writ, and a time after that which is very often as long as sixty days, making five months. In a place where there is a large floating population—and I have in mind the logging camps in my constituency—an unfair situation is created. It means that large numbers will be disfranchised. Prior to the act passed in 1935, a period of sixty days before the date of election was provided. That was considered a reasonable and fair time. But if we make it three months before the issue of the writ I suggest the period is too long, and many people will be disfranchised.

Mr. RINFRET: I believe the committee considered that it should not depart too much from the act of 1934, in which the period of three months is indicated. Of course at the time of a general election, if an elector cannot qualify in one constituency he does in another. In this instance the special provision is that unless he has resided at a certain place three months before the issuing of the writ in the constituency where the by-election is held, he is not qualified to vote. I think there is some wisdom in not drifting too far from the general act, except as to adapting it to by-elections. Evidently that is the reason the three months' qualification has been retained. Possibly when the general act is drafted the qualification as to residence might be modified, but I should not like to recommend that we make a change in respect of by-elections when a different circumstance would exist in the general act. May I point out that inasmuch as time will be saved between the date of the issuing of the writ and nomination day, to a certain extent the qualification period will be reduced.

Mr. NEILL: The point may not be of such great importance in by-elections, and I assume the act will be redrafted before another general election.

Mr. BENNETT: The bill refers only to by-elections.

Mr. NEILL: But the principle is the same. If the committee saw fit to adopt a three months period in connection with by-elections, it would probably adopt the same provision with respect to general elections.

Mr. BOTHWELL: No.

Mr. NEILL: The minister said that he did not wish to get away from the spirit and word of the 1934 act. I have met many people in British Columbia who think the further we get away from the spirit of it, the better.

Mr. BOTHWELL: In considering the by-elections bill the committee endeavoured so far as possible to adopt all the provisions of the original act. It was not the intention in any particular to change that act. Those changes will be made at another time, if they are deemed advisable. Possibly there will be a general revision next year, or at some later period. However, in the present instance we have endeavoured to provide for by-elections, and so far as possible to adopt the provisions to the original act.

Mr. RINFRET: May I point out that we have just passed a bill in which there is a similar provision. The clause under discussion corresponds with one we have already passed, and I suggest that we should not drift away from a decision we have made.

Paragraph (B) stands.

On paragraph (C), part II (14)—Registration material.

Mr. RINFRET: This paragraph covers the whole preparation of the list.

Mr. BOTHWELL: It is the same as section 14 of the original act.

Paragraph agreed to.

On paragraph (C), part II (15)—Notice and form.

Mr. BENNETT: There is no change, I take it, in any of these?

Mr. RINFRET: No, except as to adaptation.

Mr. BENNETT: I understand that.

Paragraph agreed to.

On paragraph (C), part II (16)—Commencement of registration.

Mr. MacNICOL: The change there is that there are to be enumerators in rural ridings; am I correct?

Mr. RINFRET: And they are to be appointed in the same way.

Paragraph agreed to.

On paragraph (D), part IV (32)—Right of appeal.

Mr. RINFRET: Under the Dominion Franchise Act, 1934, there was an appeal to a judge from any decision of a registrar of electors sitting as a revising officer, but only the judge himself could hear and determine the appeal, and as there was no need for haste, a time for hearing convenient to the judge could be appointed. It was found that this procedure might be inconvenient in the matter of a by-election, so provision has been made that if the judge cannot himself hear the appeal within five days limited therefor, he may appoint a barrister of not less than ten years' standing to hear the appeal in his stead. Section 32 of the act is altered to make room for that provision.

Mr. CAHAN: I believe that is a wise provision, in any case. I found in the revision in the St. Lawrence-St. George constituency enumerators attested that within one moving period there were 5,300 changes, and of that number all but 1,800 were either dead, beyond doubt, or had removed to other electoral districts in which they were entitled to be registered. In a city like Montreal, where the apartment houses are so numerous and so many apartments contain so many residents, the changes run into thousands on October and May moving days, and it is impossible for the chief justice in such an event to hear all the appeals which may be made from either side. I think that provision for the appointment of some barrister to represent him may be a very useful one, although I would rather have a judge to represent the chief justice, but otherwise to have a barrister of reputable standing would facilitate the appeals very greatly.

Mr. BENNETT: Would it not be well if we had some description of the barrister other than ten years' service at the bar. The judge should appoint an impartial barrister, not a barrister actively interested with one party or the other in connection with the election. That would be very bad. Some adjective could be inserted that would indicate the type of barrister, other than simply to say a barrister of ten years' standing.

The CHAIRMAN: We are still on clause 2.

Mr. BENNETT: What subparagraph deals with the judge, Mr. Chairman?

Mr. RINFRET: It is on page 21, subparagraph 4, reading:

> In the event of the judge being for any reason unable himself to hear and determine the appeal within five days after the notice of the appeal given he may nominate and appoint in writing a barrister of not less than ten years' standing and resident within the electoral district to hear and determine the appeal within the said five days.

Do I understand my right hon. friend to suggest a judge instead of a barrister?

Mr. BENNETT: No; I am only suggesting that some word might be used before the word "barrister." My hon. friend from Comox-Alberni (Mr. Neill) suggests an independent barrister of not less than ten years' standing. Perhaps we should say a practising barrister or an independent practising barrister.

Mr. BOTHWELL: I hardly think the word "independent" would be descriptive.

Mr. BENNETT: No; there is a difficulty about that. Should it not be in any event a practising barrister?

Mr. BOTHWELL: Of course, that was really the intention. We understood it would be a practising barrister. I imagine that the judge in appointing a barrister of ten years' standing would appoint someone who was qualified for the position.

Mr. BENNETT: Judges as well as the rest of us are deceived at times.

Mr. BOTHWELL: It might be advisable to say a practising barrister.

Mr. BENNETT: I think that would be better.

Mr. BOTHWELL: I move, Mr. Chairman, that the word "practising" be inserted before the word "barrister" in line 14 on page 21 of the bill.

Amendment agreed to.

Paragraph agreed to.

On paragraph (E) (39)—Liability of revising officer.

Mr. RINFRET: In the schedule we have passed it is provided that the registrar, instead of doing the whole revision himself, may appoint revising officers so that the work may be done in a parallel way in order to save time. Paragraph 39 substitutes, wherever necessary, the words "revising officer" for the words "registrar of electors." It is merely a clerical amendment.

Paragraph agreed to.

Mr. RINFRET: Has paragraph 39 been carried, Mr. Chairman?

The CHAIRMAN: Yes.

On paragraph (E) (46)—King's Printer to print lists.

Mr. RINFRET: This provides for the printing of lists in urban centres. The committee has recommended that in a by-election it may not be necessary to print the lists in rural sections.

Paragraph agreed to.

Paragraph (F) agreed to.

On paragraph (G) (53)—Vote under Canada Temperance Act.

Mr. RINFRET: This is a special disposition. It covers the Canada Temperance Act, an act for taking local option in certain parts of the country. This used to be under the chief electoral officer, and this amendment brings it under the dominion franchise commissioner. It has seldom been used, as my hon. friends know, but the committee has recommended that it be placed under the dominion franchise commissioner.

Paragraph agreed to.

On paragraph (H) (54)—Dominion Franchise Act not affected by this act.

Mr. BENNETT: I cannot think that paragraph 54 is a very sound one as it reads. It says:

[Mr. Bothwell.]

The provisions of The Dominion Franchise Act, 1934, are not amended, repealed or otherwise affected by the provisions of this act, except in so far as the preparation and revision of lists of electors to be used at dominion by-elections, and matters incidental thereto, are concerned.

Should we not put it the other way?

Mr. BOTHWELL: As a matter of fact, we did not have that paragraph in at all. We thought the first paragraph made the matter amply clear, but objection was raised to our particular wording, and that paragraph was inserted by the law officers of the crown.

Mr. BENNETT: I think my hon. friend will agree that it is a pretty poor paragraph as it stands. It says:

The provisions of the Dominion Franchise Act, 1934, are not amended, repealed or otherwise affected by the provisions of this act, except in so far as the preparation and revision of lists of electors to be used at dominion by-elections, and matters incidental thereto, are concerned.

Mr. RINFRET: I must admit I was surprised to find it there. A plebiscite under the Canada Temperance Act might be incorporated with a by-election at the same time. If there is any objection, personally I would not insist on the retention of the section.

Mr. BENNETT: What you want to say is that the provision of the Dominion Franchise Act, 1934, except as amended by this bill, shall remain in full force and effect.

Mr. POWER: That is all we want. There is no necessity for saying any more.

Mr. BOTHWELL: I think that is all that is necessary there. I am not taking any responsibility for this particular paragraph.

Mr. BENNETT: Will the hon. member move an amendment then?

Mr. BOTHWELL: We have to consider clause 4. It might be well to redraft that.

Mr. BENNETT: Yes.

Mr. RINFRET: You mean 53 and 54?

Mr. BENNETT: That could stand until you redraft the one with which we are going to deal.

Mr. RINFRET: We might let that stand.

The CHAIRMAN: Paragraph (B) of section 2 will stand.

Mr. BENNETT: That can stand and the other matter can be fixed up during recess.

Paragraph stands.

On paragraph 55—Bringing into force.

Mr. RINFRET: I can explain that. It was thought that this bill might come before the house at a time when a by-election was pending. In that event we would have proposed to bring the measure into force only on a certain date. I would suggest an amendment to delete those words.

Mr. BENNETT: Paragraph 55 will be deleted.

Mr. BOTHWELL: I move that on page 24, line 27, the following words be deleted, "this act shall not come into force until."

Amendment agreed to.

On paragraph (I).

Mr. RINFRET: Paragraph (I) strikes out certain forms and substitutes others therefor.

Mr. BENNETT: That will be a new paragraph 55?

Mr. RINFRET: Paragraph 55 would have been part of paragraph (H). Paragraph (I) strikes out certain forms and substitutes others therefor to conform with these amendments. I do not suppose the committee desires to go through these forms. I understand that one section is to stand, so perhaps we could move that the committee rise, report progress, and ask leave to sit again.

Mr. BOTHWELL: The forms have been gone through carefully. We appointed a subcommittee of legal men to go through them and we endeavoured to bring them into line.

Mr. CAHAN: Could the hon. member state generally any important changes which have been made?

Mr. BOTHWELL: The only important change is in connection with the voters in rural areas who are vouched for.

Mr. STIRLING: Swearing in.

Mr. BENNETT: A neighbour has to come who knows the voter.

Mr. BOTHWELL: The forms are practically the same.

Paragraph agreed to.

Mr. BENNETT: I think you had better ask for leave to sit again this day in view of what the minister has said.

Progress reported.

PRIVATE BILL

FIRST AND SECOND READINGS—SENATE BILL

Bill No. 101, to incorporate the Order of Italo-Canadians—Mr. Denis.

CANADA SHIPPING ACT, 1934

The house resumed from Thursday June 11, consideration in committee of Bill No. 53, to amend the Canada Shipping Act, 1934—Mr. Howe—Mr. Sanderson in the chair.

On section 1—Definitions.

Mr. BENNETT: I think the minister appreciates the fact that this creates a difficult situation. This bill confers upon him the powers which I mentioned yesterday and, taken in conjunction with the other provisions of the act, places him in the invidious position of having to decide for or against the applications which he will receive for the declaration of certain areas as sheltered waters. Not that that in itself is so very important, but it lays the foundation for the application for temporary certificates for navigation. It is not the thing itself; it is what the thing lays the foundation for. Another section provides for an extension for five years of the time mentioned in the act for the qualifying for a certificate. Then there is a provision providing for temporary certificates to be based upon the right to navigate in sheltered waters, which waters are declared to be sheltered by reason of the action taken by the minister. The minister has said that certain action is taken in other places with respect to that and the hon. member for Comox-Alberni (Mr. Neill) has said that it applies only to ships of small tonnage. The new bill refers to ships of tonnage larger than five tons; in fact temporary certificates may be issued in connection with ships as large as twenty tons. What has been said with respect to small vessels under the control of those who have local knowledge, of course is true. However, sometimes that knowledge is not unlike that of the man who undertook to take a large ship up a narrow river. The master of the ship said to the pilot, "You have a very intimate knowledge of this river?" The pilot said, "Yes, I know all the sand-bars in it; this is one now." Just then the ship struck a sand-bar. This lays the foundation for great abuse, and it is my duty to point it out. I know the minister, in view of what he said yesterday, will not care to adopt the only remedy.

Hon. C. D. HOWE (Minister of Marine): Mr. Chairman, I quite appreciate that the Minister of Marine is being given very great power, but I really see no alternative. In fact, I think very few people understand the power that the Minister of Marine has in this case. For instance, all the inspectors in Canada can declare a ship to be unseaworthy,

and the minister can declare it to be seaworthy. The minister has the power of licensing everyone that has to do with the sea.

Mr. BENNETT: And suspending.

Mr. HOWE: And suspending. As I see it, this matter of minor waters must be regularized. For the last twenty-seven years we have been administering a great number of harbours on the east and west coasts as minor waters without a vestige of authority for so doing. For instance, on the British Columbia coast we have Burrard inlet, east of the First Narrows, and the northeast arm of Quatsino sound inside Limestone island, and the eastern channel, Barclay sound. On the Atlantic coast there are some twenty harbours and waters of various kinds which have been administered as minor waters, although by every law in the statute books they are major waters and can be navigated only by mariners having deep sea certificates. In both England and the United States this same authority is vested in one man, and if my right hon. friend could suggest a better way for Canada we should be glad to consider it. Through a curious anomaly the lighthouse board, a board of departmental officials, have authority under the law to declare certain coastal waters minor waters for the purpose of administering the life saving act. But there is no authority whatever for declaring coastal waters minor waters for the main purpose of the Canada Shipping Act. The only purpose of this clause is to correct an anomaly in the act, and I think we are doing this in the only practical way.

Mr. STEVENS: The minister and the committee are losing sight of the real reason why very great care should be taken in a measure of this kind, namely, the safety of passengers carried on ships. Apart from that, the matter is a comparatively insignificant one. I do not know whether I can make myself clear, because there are many technicalities involved which I am not qualified to discuss. But the point I wish to make is that for the purpose of meeting the convenience of the owner of a small boat operating in an enclosed water, certainly, in my opinion at any rate, we ought not to give this sweeping power to the minister to declare an area a sheltered water. I say that for this reason. The only criticism which the owner of a small boat has is that if he wants to carry passengers he must have a certified officer if his boat weighs more than five tons. If it weighs 4·99 tons he may carry thirty or forty passengers. Both these conditions are wrong. It does not make it any safer for passengers, as the hon. member for Comox-Alberni (Mr. Neill) pointed out, if the boat is 4·99 tons than if it is five tons. As the hon. gentleman suggested, the owner might remove some of the upper structure so as to bring the boat within the required measurement. In my opinion the measurement of the boat should not be the basis upon which the owner should be allowed to carry passengers. That is the first point I make, and the second point is that we certainly should not make it possible for an individual to carry passengers on a boat, which at present he cannot do, simply by declaring that he is operating in minor waters. I shall use the very citation which the minister gave last night and to which he has referred to-day, namely, Burrard inlet. Burrard inlet, stretching from the First Narrows some twenty-five miles into the north arm and into the head of the inlet, is one of the most important seaways in this country. I do not believe there is a port in Canada, not even Montreal, through which a larger number of deep sea vessels pass during the year. For seven months of the year there may be more vessels in some of the other ports, but I mean throughout the year. These deep sea vessels go through the narrows, operating in the first two or three miles of the harbour, now described as minor waters. Deep sea vessels, and particularly coastal vessels that operate like passenger trains on fixed schedules, come in by the dozen every day and operate in that harbour very often in a fog, when the only direction for vessels is the signal given by blowing the whistle. Yet we are allowing persons who have no master's certificate, no deep sea experience, very little knowledge of deep sea signalling or navigation, to carry passengers, provided their boats are under five tons. Under this proposal, because this area is declared to comprise minor waters, the owner of a boat under five tons may be allowed to carry passengers, though the area is highly dangerous.

Mr. NEILL: With a certificate.

Mr. STEVENS: Not necessarily, if the area is declared, as this amendment makes it, a minor water. If it is a minor water he may carry passengers. What I am driving at is this: Above everything else we ought to safeguard the lives of people, and if a man has a boat and wishes to carry passengers he ought at least to undertake the responsibility of having a certified officer on board. The owner of a small boat may know the waters well; he operates here and there along the coast; and on a holiday he wishes to carry a few passengers and cannot do so. The argument may be that he knows more about handling that little boat than anybody else. Usually that class of boat is used for roustabout purposes at logging camps or round a cannery or

some small settlement in an inlet, and for such purposes, carrying a little freight, it is perfectly satisfactory. But the moment the owner wants to carry passengers even, as suggested by my hon. friend from Comox-Alberni, across the inlet, I do not care under what conditions, we cannot be too careful in seeing to it that such a person is licensed only under such terms as shall ensure the maximum of safety and efficiency. That is the reason I question this method.

Mr. BENNETT: The hon. gentleman overlooks section 122 of the shipping act.

Mr. STEVENS: I suggest to the minister, therefore, that whether or not he drops the words with regard to sheltered waters to be specified by him—and I think they should be dropped—we should specify more clearly the conditions under which any ship may carry passengers, whether it be a vessel of fifteen tons or over, or five tons or under. There have been tragic accidents in years gone by, partly through inexperience. While it is all very well to say that there are many men who have masters' certificates, though they have not been at sea, although that sounds well, there are those who may operate their vessels recklessly, and I submit that recklessness should not be allowed in the carrying of passengers, no matter whether the waters are declared minor or otherwise.

At six o'clock the Speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

CONSIDERED IN COMMITTEE—THIRD READINGS

Bill No. 42, respecting The Trust and Loan Company of Canada.—Mr. Vein.

Bill No. 72, for the relief of Madeleine St. Clair Peacock Milroy.—Mr. Plaxton.

Bill No. 73, for the relief of Bella or Bessie Laurie Wozik, otherwise known as Bella or Bessie Rabinovitch.—Mr. Jacobs.

Bill No. 74, for the relief of Agnes Hannah Wright.—Mr. Heaps.

Bill No. 91, for the relief of Margery Brunhilde Morphy Dunton.—Mr. White.

Bill No. 92, for the relief of Mania Leizerson Oberman.—Mr. Jacobs.

Bill No. 93, for the relief of Milton Sanford Enoch Chase.—Mr. Walsh.

Bill No. 94, for the relief of Jessie Dansky Glazer, otherwise known as Jobeth Dansky Glazer.—Mr. McPhee.

Bill No. 95, for the relief of Mildred Eileen Champion Webster.—Mr. White.

CANADA SHIPPING ACT, 1934

The house resumed consideration in committee of Bill No. 53, to amend the Canada Shipping Act, 1934—Mr. Howe—Mr. Johnston (Lake Centre) in the chair.

On section 1—Definitions.

Mr. STEVENS: At six o'clock, Mr. Chairman, I was practically through what I had to say. I should like to remind the minister, however, of the point I was making, namely that taking power to declare certain waters on the coasts of Canada as minor waters, such power being vested in the minister, was not the proper basis upon which the whole problem should be considered. I had pointed out that in my opinion the attention of the committee and of the minister and his officials should be focussed upon the fact that the carriage of passengers is really the crucial point. I am aware that under section 122 of the main act provision is made for temporary certificates to be issued to individuals in charge of vessels not over twenty tons and not carrying more than twelve passengers. But in my opinion that does not meet the case. An excellent suggestion has been made by the Canadian Merchant Service Guild in Vancouver. They say that these small boats could be classed as ferries, and that one of the qualifications for a certificate for a man operating a ferry under fifteen tons should be that the applicant has had at least twelve months' service on a coasting or ocean-going vessel under a certificated master, so assuring that he has had some experience and training. Now, that is a limited request. A man who operates a small ferry in minor waters, which minor waters, to take Burrard inlet as an illustration, may be daily traversed by dozens of coastwise and deep sea ships, in fog or stormy conditions or where tidal currents prevail—a man operating a ferry under such conditions should at least have a working acquaintance with coastwise or deep sea practice.

That approach to the question is, to my mind, the correct one. I would plead with the minister earnestly not to take it amiss that we suggest that this is perhaps the wrong way of dealing with these minor waters. It is no reflection upon him to say so. As he said himself this afternoon, ministers are sometimes clothed with extraordinary authority, but it is generally understood that they exercise only that authority on competent advice. He very properly says—and I appreci-

ate it—that he has no idea of using that power in any reckless way. No one suggests that at all. But in my opinion it will not meet the situation which is in the mind of those who are urging this amendment. So I conclude with just these observations: first, it is unwise to leave the naming of minor waters wide open in that way. I think there should be greater restrictions in that respect. If possible it should be a statutory matter. The other point, which to my mind is much more important, is that in regard to the complaints or requests of those who operate casually what we may call small boats in what they allege to be minor waters, their case should be considered only or chiefly in the light of the safety of passengers. I appreciated the words of the hon. member for Comox-Alberni (Mr. Neill) the other evening and I am quite well acquainted with the circumstances which I think he had in mind, in the remoter sections of the Pacific coast, with its innumerable inlets. Men who unquestionably are well skilled in handling boats may occasionally get an opportunity to carry pasengers. While I have a great deal of sympathy with the suggestion that men of that type should be assisted in every way, nevertheless I lay this down as extremely important, that the question of safety must be kept in mind. I can easily understand how a man who might operate one of these small boats in freighting, roustabout work, in the language of the trade, might be quite efficient in that, and he takes his own chances, but it is a different matter when a man of that type is entrusted with the lives of ten or twenty or thirty passengers. I find myself very strongly of the opinion that the suggestion of the Canadian Merchant Service Guild should be given very careful consideration.

My hon. friend spoke of his experience with the Indians in canoes. It is, I think, forty years ago that I was largely responsible for navigating a small vessel for four or five hundred miles up the coast. We got along very well; there were four or five of us on board; we went hither and thither without charts or much equipment of that kind, but no one could argue that the fact that a person acquires in that way a knowledge of the coast and of the general handling of a boat, qualifies him to have the responsibility of carrying passengers in such a boat. It is from that angle that I have presented these arguments, and request the minister to give consideration to the suggestions of the Canadian Merchant Service Guild as well as my own.

[Mr. Stevens.]

Mr. GREEN: Will the minister tell the committee what the requirements are for a certificate of competency for a master of a steamship in minor waters?

Mr. HOWE: A certificate of competency is based chiefly upon experience. A master must have some years of service; he must have good eyesight, knowledge of the rules of the road, knowledge of steamships generally, and elementary knowledge of navigation.

Mr. GREEN: That is required in minor waters?

Mr. HOWE: Yes. There seems to be an impression—I think the hon. member for Kootenay East (Mr. Stevens) has it—that no certificate is required for minor waters. I assure the hon. member that there is a very rigid certificate for minor waters. Provision is made for temporary certificates, but I am informed that in the history of the department only five temporary certificates for minor waters have ever been granted on the coasts. The matter that the hon. member for Kootenay East is speaking of is the regulations, which have nothing to do with this section, because the department can make the regulations anything they like, independently of this section.

Mr. STEVENS: I do not wish to delay the committee, but surely the minister cannot mean what he says. He says that the department can make the regulations anything they like. They can make the regulations only subject to the provisions and powers in the act; they cannot make the regulations anything they like.

One word more before I cease pressing this point. It is obvious that there is not the slightest intention on the part of the minister to give any attention to it, because he did not even deign to answer me—

Mr. HOWE: My hon. friend did not bring up anything new. We have all these representations.

Mr. STEVENS: Quite so. I am just going to say this and then I am through. I believe that when we are studying an act of this kind in committee of the whole house, at the least we owe it to the people of this country to give reasonable consideration to their views. I may be all wrong, but I say that all persons—I do not care who they are or where they come from—who represent the people of this country and have some knowledge of the situation, are entitled to the courtesy of consideration. That is all I have to say to the minister.

Mr. HOWE: The representations made by the hon. member were duly received by the department. I assume he received a copy of the letter I have in my hand. They were fully considered by the technical officers, and I will say this for the technical officers of the Department of Marine: I think they constitute one of the finest branches of the service. My hon. friend says that it is not possible to regulate. I assure him that minor waters could be made anything the department officials recommended for the approval of the governor in council. This bill has nothing to do with regulations in connection with minor waters. It simply corrects a practice which has been established for the last twenty-three years of illegally operating in certain coastal waters under minor waters regulations. It is, in my opinion, a very necessary part of the act.

Mr. MacNEIL: How are the waters east of Prospect point in Burrard inlet classified?

Mr. HOWE: As I say, for the last twenty-three years the practice of the department has been to operate under minor water regulations.

Mr. MacNEIL: Does that permit the issuance of temporary certificates to masters or mates on vessels navigating those waters? May they have temporary certificates with qualifications lower than would be necessary in home trade waters.

Mr. HOWE: The qualifications are to some extent less than those required for open waters. A man cannot take a ship across the Pacific on a certificate which would be suitable for his operations in Burrard inlet. As I say, only five temporary certificates have been granted for the Pacific coast.

Mr. MacNEIL: My chief interest is in the ferries operating from Vancouver to North Vancouver, and through the First Narrows to West Vancouver. The minister must appreciate that the navigation of those waters is extremely dangerous, particularly in foggy weather. We must assure the travelling public that men in charge of such vessels have the highest qualifications. I should like to have some assurance from the minister that the most rigid and highest possible standard of qualifications will be maintained in issuing certificates to masters and mates in such vessels. May I point out that because of the dangers of navigation through the First Narrows it would seem quite as important to have well qualified mates as to have masters with those high qualifications. Particularly is that so when they are confronted with the extraordinary conditions of navigation which face them in the First Narrows in time of fog.

Mr. HOWE: I assure the hon. member that those qualifications will be observed.

Mr. GREEN: Has the minister considered whether or not it might be preferable to use the expression "smooth waters" instead of "sheltered waters." After all, this question is of vital importance to us on the Pacific coast, because most of the mainland coast might be considered as sheltered by Vancouver island or the Queen Charlotte islands. Then, we have very large inlets, which are really great arms of the sea. I think the expression "sheltered waters" is too wide. "Smooth waters" would be much better. I suggest that this provision is particularly important as it applies to the waters around the city of Vancouver, because there are many thousands of people travelling on those waters. The situation is quite different from that in Comox-Alberni where people will know those operators who understand boats and those who do not. On the other hand many people will be carried as passengers on the ferries operating around Vancouver, believing that they are protected by government regulations and are being transported by duly qualified men. I would suggest using the expression "smooth waters" instead of "sheltered waters," and considering the possibility of deleting the word "inlets." It is a really serious question on the Pacific coast.

Mr. HOWE: It makes no difference what we call them. We declare what they are by law. In England it is the practice to call them smooth waters, while in Canada and in the United States it is customary to call them minor waters. But they are neither one nor the other unless they are so declared by departmental regulations. It does not matter whether they are sheltered or not; if they are declared sheltered by the department, they come under those regulations.

Mr. GREEN: Then, it is not the intention of the minister to declare as sheltered waters the large inlets on the Pacific coast?

Mr. HOWE: No, not at all.

Mr. POULIOT: Mr. Chairman, I have in mind a matter which should be considered in connection with this bill. To a great extent the Canada Shipping Act has been copied from the British Shipping Act, but there is a great difference between Canadian shipping and British shipping. The British Isles are in the middle of the Atlantic ocean—

Mr. BARBER: When were they moved?

Mr. POULIOT: They are not in the middle, but they are in the Atlantic ocean.

In Canada we have an entirely different situation, because we have inland navigation. For these reasons amendments concerning minor waters are of great importance. A certificate is required from captains, and in the issuance of such certificates the experience of the captain in matters of navigation should be the chief concern. When it is proved satisfactorily that a man has been in charge of a boat in such minor waters of Canada for several years, and he has shown his competence as a captain, I do not see why his certificate should be refused on technical grounds.

There is another point to consider, something which in my mind is just as important as the competence of the captain in charge of the ship. My point is that in inland waters where navigation takes place there should be lights on all wharves. May I bring anew to the attention of the minister the following facts: One of those minor waters of Canada is lake Témiscouata, a body of water twenty-seven miles long and a mile and a quarter wide. On the lake there are five wharves, and back of it, in the back country there are many settlements. To reach those settlements one must cross the lake, first from Cabano to Squatteck, and, second, from Notre Dame du Lac to St. Juste du Lac. In connection with the latter point there are two wharves, one being at St. Juste du Lac and the other at Route Centrale. Navigation is more difficult because there are no lights on those wharves. So much money is expended by the government that I suggest lights should be put on those wharves to facilitate navigation at night. I see the Minister of Fisheries (Mr. Michaud) in his seat. He is familiar with the geography of that part of the country, and I say to him that if the government is ready to spend a lot of money for delivering mail in the winter time to people who live far away, I do not see why there should not be better facilities for those people who have to cross the lake. As I said previously, there are two ferry services, one between Cabano and Squatteck for the settlement of Squatteck and for people in other settlements east of Squatteck in both Témiscouata and Rimouski constituencies. The nearest doctors are at Cabano, Notre Dame du Lac and St. Louis, west and north of lake Témiscouata. They have to cross the lake to reach those people, and at the present time there are no lights on any of those wharves. When I asked the minister to see to it that lights should be put there, his answer was that nobody would have accepted the position of wharfinger last year. There is a very good reason for that, and it is because all the traffic there is done by the settlers, who carry away all their products at once and leave nothing on the wharf. They cannot pay any wharfage charges at all, and no remuneration can be expected from that wharf because the storage amounts to nothing. May I ask the minister if he will kindly see to it that lights are put on those wharves at the expense of the Department of Marine in order to facilitate navigation in minor waters like lake Témiscouata?

May I also say to the minister that the same thing can be said of the channel between Notre Dame de l'Isle Verte and the mainland. There are not enough lights on the wharves at Isle Verte and none at Notre Dame de l'Isle Verte. It is an island on which there are several people; in fact, there is a parish, and the people are engaged in fishing. There are two wharves, the eastern and western wharves, at Notre Dame de l'Isle Verte, and there are very small lights. There should be lights across also. In conclusion, may I ask the minister to see to it that lights are put on all those wharves which serve inland navigation?

Mr. MacNEIL: I hesitate to take up any more time of the committee, but I wish to impress upon the minister that this is a matter of vital importance to many people along the north shore of Burrard inlet, and we feel that some greater measure of protection should be given to the travelling public no matter what the size of the vessel may be.

We are particularly vitally concerned as to how these waters may be classified. The minister was good enough to give me some information, but I am still not clear about the matter. He states that these waters must be actually sheltered. That term may be applicable to the waters further north, but not to Burrard inlet, and particularly the waters adjacent to the First Narrows, where there are the dangers of heavy seas, congested sea-going traffic, and fog. The minister also states that it could reasonably be said that Vancouver harbour east of Prospect point—

Mr. HOWE: Will my hon. friend permit me to interrupt? I had forgotten where Point Atkinson was. Only that part of Burrard inlet east of the First Narrows, is considered sheltered waters, so my hon. friend may disregard the part outside the First Narrows.

Mr. MacNEIL: Reference has been made to the Canadian Merchant Service Guild. I know the members of this guild. It is comprised largely of the deck officers of coastal vessels and ferries plying in and out of the harbour of Vancouver, the very men who are most familiar with the hazards of

navigation in that area and who have to take the risk of meeting other craft in charge of inexperienced masters. I think the evidence submitted by this guild should not be disregarded, however expert a knowledge the technical officers of the department may possess. The guild say in their statement to the minister:

We desire to bring to your attention that under the provisions of such an act all the coast of British Columbia, with the exception of a few comparatively short reaches, could be classed as minor waters, which would leave the way open to abuses which could be far-reaching and very dangerous to the sea-borne travelling public; in fact, it could be construed in such a manner that the whole effect of the Shipping Act relating to the qualifications and experience necessary to operate coasting vessels would be nullified.

Undoubtedly the act would be administered while the present local officials and administration are in office more in accordance with the intent than the letter of the act, but we think that now is the time to protect and safeguard the future and if possible avoid an undesirable precedent.

You can readily see that, under the provisions of the proposed amendment, Bill 53, the inlets which might, or might not, be classed as minor waters would depend on the opinion of the minister in office, and as it is not likely that successive ministers would always hold the same opinion in this regard, certain inlets might be classed for a period as "minor" and again as "coastal" waters, with the result that there would be detrimental confusion, and it would create continued controversy, with the resultant annoyance to the department officials and all other interested parties.

As a case in point, the harbour of Vancouver, for some unknown reason, was illegally declared a minor inland water about twenty years ago, with the result that this automatically entitled men, whose experience on board a vessel might have been confined almost exclusively to collecting fares, to obtain minor water certificates and to take charge of passenger vessels carrying sometimes as many as five hundred passengers per trip, plying across waters where there is continually a heavy traffic of all kinds of craft, including many ocean liners and fast coastal vessels, under which conditions we consider the highest qualifications and experience is essential.

We do not think it is necessary to elaborate on the seriousness of such a situation in the event of an emergency, such as a collision, and the importance of proper training and experience where the lives of passengers are at stake.

Another view we take is that as long as a person or company complies with the letter of the law, they could successfully contest any action taken to prevent them from so operating.

We strongly urge that paragraph one of Bill 53 be withdrawn, as we consider it dangerous, for the reason that it could be construed to permit men without the necessary experience in these coastal waters to operate large passenger vessels almost anywhere on this coast.

It appears to us that the reason for the proposal to have "sheltered arms of the sea" classed as "minor" waters is to overcome the difficulty of providing for certificates for small vessels carrying passengers and mail in some of our inlets. It seems to us that this has been, or could be, taken care of through the fact that it is proposed to create a new class of certificate for "steamship licensed as a ferry." Subsection F, paragraph 3, Bill 53.

These small boats could be classed as ferries and the rules could provide for certificates valid for ferries of over fifteen gross tons and for ferries under fifteen gross tons, respectively.

They go on to say:

We are firmly of the opinion that only responsible and experienced persons should be allowed to be in charge of a vessel carrying passengers for hire or gain, no matter how small the vessel may be, as it is known that a number of these boats measured to register 4·90 to 4·99 gross tons frequently have as many as forty, or even more, passengers on board, crossing dangerous waters, in charge of only one youth employed by the owners of these vessels to act in the dual capacity of master and engineer. These youths apparently do not understand the risks they are taking, and it is safe to say, seldom have even a rudimentary knowledge of the rules of the road, nor could they be expected to handle an emergent condition such as a collision, or sinking as a result of overloading or stress of weather. Under the present laws such a person has nothing to lose and is not responsible to any marine authority.

We think that our suggestion that a certificate be provided for vessels of fifteen or twenty gross tons and under is the solution to this heretofore difficult matter, and should not work a hardship on anyone, while at the same time it would provide reasonable protection for the men, women and scores of children who often use this class of craft for transportation, sometimes over a distance of twenty miles, or more, across treacherous waters, they apparently having little or no understanding of the danger.

I submit that evidence coming from this source should be given great weight. I know the members of the guild have given this legislation and their brief their very earnest consideration, and are anxious to serve only the public interest and the public safety in this matter. I should add, in conclusion, that there is no longer any difficulty in securing certificated masters of the required standard and qualifications for work of this kind. Plenty of them are available for employment. I see no reason why this classification should apply in such a way as to lower the qualifications of masters or mates in charge of passenger carrying vessels.

Mr. NEILL: I had not intended again to take part in this debate, but I really cannot allow some of the statements that have been made to go on the record without protest. We all know of the guild referred to by the hon. members and it would seem that either they do not understand the situation or else they are making a very ex parte statement. The association to which the hon. member for Vancouver North (Mr. MacNeil) referred

is an association of masters and mates. The members of this guild are quite naturally and properly looking after their own interests. Their interests are to see that a master and a mate are on every boat that goes out of a harbour on any occasion, but I do not know that we all look at this matter from their point of view. This will not mean that there will be more of them employed; it means that there will be fewer of them employed. That seems a broad statement to make, but it will work out like this: The law is and always has been that any vessel up to five tons does not require any certificated officer; anyone can take it out. Several of these small boats serve points where a man or a woman going to market wants to cross with three dozen eggs or something like that. Such a traffic will not stand a certificated master and mate. What would happen? They will get a boat of 4·9 tons and jam it full with all the people they can get on. The new provisions in the bill are intended to help to preserve the safety of life because men will be encouraged to use larger boats. I have heard men say that if it were possible to get a temporary certificate for a boat larger than five tons, they would build a bigger and safer boat with more powerful engines. Men will be encouraged to go after these temporary certificates and then they will be able to run larger and safer boats.

The hon. member has referred to a boy who usually takes up tickets being placed in charge of a boat carrying 500 passengers. Section 123 of the act describes who shall get temporary certificates, and it states that they shall be limited to people in charge of a boat carrying twelve passengers or under. That is what the section says, but 500 passengers has a much more pathetic sound. It is also limited to boats of twenty tons, not 8,000 tons. As the minister says, these boats are not going to be entrusted to someone who knows nothing but the taking up of tickets. The regulations call for an eye test, a hearing test, a colour blindness test, a knowledge of the rules of the road and some knowledge of signals.

Much has been said about the necessity of having a navigator to handle a boat in fogs, that there should be a man in charge capable of taking the boat anywhere in this hemisphere. During the war a lot of men from the Pacific coast served on the merchant ships taking troops to the old country. It was remarked by British seamen, than whom there are no finer or more expert in the world, how these men from the Pacific coast were able to find their way in total darkness. This was done by what is known as catching the echo. They would blow their whistle and then they could tell from how long it took the echo to come back just where they were. Apparently this method is not studied on the other side and it was considered to be a very remarkable thing.

During the last campaign I had occasion to travel some fifteen miles at night in a fog so dense that I would have preferred to stay where I was. However I was very anxious to get away and the fog was so thick that when we had got ten yards from a wharf where there was a steamer of perhaps 9,000 tons, very brightly lighted, we could not see it. The man in charge of the boat upon which I was travelling probably did not have a master's ticket, but he knew every yard, so to speak, of those waters. He carried us along in good time without slackening speed except when there was danger of running into fishing nets. In a fog as bad as anything I have ever seen on the coast he landed us at the exact place we wanted to land. He was able to do this because he was familiar with this echo system. He could catch the echo and he knew when he had reached a certain place. He could make a turn when he should make a turn. That sort of local knowledge is worth far more than the ability to shoot the sun. When you are crossing a bay five miles in width you do not need to be able to shoot the sun.

The minister has told us that this practice has been in use for twenty-seven years and that at the present time there are not more than five temporary certificates on the Pacific coast. Apparently this practice has been going on illegally under a misapprehension, and it is now proposed to make the thing legal. I do not think there is any real danger such as has been suggested. The same men who have prescribed these regulations for inland or safe waters during all these years will presumably continue along the same lines. If we are going to be so fussy about these things, let us devote ourselves to something more practicable. Under section 133 of the act, a pleasure yacht does not need any master or mate. Any millionaire can put on a white cap with gold braid on it and call himself a captain. He very soon promotes himself to commodore. He can take his friends aboard and can sink the whole lot of them without any restriction whatever. He can ram a fishing boat or any other boat, but because his boat is a pleasure yacht he does not need to be a qualified captain. It does not matter whether his boat is five tons or 500 tons, he is free to go where he likes and do anything he likes. He does not need to have even

a boatswain on board. We might better deal with these questions instead of these other petty matters.

I can assure hon. members that instead of having certificated masters and mates on these boats making these short trips, they will not use boats of any size at all. They will be forced to use boats of 4·9 tons, and I know from personal experience that that size of boat is very uncomfortable when the water is a little rough. I give full credence to the good intentions of the hon. member for Kootenay East (Mr. Stevens) and the hon. member for Vancouver North (Mr. MacNeil). I have the greatest regard for this particular guild and I have fought their battles in this house when I thought they were right. However, they are looking at things very much from their own point of view and I am sure they will not be deprived of any means of livelihood by this amendment. It will only give the travelling public a safer means of travel.

Mr. GREEN: Is it the intention of the minister to use temporary certificates, or will he make the men who operate these boats in minor waters get proper certificates under the act? Apparently there is quite a difference in the test which they have to pass. If they will all be working under temporary certificates, that would not seem to be a very sound practice.

Mr. HOWE: I am sure the hon. member for Comox-Alberni (Mr. Neill) was arguing on the principle that they had to get ordinary certificates. As I say, only five temporary certificates have been granted on the Pacific coast.

Mr. GREEN: It is not the minister's intention to grant a lot of temporary certificates?

Mr. HOWE: No.

Mr. MacNEIL: What qualifications will be required for mates? We have had some serious accidents around the First Narrows at Vancouver and I think it is very important that there should be efficient mates.

Mr. HOWE: Boats navigating through the First Narrows at Vancouver must carry masters and mates with deep sea certificates. They must have at least home trade certificates, which is an entirely different matter from a minor water certificate. In future a man with a minor water certificate could not go through the First Narrows at Vancouver without breaking the law.

Mr. MacNEIL: What qualifications would be required for mates on the ferries operating from Vancouver to North Vancouver across Burrard inlet?

Mr. HOWE: Practically the same regulations that I have described. That is, they must have their sight and hearing tested; they must know the rules of the road; they must have an elementary knowledge of seamanship and must have had a course in reading the compass. In addition, the examiners of the department pay particular attention to licences with regard to ferries on minor waters. They are reluctant to give any man a licence for a ferry unless he is very well qualified.

Mr. MacNEIL: Am I right in assuming that the qualifications required of these men are lower than those required of men serving as mates on ships in home trade waters?

Mr. HOWE: Yes.

Mr. MacNEIL: I do not wish to take issue with the hon. member for Comox-Alberni, particularly with reference to navigation in waters within his constituency. I have reference to conditions in and around the harbour of Vancouver, where men in navigating through a fog must not only utilize the echo signal system but have an expert knowledge of navigation and be able to find their way by compass reckoning and have an accurate knowledge of the charts and tidal conditions for that area. It is with particular reference to waters in and adjacent to Vancouver that we are concerned.

Mr. MacINNIS: There has been considerable discussion on this point. I think the minister should give serious consideration to the matter before the bill passes—

Mr. HOWE: If I may interrupt the hon. gentleman, perhaps I can shorten the discussion. My hon. friend from Vancouver North described exactly the knowledge which men in these different categories are required to have. The difference is that the man with the home trade certificate must have greater knowledge than one holding a minor waters certificate. He must use the sextant to shoot the sun, and must have much of the knowledge that a deep sea certificate calls for. Surely it is not necessary to shoot the sun in crossing an inlet.

Mr. MacNEIL: We have had some accidents that have caused us some alarm even in the North Vancouver ferry service.

Mr. MacINNIS: If the minister will turn to the hon. gentleman just behind him he

will give the information with regard to the difficulties of navigating in the entrance and in the harbour of Vancouver. Last year there was an accident in the First Narrows. One of the West Vancouver ferry boats was sunk and life was lost.

Mr. HOWE: They did not have the minor waters certificate.

Mr. MacINNIS: Were the certificates they had higher than those of minor officers?

Mr. HOWE: Yes, home trade certificates.

Mr. MacINNIS: This section leaves very wide powers in the hands of the minister. As the Canadian Merchant Service Guild pointed out, while these powers may be very well administered we have had difficulties in this regard before and may have difficulties again. I would give a great deal of consideration to the recommendation made by the Canadian Merchant Service Guild for the reason that, in connection with the amendments which are before us in this bill, this is the only point with respect to which they suggest there should be a change. They say very wisely that the rest of the bill could be allowed to pass without serious discussion and we could wait and see how it worked out, but that considering there is a principle involved here this should not be allowed to pass in its present form. I submit that the minister should give some attention to this matter, for it is of considerable importance.

Section agreed to.

Section 2 agreed to.

On section 3—Grades of certificates of competency.

Mr. MACKENZIE (Vancouver): In order to bring the bill into conformity with the reprinted copy I move that the bill be amended by the insertion of a clause to be numbered clause 3, substituting for clause 3 in the present bill the following:

3. Paragraph (b) of subsection one of section one hundred and thirteen of the said act is repealed and the following substituted therefor:—

"(b) Ships solely employed in fishing, and other ships principally engaged in fishing not exceeding one hundred and fifty tons gross tonnage, not carrying passengers, and employed on the waters within the area within which a home trade voyage may be made."

Mr. BENNETT: Perhaps the minister will explain what it means.

Mr. HOWE: This means that fishing boats are exempt. This allows the fishing boats to do a little freighting in the off season.

[Mr. MacInnis.]

Mr. BENNETT: Not passengers?

Mr. HOWE: No.

Section as amended agreed to.

On section 4—Requirements for certificates of service as masters and mates.

Mr. MACKENZIE (Vancouver): In conformity with the reprinted bill I move that the bill be amended by substituting, for the present clause 4, clause 3 in the present bill, reading:

4. Subsection four of section one hundred and fifteen of the said act is repealed and the following substituted therefor:—

"(4) In the other grades certificates may be granted for the following classes:—

(a) Steamship;
(b) Cargo steamship;
(c) Tug;
(d) Sailing ship;
(e) Fore-and-aft rigged sailing ship;
(f) Steamship licensed as a ferry."

Section as amended agreed to.

On section 5—Requirements for certificates of service as masters of certain non-passengers steamships.

Mr. MACKENZIE (Vancouver): In conformity with the reprinted bill, I move that there be substituted for the present clause 5 the following:

5. Paragraph (b) of section one hundred and sixteen of the said act is repealed and the following substituted therefor:—

"(b) The holder of a home trade certificate, on waters within the limits of home trade, provided that the minister may, in his discretion, authorize the holder of such certificate to act as master or mate, as the case may be, of a sailing ship or a sailing ship fitted with auxiliary power, making voyages from places on the Atlantic coast of Canada to places in the West Indies."

Mr. BENNETT: Does the minister not think that the government is going rather far in this? Let it be remembered that this is a standard act. Perhaps I might recite briefly the history of the act. The general form of it was settled by the preceding administration. We employed counsel and drafted a bill which I took to England. I asked that the advisers of the crown on the shipping side go into it and make such suggestions as they thought would be helpful to us. This is a section the value of which we are destroying, leaving it to the minister to exercise a discretion that never, never was intended should be exercised. I shall not go into the matter at length beyond saying this. There are two forms of certificates in the statutes. One is a certificate of competency, which is a man's ticket obtained by service and examination. The other, as will be observed, is

not a ticket of competency; it is a temporary certificate known as a certificate of service. That depends upon his having served a period of time during a preceding number of years in a capacity for which he now seeks to obtain a certificate, but he has to undergo an examination.

Mr. HOWE: May I interrupt my right hon. friend for a moment; I think he is on the wrong section.

Mr. BENNETT: No. What the minister is doing is amending section 116. No notice was given of this. It is not in the bill; it is not in the votes and proceedings, and it vitally affects—

Mr. HOWE: We are inserting this in place of another section 116; that section comes in later on.

Mr. BENNETT: But the section the minister is inserting in its place is an entirely different one.

Mr. HOWE: But we have the old section 116 in there as well.

Mr. BENNETT: Certainly; I have section 116 before me, providing for the rights of holders of certificates. There are the four certificates, foreign-going, home trade, inland water and minor waters certificates. I was out of the chamber for a moment, but when we were dealing with the preceding section I was going to point out to the minister that there is nothing with reference to the physical ability of the man, his ability to see and to observe colours and signals. Surely that is of first consideration, but I notice that it is not in the bill. This is not a reflection upon the minister, of course—

Mr. HOWE: It is in the regulations.

Mr. BENNETT: That is the point exactly; it is in the regulations, but the other factors that are in the statute cannot be modified by ministerial regulations. Doubtful cases of this sort sometimes warrant the old maxim that bad cases make bad law, and cases of hardship sometimes make very bad administration, especially in a democracy. The point I am making at the moment in this connection, however, is that we should not go too far in our endeavour to meet cases that come to our attention. You cannot generalize in order to meet particular cases. I know that two years ago, when we passed this statute, cases were urged upon us, and we felt that when we provided for a man having satisfactory service for a period of one year during the ten years prior to 1931, we were going as far as we could within reason. I notice that in the new section the date has been made January 1, 1936. In other words, if at any time since January 1, 1926, the man is able to prove that he has been a year in any of the several classes of service mentioned; if he has certificates,—issued under the regulations but not under the statute,—as to sobriety when he has been on board, as to satisfactory vision and ability to discern and read signals, and if he passes the prescribed examination he may get a certificate of service, which is not one of competency. It does not permit him, fortunately, under some of the sections, to be in charge of vessels that have to do with passengers, except in a very limited sense. Without following the matter up at any greater length for the time being, I suggest that we are going rather a long distance by placing in the hands of the minister a discretion which I think he himself would be the first to wish he did not possess. This is a new provision, as my hon. friend beside me notes, as far as the discretion is concerned.

Mr. HOWE: I might say that there is always a little hardship in changing regulations. Today the possessor of a home trade certificate can go as far south as the fortieth parallel, which takes him well down in South America. We are changing the law and limiting him now to voyages as far south as cape Hatteras. It has been represented to us that there are not more than about five boats that make occasional trips to the West Indies which would be concerned.

Mr. BENNETT: What class of boats?

Mr. HOWE: Sailing boats, or boats carrying sails and auxiliary powers. It is a temporary situation, and in order to avoid hardship in those few instances we felt that for the time being they should not be cut off overnight.

Section as amended agreed to.

On section 6—Load line ships.

Mr. MACKENZIE (Vancouver): I have an amendment to this section.

The CHAIRMAN: It is moved by Mr. Mackenzie (Vancouver) that Bill No. 53 be amended by substituting, for the present section 6, section 4 in the present bill, reading as follows:

6. The first seven lines of section one hundred and eighteen of the said act are repealed and the following are substituted therefor:—

"118. Every British subject who—

(1) served as a master or mate of a foreign-going or home trade sailing ship of over seventy-five tons, gross tonnage, before the first day of January, one thousand nine hundred and thirty-six, for a full period of

twelve months within ten years immediately preceding the date of his application for a certificate of service;"

Mr. BENNETT: That is just as it is now in the statute?

Mr. HOWE: The only change is the year, bringing it up to date. It has been brought up to date from time to time. I think the first year inserted was 1870, if I am not mistaken.

Mr. BENNETT: But the former act made it 1931. I have not had time to satisfy myself on the point, but I think that is done throughout the empire. I think that matter should be looked into, because it will be remembered that the statute was not passed until 1934, and we made the date January 1, 1931. I had an impression that this provision, 1931, prevailed in other countries as well as our own. We did not make it January 1, 1934; we made it 1931. That was the year from which the time was counted. As the matter stands now, we have added greatly to our numbers having added five years, or half the originally specified period. We are now going back to 1926 as the year; we are therefore conferring a right which the original statute had no intention of conferring when the limit was made the first day of January, 1931.

Mr. HOWE: May I point out to my right hon. friend that the section says "prior to."

Mr. BENNETT: Yes, of course; ten years prior to that.

Mr. HOWE: The nearer the date the more expert the man; would that not be so? I am told that the explanation for 1931 having been inserted in the act of 1934 is that that date was carried over from the act as last revised. In other words, it was carried into the 1934 act more or less in error. It should have been brought up to date in 1934, because it has been the custom of the department to advance the date by revising the act from time to time.

Mr. BENNETT: If it has no universal application I am satisfied.

Section as amended agreed to.

On section 7—Application of load line provisions.

Mr. MACKENZIE (Vancouver): I have an amendment to section 7, to make it conform to the reprinted bill.

The CHAIRMAN: It is moved by Mr. Mackenzie (Vancouver) that Bill No. 53 be amended by substituting, for the present section 7, section 5 in the present bill, reading as follows:

[The Chairman.]

7. The said act is further amended by inserting after section one hundred and eighteen the following section:—

"118a. Every British subject who—

(a) served as a master of a home-trade sailing ship of over seventy-five tons, gross tonnage, or steamship of over ten tons, gross tonnage, or served as a master of an inland waters or minor waters sailing ship of over twenty tons, gross tonage, or steamship of over ten tons, gross tonnage, before the first day of January, one thousand nine hundred and thirty-six, for a full period of twelve months within the ten years immediately preceding the date of his application for a certificate of service;

(b) produces satisfactory evidence of his sobriety, experience, ability and general good conduct on board ship; and

(c) passes the prescribed examination;

shall be entitled, on payment of the prescribed fee, and according to the waters served in, to either a home-trade, inland waters or minor waters certificate of service as master of a steamship of over ten tons, gross tonnage, and not exceeding one hundred and fifty tons, gross tonnage, and not carrying passengers. Such certificate shall not be valid on tugs."

Mr. BENNETT: I direct the minister's attention to the fact that this is an entirely new section, and introduces an entirely new principle with respect to this particular class of ship. But its safety lies in the fact that it precludes the handling of passengers, on the one hand, and tugboats on the other. Nevertheless I put this to the minister as a suggestion; if I were practising my profession and had a man whose physical condition might not be very good, I would compel the issue of a certificate if he had passed the examination and had these other qualifications, for in the section there is not a single reference to a regulation. It prescribes the conditions precedent to his obtaining the certificate—of service, not of competency—and there is no mention of physical condition.

Mr. NEILL: It says that he must pass an examination.

Mr. BENNETT: But it does not say physical examination. The examination is a prescribed examination. I feel quite certain, because there are authorities on the point, that where conditions are laid down in a statute and there has been compliance with them, the man's rights have accrued. This does not safeguard the minister, neither does the other section, and it is perhaps responsible for some of the difficulties that have arisen. It is no good to point out that the regulations may be made in this way or that; these are the conditions laid down by which a man gets a certificate of service, and if he has complied with them he is entitled to the certificate. I suggest that something further should be added, such as "and complies with the regulations of the department"; that he passes

the prescribed examination and otherwise complies with the regulations—are they regulations of the minister?—the regulations, whatever they are.

I have said all I intend to say; it is a matter of indifference to me.

Mr. HOWE: If my right hon. friend will look at page 118 of the 1934 act he will find that is taken over without change.

Mr. BENNETT: I know that; it is bad in that act too. That is what made it clear to me that the act as it stands does not contemplate regulations entering into the matter; it is purely compliance with conditions, and upon the fulfilment of those conditions the right accrues. It is because the minister has been advised that the regulations govern that we should say "and complies with the regulations of—" I do not know whose they are.

Mr. REID: In this new section, where it says, "such certificates shall not be valid on tugs," does that mean that if a man serves on a tugboat that service does not count for a certificate as master or mate?

Mr. HOWE: There is no certificate of service for a tug. He must have other qualifications than the fact that he has been running on tugs.

Mr. REID: What is going to happen? We have large tugs in the Fraser river, and the men are very competent, after years of service and navigation.

Mr. HOWE: Surely they have certificates.

Mr. REID: Not necessarily; they may start as deck hands.

Section as amended agreed to.

On section 8—Certain ships exempted.

Mr. MACKENZIE (Vancouver): I have an amendment to clause 8. I move:

That Bill No. 53 be amended by inserting in place of the present clause 8 a clause reading as follows:—

8. Paragraph (b) of subsection one of section one hundred and twenty-two of the said act is repealed and the following substituted therefor:—

"(b) a steamship of not more than thirty-five tons, gross tonnage, employed in fishing operations (including the carrying of fishermen, their wives and children, and fish and fishing supplies used in connection with their operations) plying within specified limits on the inland waters of Canada or on waters on the sea coasts of Canada."

Mr. BENNETT: That, Mr. Chairman, of course confers upon the minister the right to issue a temporary certificate based upon experience and knowledge, but it does not prescribe any method by which the minister is to satisfy himself concerning that. Now we are extending it beyond its reasonable limits by applying it to the sea coast waters of Canada. We observe that it involves the lives of passengers, because the wife and children of the fisherman can be carried in the ship. It is a pretty loose sort of certificate, based upon experience and knowledge. It reminds me of the method once reported by a distinguished minister of the crown who went up to be admitted to the bar of Ontario. He was met at the station by the treasurer of the law society who on the way up asked him, "What do you know about the laws of Ontario?" The minister replied, "Nothing at all," with a few more genial words. The treasurer said, "That satisfies me that I can certify that you possess the requisite knowledge to be admitted."

The minister will experience just that sort of thing. The certificate is excessively loose, and inland waters are defined as all these little series of lakes, from Superior and Michigan down to St. Peter's.

Mr. HOWE: That was in the old act.

Mr. BENNETT: Does my hon. friend mean the one before 1934? It was not in the 1934 act.

Mr. HOWE: Yes; we have simply added the words "on the waters of the sea coasts of Canada."

Mr. BENNETT: It is a vastly different thing to deal with the seaboard of the Atlantic or Pacific ocean, and from permitting passengers to be carried, namely, the family.

Mr. HOWE: They carry them anyway.

Mr. BENNETT: That is exactly the reason I prefer not to give the sanction of the law to the practice. In the one instance the minister will be charged with dereliction of duty; in the other he simply says: They violated the statute and are the authors of their own injury.

Section as amended agreed to.

On section 9—If not propelled by steam power.

Mr. MACKENZIE (Vancouver): I have an amendment to section 9.

Mr. HOWE: I may say in explanation, in connection with sections 9, 10, 11, 12, and 13, that we asked the Department of Justice to help us straighten out the legal position regarding penalties to pilots. There was a difficulty that there was no provision permit-

ting the disciplining of a pilot by the pilotage authorities. They found the provisions regarding pilots very badly worded so we straightened out all the pertinent sections at the same time. There are no material changes except that the department is allowed to discipline pilots for minor offences, as they do at present.

Mr. MACKENZIE (Vancouver): I move:

That Bill No. 53 be amended by inserting in place of the present clause 8 a clause reading as follows:—

9. Paragraph (f) of section three hundred and nineteen of the said act is amended by adding the following:—

"and without restricting the generality of the foregoing make regulations with respect to every licensed pilot or apprentice pilot who, either within or without the district for which he is licensed,—

(i) lends his licence; or

(ii) acts as pilot or apprentice pilot whilst suspended; or

(iii) acts as pilot or apprentice pilot while under the influence of intoxicating liquor or narcotic drugs, while on duty or about to go on duty; or

(iv) is guilty of insubordination, misbehaviour, or malingering, or who pilots a vessel beyond the limits of the pilotage district without the consent of the pilotage authority; or

(v) refuses or delays, when not prevented by illness or other reasonable cause, proof of which to the satisfaction of the pilotage authority shall lie on him, to take charge of any ship within the limits of his licence, upon the signal for a pilot being made by such ship, or upon being required so to do by the master, owner, agent or consignee thereof, or by any officer of the pilotage authority of the district for which such pilot is licensed, or by any chief officer of customs; or

(vi) refuses, when requested by the master to conduct the ship on board of which he is into any port or place into which he is licensed to conduct the same, except on reasonable ground of danger to the ship; or

(vii) quits the ship which he has undertaken to pilot, before the service for which he was hired has been performed, without the consent of the master."

Mr. BENNETT: This will not modify the obligations imposed by the pilotage authority to act by by-law. The by-law is to be approved by the governor in council, and this extends the powers. This does not permit the simple procedure of making regulations in the sense of just making them; it must be by by-law. The section contains this expression, "shall, within its district, have power from time to time, by by-law confirmed by the governor in council." If that is perfectly clear, I have no objection.

Mr. CAMERON (Cape Breton): I do not wish to delay the committee, but I belong to that school of thought which abhors the process of putting the burden of proof on the accused.

[Mr. Howe.]

Mr. BENNETT: The hon. member has defended too many prisoners.

Mr. CAMERON (Cape Breton): I suggest that paragraph (v) should not contain this expression, "proof of which to the satisfaction of the pilotage authority shall lie on him."

Mr. HOWE: There is no change in that wording.

Mr. CAMERON (Cape Breton): I understand that, but a custom has grown up through which we have adopted the French criminal law. It is an easy process to put a man in the dock and say to him; You are guilty, prove yourself innocent.

Mr. HOWE: Who could prove a pilot was ill, except the pilot himself.

Mr. CAMERON (Cape Breton): There are many cases mentioned, in addition to illness. The section refers to "other reasonable cause," and other offences are enumerated. They are run together, separated only by the word "or." The proof is put on the pilot. The good old British fashion is that if you charge a man with a wrong you must prove it. In these cases, however, we shift the burden, and this is a process which seems to have become very popular not only in this parliament, but in the legislatures. I protest against it.

Section as amended agreed to.

On section 10—Duties of courts, et cetera, re British ships not registered in Canada.

Mr. MACKENZIE (Vancouver): I move:

That section 10 of the bill be deleted and the following substituted therefor:

10. Paragraph (g) of section three hundred and nineteen of the said act is repealed and the following substituted therefor:—

(g) "make rules for punishing any breach of any regulation made pursuant to the provisions of this section by penalty or by the withdrawal or suspension of the licence or certificate of the person guilty of such breach and notwithstanding anything contained in any other provision of this act, impose, recover and enforce any such punishment."

Mr. BENNETT: Will the minister look at the proposed new section, and then turn his attention to section 11, and the proposed new section 320. The same power is therein conferred, namely,—

Every pilotage authority may, by by-law made according to the provisions of this part of this act, provide for the imposition of a fine not exceeding in any case Two hundred dollars for the breach of such by-law, and may further so provide that suspension or dismissal at the discretion of the pilotage authority may ensue.

That refers to the dismissal of the man himself. The early part of the new section 10

(g) is merely a repetition of what occurs in section 320 as rewritten, but deals with the certificate that the pilot must render on dismissal. But in both cases the by-law is essential. I think there is some contradiction in terms. Section 320 covers the situation in all cases, except with respect to individual pilots' licences.

Mr. HOWE: We found the earlier act much involved, and we left it to the law officers of the crown to straighten out.

Mr. BENNETT: Then, if this is what they gave you, they will have to take the responsibility.

Mr. NEILL: This is the principle I objected to last year in connection with another bill. In this instance we are handing over authority to make penalties and to create offences to some body which is not legislative in character. Apparently they have not even to be O.-K'd by the governor in council.

Mr. BENNETT: Yes; they have to be approved by the governor in council.

Mr. NEILL: Presumably the pilotage authorities are pilots. They may have no legal training and may not have the best training to draw up regulations and make penalties. Like my hon. friend next to me, I object to handing over to some other body a wide-open door authority to create offences and to impose penalties.

Mr. HOWE: I may say that the pilotage authority is the minister.

Mr. NEILL: I thought it was a local body in the provinces.

Mr. HOWE: No; it is the minister.

Mr. BENNETT: But with respect to section 319 it is a local pilotage authority.

Mr. HOWE: Yes; but the pilotage authority for Canada is the minister.

Mr. BENNETT: Yes, for Canada.

Section as amended agreed to.

On section 11—Repeal.

Mr. MACKENZIE (Vancouver): I move:

That section 11 of the bill be deleted, and the following substituted therefor:

11. Section three hundred and twenty of the said act is repealed and the following substituted therefor:—

"320. Every pilotage authority may, by by-law made according to the provisions of this part of this act, provide for the imposition of a fine not exceeding in any case two hundred dollars for the breach of such by-law, and may further so provide that suspension or dismissal at the discretion of the pilotage authority may ensue."

Mr. BENNETT: Has the proposed section 320 been generally agreed upon by the mercantile nations of the world?

Mr. HOWE: That is my understanding. There has been no change in the act of 1934. This is simply to sort it out and make it more readable.

Mr. BENNETT: In this instance we are putting on a limitation of $200. Section 355 states:

A pilot deprived of his licence or suspended or condemned to pay a penalty for having caused damage to a ship shall not be entitled to any pilotage dues if the amount of such damage is equal to or exceeds that of such dues, or, if it is less, to more than the excess of the amount of such dues over that of such damage.

We are now placing a limitation upon the liability for damages. I have only this to say about it—and by the way, was this the opinion of the Department of Justice?

Mr. HOWE: Yes.

Mr. BENNETT: Because the inference is that this section which sets the measure of damages which may accrue is ultra vires, unless it is said to be ancillary to the exercise of shipping and pilotage. However, if the Department of Justice has made the ruling, I cannot say anything.

Mr. HOWE: There is a section in the British act which limits liabilities to $500; we have made it $300.

Mr. BENNETT: Of course they have no division of jurisdiction such as we have here.

Section as amended agreed to.

On section 12—Coming into force.

Mr. MACKENZIE (Vancouver): I move, Mr. Chairman, an amendment to section 12 to make it conform with the reprinted bill, as follows:

12. Section three hundred and fifty-five of the said act is amended by adding thereto the following subsection:—

"(2) No pilot shall be personally liable in pecuniary damages beyond the amount of three hundred dollars for any damage or loss occasioned by his neglect or want of skill."

Mr. BENNETT: I doubt our ability to do this.

Mr. HOWE: We had a case a short time ago where a pilot was sued for $3,000 damages, and had it not been for the fact that negligence was not proved the pilot would have been made to pay far more, of course, than he could afford. I think a man working for moderate fees should not put his entire fortune in jeopardy every time he acts as pilot.

Mr. BENNETT: I have some doubt about parliament having the power to enact this clause as it deals with property and civil rights. Undoubtedly, if it is ancillary to the powers relating to shipping, we would have the power, but when you say that the measure of damages shall be restricted by this parliament in a civil action brought under provincial jurisdiction where the legislature has complete control over matters of this kind, I think it would be difficult to say that it is ancillary to the powers relating to shipping.

Mr. CAMERON (Cape Breton): I agree entirely with the leader of the opposition. I do not think it is competent for this parliament in this section to limit the amount of damages in case of damage or loss occasioned by a pilot's neglect or want of skill. I am quite convinced that it is entirely beyond the jurisdiction of this parliament to make that inroad upon "property and civil rights," and besides that, I think it is an unfair limitation. In section 11 you provide by the new section 320 for a maximum fine of $200 for a breach of an ordinary by-law, and it seems to me entirely disproportionate to say that the maximum amount to which any pilot shall be liable for damages occasioned by his want of skill or negligence should be limited to $300. I do not believe that you can put a limit on it at all because, as the leader of the opposition has pointed out, it is not necessary for the purpose of properly administering your authority in regard to shipping.

Section as amended agreed to.

Mr. MACKENZIE (Vancouver): I move, Mr. Chairman, that, to conform with the reprinted bill, section 13 be added as follows:

13. Subsection one of section three hundred and sixty-one of the said act is repealed and the following substituted therefor:—

"361. (1) Every licensed pilot or apprentice pilot who, either within or without the district for which he is licensed,

(a) commits any fraud or offence in respect of the revenues of Customs or Excise, or the laws relating thereto; or

(b) is in any way directly or indirectly concerned in any corrupt practices relating to ships, their tackle, cargoes, crews or passengers, or to persons in distress at sea or by shipwreck, or to their moneys, goods or chattels; or

(c) employs or causes to be employed on behalf of any ship of which he has the charge, any ship, boat, anchor, cable, or other store, matter or thing, beyond what is necessary for the service of such ship, with the intent to enhance the expenses of pilotage for his own gain, or for the gain of any other person; or

(d) upon being signalled or required, attempts to make any special bargain for salvage; or

[Mr. Howe.]

(e) unnecessarily cuts or slips, or causes to be cut or slipped any cable belonging to any ship;

shall be liable to a fine not exceeding two hundred dollars, and, in the event of a conviction, the proper pilotage authority may suspend or cancel the pilot's licence.

Mr. BENNETT: The new words are "in the event of a conviction the proper pilotage authority may suspend or cancel the pilot's licence."

Mr. MACKENZIE (Vancouver): That is right.

Mr. CAMERON (Cape Breton): I understood from the minister a few minutes ago that the pilotage authority is the minister, but there is also a local pilot authority. Is it the practice in any of the ports where we have a pilotage authority to dispense with apprentice pilots?

Mr. HOWE: We have apprentice pilots nearly everywhere. There is authority to admit apprentices when required, but steps have to be taken to see that there are not too many pilots.

Mr. CAMERON (Cape Breton): There are no apprentice pilots in the port of Sydney; at least I am assured there are not.

Mr. HOWE: they could have them if they were required.

Mr. CAMERON (Cape Breton): I think there are no apprentice pilots permitted by regulation or by-law in Sydney harbour, and I was wondering why that regulation should exist.

Mr. BENNETT: I think the minister was in unconscious error with respect to the pilotage authority. Pilotage authority is defined by paragraph 70 of the interpretation clause of the Canada Shipping Act, as follows:

"Pilotage authority" means any existing pilotage authority and any persons authorized by the governor in council to appoint or licence pilots or fix or alter rates of pilotage; if the pilotage authority is the Minister of Marine, it includes the Deputy Minister of Marine.

The minister is not in all cases the pilotage authority. In many cases he is, but not on the St. Lawrence. They have one of their own, according to my recollection.

Mr. POWER: Two of their own, at Montreal and Quebec.

Mr. BENNETT: They are separate. The minister is the pilotage authority in some other sections of the country but not in all. I cannot speak of the Pacific coast, but my memory is that he is not the pilotage authority there.

Mr. HOWE: At least I sign the licences for all pilots on the St. Lawrence.

Mr. BENNETT: Oh, yes.

Section agreed to.

Mr. MACKENZIE (Vancouver): I move, Mr. Chairman, that to conform with the reprinted bill, section 14 be added as follows:

14. Subsections one and two of section four hundred and twenty-three of the said act are repealed and the following are substituted therefor:—

"423. (1) For the purposes of this part of this act relating to load lines, ships of one hundred and fifty tons, gross tonnage, and upwards, which carry cargo or passengers between any place in Canada and any place not in Canada, or between any places not in Canada, which are not by subsections two or three of this section exempted from the provisions of this part of this act relating to load lines, shall hereafter be referred to as load line ships, and load line ships belonging to countries to which the load line convention applies shall hereafter be referred to as load line convention ships.

(2) The provisions of this part of this act relating to load lines shall not apply to ships engaged solely in fishing or subject to the provisions of section four hundred and twenty-three A of this act to ships making voyages between Canada and the United States of America on any lakes or rivers."

Mr. BENNETT: I wonder if the minister upon reflection does not think this is a rather improper thing to do. You are doing away with the load line, which is Plimsoll's line, in connection with the carrying of passengers between ports in Canada and the United States and between one port in Canada and another. You have to read the two sections together:

423. (1) For the purposes of this part of this act relating to load lines, ships of one hundred and fifty tons, gross tonnage, and upwards, which carry cargo or passengers between any place in Canada and any place not in Canada, or between any places not in Canada, which are not by subsections two or three of this section exempted from the provisions of this part of this act relating to load lines, shall hereafter be referred to as load line ships, and load line ships belonging to countries to which the load line convention applies shall hereafter be referred to as load line convention ships.

Then:

(2) The provisions of this part of this act relating to load lines shall not apply to ships engaged solely in fishing—

That was the law, and always has been:

—or subject to the provisions of section four hundred and twenty-three A of this act to ships making voyages between Canada and the United States of America on any lakes or rivers.

Then follows a description. This contemplates these boats carrying passengers, and the abrogation of the rule with respect to the load line I feel quite certain would not be living up to the obligations that have been accepted by the other nations of the British commonwealth in matters of this kind. Apart from that, if the minister will look at this section and then at the succeeding one, he will see that it permits regulations to be made, and the part which I think we should consider a little more carefully is this:

"423a. (1) Subject to the provisions of this section the provisions of sections four hundred and twenty-three to four hundred and forty-three, both inclusive, of this act, in so far as they are applicable, shall have effect in respect of ships of one hundred and fifty tons, gross tonnage, and upwards, which carry cargo or passengers on voyages from any place in Canada to any other place in Canada or between Canada and the United States of America on any lakes or rivers: Provided that the provisions of subsections one and two of section four hundred and twenty-five of this act shall apply to a ship constructed after the thirtieth day of June nineteen hundred and thirty-six . . .

We can leave that, but these are the words that indicate what the conditions are:

—and provided that the governor in council may on such conditions as he thinks fit exempt from the provisions of this section ships plying on such voyages if he is satisfied that the sheltered nature and conditions of the voyages make it unreasonable or impracticable to apply the provisions of this section to ships so plying.

That is asking the minister to undertake a responsibility which I think no minister would be anxious to discharge. On the next page we have the conditions under which the recommendations are to be made and definitions of "salt water," "proceed to sea," and other definitions and regulations. The subsection with reference to local load line certificates reads:

A local load line certificate in lieu of a load line convention certificate provided for in subsection one of section four hundred and twenty-eight of this act shall be issued for the purposes of ships coming within the provisions of this section. Such local load line certificates shall be issued under like conditions as load line convention certificates are issued.

It is only my duty to point out that this is a very great departure from the general rule with reference to load line convention certificates that ships plying between Canadian and United States ports and carrying passengers and cargo have been compelled heretofore to observe. The mark made upon these ships is not of the same type as is made upon what are known as deep sea ships, but the certificate is of the same kind and is determined in the same manner. I should like to know just who asked for this change. Perhaps the minister could give us some indication of that and we might be able to have a fairer appreciation of things.

Mr. HOWE: I think my right hon. friend is quite mistaken about the purpose of this section. Section 14 is merely to clarify the old act. This section reads in part:

—which carry cargo or passengers between any place in Canada and any place not in Canada.

The old act was indefinite. The purpose of the change is to provide that a boat, say, coming from the United States to Canada must also have this line.

Mr. BENNETT: We cannot compel American boats to put on Plimsoll lines but we can refuse to clear them from our ports unless they have them.

Mr. HOWE: We are making sure that they have them when they come back.

Mr. BENNETT: We have no jurisdiction when they get their clearance from an American port, but when they reach our ports they cannot clear again unless they have a certificate as to the load line. It must be conceded that this parliament cannot confer jurisdiction over an American ship in Seattle, but it can confer jurisdiction over that ship once she is tied up at our docks. We can refuse to give her clearance to leave our port unless she has complied with our regulations with respect to load line.

Mr. HOWE: I want to make it quite clear that this bill refers to Canadian boats. Should a Canadian boat go to an American port, we want to make it perfectly clear that before it leaves that American port for a Canadian port it must comply with the same load line regulation. That was not clear under the old act and the purpose of this amendment is to make it clear.

Mr. BENNETT: For a British ship.

Mr. HOWE: Or a Canadian ship.

Mr. WOODSWORTH: Has not the federal government of the United States recently enacted load line regulations that go to some extent further than ours?

Mr. HOWE: I am told that ours is a little stiffer than the load line law adopted by the Americans to apply to the inland waters.

Section agreed to.

Mr. MACKENZIE (Vancouver): I move that, to conform with the reprinted bill, section 15 be added as follows:

15. The said act is further amended by inserting after section four hundred and twenty-three a new section as section four hundred and twenty-three A, as follows:

"423a. (1) Subject to the provisions of this section the provisions of sections four hundred and twenty-three, both inclusive, of this act, in so far as they are applicable, shall have effect in respect of ships of one hundred and fifty tons, gross tonnage, and upwards, which carry cargo or passengers on voyages from any place in Canada to any other place in Canada or between Canada and the United States of America on any lakes or rivers: Provided that the provisions of subsections one and two of section four hundred and twenty-five of this Act shall apply to a ship constructed after the thirtieth day of June nineteen hundred and thirty-six and a ship constructed before the first day of July nineteen hundred and thirty-six, respectively; and provided that the governor in council may on such conditions as he thinks fit exempt from the provisions of this section ships plying on such yoyages if he is satisfied that the sheltered nature and conditions of the voyages make it unreasonable or impracticable to apply the provisions of this section to ships so plying.

(2) The governor in council may, in respect of ships employed in making such voyages on lakes or rivers, by regulation,—

(a) make aplicable to such ships in lieu of the load line rules such rules as in his opinion may be safe having due regard to all the circumstances;

(b) make special provision for ships not registered in Canada and which are not marked with load lines.

(3) For the purposes of this section the expressions, "salt water" and "proceed to sea," shall, in respect of ships employed solely in making voyages on lakes or rivers, have the following meanings:—

(a) "salt water" where used in this part of this act shall mean the water in which the ship is actually floating.

(b) "proceed to sea" where used in this part of this act, shall mean proceding from one place to another place.

(4) A local load line certificate in lieu of a load line convention certificate provided for in subsection one of section four hundred and twenty-eight of this act shall be issued for the purposes of ships coming within the provisions of this section. Such local load line certificates shall be issued under like conditions as load line convention certificates are issued."

Mr. BENNETT: This is an entirely new section in the form in which it now appears. I wonder if the minister will not agree with me that to place upon the minister the responsibility of lives in the way in which this section does is a responsibility that should not be placed upon any minister. The section reads:

—and provided that the governor in council may on such conditions as he thinks fit exempt from the provisions of this section ships plying on such voyages if he is satisfied that the sheltered nature and conditions of the voyages make it unreasonable or impracticable to apply the provisions of this section to ships so plying.

Subsection 3 reads:

For the purposes of this section the expressions, "salt water" and "proceed to sea," shall, in respect of ships employed solely in making voyages on lakes or rivers, have the following meanings:

Subsection 4 deals with the issuing of a local load line certificate. For the past few

years the hon. member for Broadview (Mr. Church) has been directing attention to what happens almost every year on the great lakes towards the close of navigation. In many instances these ships proceed to sea in an overloaded condition, and now we are going to say that this may be done legally if the minister satisfies himself that the sheltered nature of the voyage and other conditions are satisfactory.

Mr. HOWE: This is taken from the 1934 act.

Mr. BENNETT: The whole of it?

Mr. HOWE: Entirely.

Mr. BENNETT: I looked at it, but I shall look again.

Mr. HOWE: It will be found on page 1700.

Mr. BENNETT: If it is, that does not make it any better; it makes it worse. This section is new.

Mr. HOWE: This is taken from the international convention and it is in the old act.

Mr. BENNETT: The act reads:

> The governor in council may, on such conditions as he thinks fit, exempt from the provisions of this part of this act relating to load lines,—
>
> (a) Any ship plying on international voyages between the near neighbouring places of two or more countries, if the governor in council and the governments of those countries are satisfied that the sheltered nature and conditions of the voyages make it unreasonable or impracticable to apply the provisions of this part of this act relating to load lines to ships so plying, and
>
> (b) Any ship plying on any other voyage between near neighbouring places if the governor in council is satisfied as aforesaid.

That is a vastly different thing from this section. If the minister thinks that the acceptance of this responsibility by the governor in council is adequate, I am not going to do any more than direct attention to the matter.

Mr. NEILL: I should like an explanation as to the dates mentioned in this section. I do not understand about a ship being built after June 30 and before July 1 of the same year; what does that mean?

Mr. HOWE: A ship built before June 30 is considered as an existing ship, while one built after that date would be a new ship. There is to be no exemption whatever for new ships from the load line provisions, but there are exemptions in certain cases for existing ships.

Mr. NEILL: This section states that the provisions of subsections 1 and 2 of section 425 shall apply to a ship constructed after June 30, 1936, and a ship constructed before July 1, 1936. You will not build many ships between June 30 and July 1.

Mr. BENNETT: Surely the Minister of National Defence (Mr. Mackenzie) does not want this amendment to carry. Look at what it says:

> Provided that the provisions of subsections one and two of section four hundred and twenty-five of this act shall apply to a ship constructed after the thirtieth day of June nineteen hundred and thirty-six and a ship constructed before the first day of July nineteen hundred and thirty-six, respectively.

That means that it applies to ships constructed both before and after June 30; it applies to all ships.

Mr. HOWE: I may say that the only change is in the date. In the old act it was 1932 and we have changed it to 1936.

Mr. BENNETT: What does the minister mean by the old act?

Mr. HOWE: Section 425 of the Canada Shipping Act, 1934, reads:

> No load line convention ship registered in Canada, being a ship constructed after the thirtieth day of June, nineteen hundred and thirty-two, shall proceed to sea unless—
>
> (a) the ship has been surveyed by a steamship inspector in accordance with the load line rules; and
>
> (b) the ship complies with the conditions of assignment: and
>
> (c) the ship is marked on each side with a mark (hereafter in this act referred to as a "deck-line") indicating the position of the uppermost complete deck as defined by the load line rules, and with marks (hereafter in this act referred to as "load lines") indicating the several maximum depths to which the ship can be safely loaded in various circumstances prescribed by the load line rules.

Mr. BENNETT: Who is responsible for urging this section?

Mr. HOWE: It is simply being brought up to date.

Mr. BENNETT: It is far more than that; there is a substantive change in the law.

Mr. HOWE: The purpose is to make the load lines applicable to the great lakes and to the coastal trade. It was not possible to do this without discriminating against our own people until the American government did it.

Sir GEORGE PERLEY: The proviso reads:

> Provided that the provisions of subsections 1 and 2 of section 425 of this act shall apply to a ship constructed after the thirtieth day of June, 1936, and a ship constructed before the first day of July, 1936, respectively.

That is to say, it shall apply to all ships, to those constructed after the thirtieth of June and to those constructed before the first of July. In other words, they are both exactly the same, and there are two statements about the thirtieth of June and the first of July which are identical. There is some mistake in the wording, because as it stands it does not make sense.

Mr. BENNETT: What happened is that in the transcription of this a line has been left out: "Provided that the provisions of subsections 1 and 2 of section 425 of this act shall apply" to a ship constructed before the thirtieth day of June, 1936, and not to a ship constructed after the first day of July, 1936. That is what the minister said, in the light of the paragraph that has gone before. What you are doing is to make an exception in section 423A. Now you are adding a new section 423A. The minister explained a moment ago that we had made an arrangement with the United States, they having adopted an act generally similar, and that certainly clears up one difficulty. But it does not clear up the whole of it. The new section reads:

Subject to the provisions of this section, the provisions of sections 423 to 443, both inclusive, of this act, in so far as they are applicable, shall have effect in respect of ships of 150 tons, gross tonnage, and upwards, which carry cargo or passengers on voyages from any place in Canada to any other place in Canada or between Canada and the United States of America on any lakes or rivers.

That meets the difficulty to which the minister referred.

Provided that the provisions of subsections 1 and 2 of section 425 of this act—

That is to say, subsections 1 and 2, to which reference has been made:

No load line convention ship registered in Canada, being a ship constructed after the thirtieth day of June, 1932—

It is now made 1936.

—shall proceed to sea unless—

That is, unless certain conditions are fulfilled. That is clear up to that point, and that is what the minister intended to say. The section states that the provisions of the two subsections in question shall apply to a ship constructed after the thirtieth day of June, 1936, and a ship constructed before the first day of July, 1936, respectively. "After the thirtieth day of June" and "before the first day of July" are the same thing.

Mr. CAMERON (Cape Breton): I do not think there is any need for the two; you can make the dead line anywhere and cover both.

[Sir George Perley.]

Mr. HOWE: My officers have gone into the question in great detail and they assure me that the section is all right and that unless it reads as it stands it will not work.

Mr. CAMERON (Cape Breton): Subsection 1 of section 425 applies to any ship constructed after the thirtieth day of June, and subsection 2 applies to any ship constructed before the first day of July, so that both subsections 1 and 2 apply to the same ships.

Mr. MACKENZIE (Vancouver): The word "respectively" applies to the different subsections.

Mr. BENNETT: Section 425 provides that no load line convention ship registered in Canada, constructed after the thirtieth day of June, shall proceed to sea unless certain conditions have been complied with, and subsection 2 provides that no load line convention ship registered in Canada, constructed before the first day of July, shall proceed to sea except under certain conditions. All you have to do is to put them both in; but you have merged them into one and made them unintelligible.

Mr. MACKENZIE (Vancouver): The word respectively makes it clear.

Mr. BENNETT: You have ships divided sharply into two classes, those constructed after June 30 this year, which may go to sea under certain conditions that are set out in the statute, and those constructed before the first day of July, which may go to sea under certain other conditions mentioned. Whoever drafted this thought he would take a short cut and save words, but in my judgment it is absolutely senseless.

Section agreed to.

Mr. MACKENZIE (Vancouver): I move that the bill be amended by adding section 16 as follows:

16. Subsections one and two of section four hundred and seventy-six of the said act are repealed and the following are substituted therefor:—

"476. (1) Subject to the provisions of subsection two of this section steamships in excess of five tons, gross tonnage, and not in excess of one hundred and fifty tons, gross tonnage, which are not passenger steamships, shall be exempt from the provisions of this part of this act relating to annual inspection, and in lieu thereof shall be inspected every fourth year: Provided that such steamships, if propelled by steam, shall, in addition to such inspection every fourth year, be subject to inspection of their boilers and life saving equipment annually in like manner and as if they were steamships in excess of one hundred and fifty tons gross tonnage.

(2) Steamships not in excess of fifteen tons, gross tonnage, which are not passenger steam-

ships, shall be exempt from inspection, except that such steamships, if propelled by steam, shall be subject to inspection of their boilers and life saving equipment as provided for in subsection one of this section."

Section agreed to.

Mr. MACKENZIE (Vancouver): I move that the bill be amended by adding the following as section 17:

17. Subsection four of section four hundred and seventy-six of the said act is repealed and the following substituted therefor:—

"(4) In respect of steamships not propelled by steam the provisions of this section shall not have effect, in the case of steamships in excess of forty tons, gross tonnage, until two years after the date of the coming into force of this part of this act, in the case of steamships in excess of twenty-five and not in excess of forty tons, gross tonnage, until three years after such date, and, in the case of steamships not in excess of twenty-five tons, gross tonnage, until four years after such date."

Mr. BENNETT: Will the minister say why section 476 appears in this form?

Mr. HOWE: It is purely a matter of mechanics. There are over 7,000 boats of that class, of which 5,000 are on the Pacific coast. It has been decided that the only practical way to inspect them is to divide them into classes and bring in a certain number each year. In that way it will be possible to inspect them every four years where it is not possible to do so every year.

Section agreed to.

Mr. MACKENZIE (Vancouver): I move that the bill be amended by inserting the following as section 18:

18. Subsection one of section seven hundred of the said act is repealed and the following substituted therefor: —

"700. (1) Every fine paid by a licensed pilot or apprentice pilot, for an offence against the provisions of part VI of this act, or a breach of any rule, regulation or by-law made thereunder, or breach of any rule, regulation or by-law made by any pilotage authority prior to the coming into force of this act, shall be paid into and form part of the pilot fund of the pilotage district in which the offence or breach is committed."

Mr. HOWE: This simply puts in a sentence that was left out of the old act.

Section agreed to.

Mr. MACKENZIE (Vancouver): I move that the bill be amended by adding the following as section 19:

19. Subsection one of section seven hundred and ten of the said act is repealed and the following is substituted therefor:—

"710. (1) Where by any enactment, before or after the coming into force of this act, the parliament of any part of His Majesty's dominions other than Canada shall have provided or shall provide, in terms which extend to ships registered in that part whilst they are in Canada or before or after they have been in Canada, or whilst they are at sea, with relation to any matter touching or concerning such ships, their owners, masters or crews, or any thereof, that any court, officer of a ship belonging to His Majesty, registrar of British ships, officer of customs, shipping master or other officer or functionary in or of Canada may or shall execute any request, exercise any right or authority or perform any duty or act with relation to such ships, their owners, masters or crews, or any thereof, such court, officer of a ship belonging to His Majesty, registrar of British ships, officer of customs, shipping master or other officer or functionary in or of Canada may and shall so execute, have such right or authority and so perform as if such enactment were by this act enacted."

Mr. BENNETT: The explanation given for this section, Mr. Chairman, would seem to indicate that it contemplates legislation being enacted by other parts of His Majesty's dominions. What is the real explanation of the section, in practice, into which we are putting these new words? I have been following it as carefully as possible. Has this come about by reason of the new legislation in Great Britain and Australia?

Mr. HOWE: The previous wording of the act made it refer only to future legislation. It has been reworded so that it refers to past and future legislation.

Section agreed to.

Mr. MACKENZIE (Vancouver): I move that the bill be amended by inserting the following as section 20:

20. The thirteenth schedule of the said act is amended by adding thereto the following:

"R.S. c. 195, Radiotelegraph Act, section 4 (b) (e) (g) and (l);
Sections 6, 7, 9 (2) and 11;
in so far as they concern the establishing, installing or working of radiotelegraph equipment in ship stations."

Mr. BENNETT: What is the change in this section?

Mr. HOWE: This section was inadvertently left out of the other act. It should have been there.

Section agreed to.

Mr. MACKENZIE (Vancouver): I move that the bill be amended by inserting the following as section 21:

21. This act, except section fifteen thereof, shall come into force on a date to be fixed by proclamation of the governor in council published in the Canada Gazette, and the said section fifteen shall not come into force until a date to be fixed by proclamation of the governor in council published in the Canada Gazette.

Mr. BENNETT: Why is section 15 not being brought into force? Does that mean section 15 of the general act or section 15

of this act? Section 15 of this act deals with the registry of ships, and I should like to be clear on that point.

Mr. HOWE: This is simply to allow us a little more time to put the mechanics at work in order to enforce the load line provisions, on the great lakes only.

Mr. BENNETT: I think the hon. gentleman should put it the other way—so as not to enforce the load line provisions. That is what the section says.

Section agreed to.

Title agreed to.

Bill reported.

Mr. SPEAKER: When shall said bill be read a third time?

Mr. HOWE: As there are very few amendments I would ask unanimous consent to move third reading now, and I so move.

Mr. BENNETT: I think it should reach another place as rapidly as possible.

Motion agreed to and bill read the third time and passed.

VETERANS' ASSISTANCE COMMISSION

Hon. C. G. POWER (Minister of Pensions and National Heatlth) moved that the house go into committee on Bill No. 28, to assist towards the employment of former members of the forces.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Sections 1 to 5 inclusive agreed to.

On section 6—Duties of commission.

Mr. MARSHALL: Mr. Chairman, to me, as to all hon. members of the committee, this is the most important of the three bills which deal with the problems of the returned men. This problem forms a very large part of the entire problem of unemployment; if we can solve one I believe we can solve the other, although I am not suggesting for a moment that the problem can be solved in its entirety. As we all know, many returned men would never seek pensions, never seek hospitalization, never seek assistance of any sort if it were not for the fact that the cards of life have been stacked against them. They played the game to the best of their ability, but through the peculiar trend of economic conditions are now the losers, and find themselves to a certain extent on the economic scrap heap. I have known of men who left Canada to fight for England in the Boer war; to-day they are nearing the end of life's trail, but because they lived a few years too soon they were ineligible to take part in the war of 1914-18 and to-day are faced with poverty and starvation; yet they do not come under this act. It is, of course, very true that Canada has no responsibility towards these men. But they are good Canadians nevertheless, and I hope the Minister of Pensions will intercede very strongly on their behalf with the British Minister of Pensions when a favourable opportunity presents itself.

Then, again, there are men who served during the war of 1914-18 who were discharged as medically unfit; they went on farms; they have fought weeds, grasshoppers, drought, hail, and low prices, and to-day they are broken in health. They are a splendid class of citizens, and I think their problem should have the careful consideration of this commission.

One thing I find it difficult to understand is the reason for so many commissions being appointed by the present government. Ottawa has always been known as Ottawa the beautiful, but I think it will soon be known as the city of commissions. Really I think we are drifting into government by commission rather than government by executive council. In 1932 the present Prime Minister (Mr. Mackenzie King), speaking to a resolution regarding the Salary Deduction Act, said:

> I think we might well forego immediately the carrying out of some of the investigations that are being held at public expense.

I am wondering if he referred to commissions. However, we of this party are not offering any serious objection to this commission. We feel that this commission will be beneficial to the returned men. We feel that it differs from the regular type of commission, in that it has been given a definite mandate. It has been given a definite sum of money, approximately half a million dollars, and it is hoped that it will try out some project or projects, on a small scale perhaps, and at the end of twelve months show us a small working model of one of these plans. The members of this commission, by the nature of their appointment, can be very practical, while the other commission, the national employment commission, will have to be more or less theoretical. We hope that this half million dollars will not be squandered upon some silly experiment, but will be utilized on projects which will be really beneficial.

Finally I would urge upon the chairman of the commission that when he feels like making a peroration in public he refrain from copying the chairman of the national employ-

ment commission. This gentleman in his first public utterance said:

Our government believes, and the national employment commission believes, that Canadians are ready to move out of this atmosphere of doubt and criticism. More, that they are prepared to take their part in a nationwide cooperative effort to face squarely the problems before us, and to make such sacrifices as will bring about their solution.

I want to stress that word "sacrifice." When I read that I thought there are very few sacrifices that the people of western Canada can make to-day. I felt like saying to the chairman of that commission, who is reputed to be a very rich man: "Go thou and do likewise."

For the next twelve months we shall watch with interest the work of the commission. We shall endeavour to refrain from criticizing, for we know they have a most difficult task and one that will tax their ingenuity and ability to the utmost.

Section agreed to.

Sections 7 to 11 inclusive agreed to.

Mr. BENNETT: Might it not be well to fix a period of time within which this statute should be in force, in view of the fact that we have an employment commission? This bill refers to investigations only; the commission is not intended to do more than investigate, apparently, although one section seems to indicate that its powers can be greater than that. It deals with men who are not Canadians, men connected with other forces. Under those circumstances might it not be well to provide that this measure shall expire on a given date? I make that suggestion to the minister.

Mr. POWER: Section 3 states that they "shall be appointed by the governor in council, and shall hold office for one year; provided that the governor in council may, on the recommendation of the minister, extend the tenure of office of the commissioners for a period of six months." In any event the amount of money voted to provide for the expenses of the commission is $500,000. That amount appears in the supplementary estimates, and it expires on March 31.

Sir GEORGE PERLEY: It could not be longer than eighteen months.

Mr. BENNETT: That is not quite the correct way to put it. The act may continue, because the powers exercised by the commission may be extended by the minister. At the end of a year the commission would go out of office, but the act would still be in force. The governor in council may extend it another six months, but the act would still continue at the end of six months, and would be administered by the minister. Would it not be well to say that the act shall expire on January 1, 1938?

Mr. POWER: The safeguard there is that the moneys provided will expire on March 31 of the next year, and in order for the operation of the act to continue it would be necessary to vote more money. I think that is the strongest safeguard we could have.

Mr. BENNETT: I am afraid not.

Bill reported, read the third time and passed.

PENSION ACT AMENDMENT

Hon. C. G. POWER (Minister of Pensions and National Health) moved that the house go into committee on Bill No. 26, to amend the Pension Act.

Motion agreed to, and the house went into committee, Mr. Sanderson in the chair.

Section 1 agreed to.

On section 2—Number of members.

Sir GEORGE PERLEY: Will the minister please explain the significance of this section?

Mr. POWER: For the purpose of cleaning up as expeditiously as possible the many claims which are now pending it was thought advisable to ask the authority of parliament to name five additional ad hoc commissioners who would hold office for a year or less.

Sir GEORGE PERLEY: In addition to the twelve?

Mr. POWER: Yes.

Section agreed to.

On section 3—Residence.

Mr. LAWSON: Is this in pursuance of the recommendations of the committee?

Mr. POWER: The bill as it now appears is a reprint as it passed the committee. The original bill is altogether changed and modified, and for the benefit of the house the committee ordered a reprint. The report on the bill was unanimous.

Mr. STIRLING: Is it the intention that these commissioners shall travel, or will the seventeen of them sit in Ottawa?

Mr. POWER: There will be some modification of the present system. It will be seen from section 3 that the chairman shall reside in Ottawa, and that the other commissioners shall reside at such places as the

chairman may from time to time direct. It is proposed that the commissioners shall be divided among different districts. For instance, there will be two quorums in Toronto, so that they may get the work cleaned up. There will be a quorum on the Pacific coast. It will obviate the expense to which commissioners have been put of travelling from Ottawa to the Pacific coast or to Nova Scotia.

Section agreed to.

Section 4 agreed to.

On section 5—Jurisdiction of commission.

Mr. MacLENNAN: I do not know whether my observations should be made at this point, but I wish to say one or two things about an instance which came to my attention, and I am suggesting that some provision should be made against such contingencies. The soldier I have in mind went overseas and performed the duties of a soldier in France. After being gassed or wounded he came back and was not in receipt of a pension. In order to seek a livelihood he went to the United States, in which country he died not long ago. In order to prevent his being buried in a pauper's grave certain friends of his in my constituency borrowed the money to defray expenses of his burial. I have written the minister stating these facts and he replies that there is no provision whereby the friends of a soldier, once he has been buried, may obtain any money from the last post fund. In this instance a friend borrowed the money —and I know this, because I endorsed the note—in order to prevent the soldier's burial in a pauper's grave. Now the minister says, "Oh, he is buried; we cannot touch it." I am asking the minister if he could reimburse the friend who had no legal obligation to bury the soldier. I am just wondering why a person who spends money in this way should not be reimbursed, and if he is not I wonder why the last post fund was created. It will not do for the minister to say that there may be abuses. In the particular instance I have cited I really do not see why some provision could not be made. I am fully aware of the overreaching of certain people because they were soldiers overseas, but I think the particular instance I have mentioned should not be barred.

Mr. POWER: I regret, Mr. Chairman, that the instance mentioned by my hon. friend from Inverness-Richmond (Mr. MacLennan) would not in any event come up under this legislation. As he is well aware, the last post fund is a fund which is not directly under the control of the government. A large number of very generous citizens have devoted their time and have raised large sums of money for the purpose of seeing to it that no ex-member of the forces is unable to find proper burial. This fund is operated under certain regulations, and I am glad to say that we have been able to make arrangements for the burial of our soldiers in the United States, which hitherto has not been possible. I had an instance some years ago similar to that mentioned by my hon. friend, and I was unable to obtain repayment of the amount which had been expended on the burial of that soldier. Perhaps, if that matter could be looked into and pressure brought to bear on the last post fund, something might possibly be done, but I hardly think we could do it under the Pension Act.

Mr. MacLENNAN: I wanted to bring the instance before the minister to see if something could not be done, for I am sure if he were seized of the facts he would be sympathetic because in this instance they really could not afford to borrow the money to bury this soldier. Possibly some rule prevents anything being done in this instance, but sometimes rules are very illogical, and on this occasion the rule was not very logical. If this man were above ground he would be buried by the last post fund, but the moment he goes underneath the ground he does not come under the fund.

Sir GEORGE PERLEY: Subsection 2 of section 5 provides that if a pension has been improperly given, but not as a result of fraud or misrepresentation, and if a veteran has been receiving the pension for not less than five years, it will not be cancelled if the commission considers that cancellation would result in hardship. What is the reason for this new provision? Of course, cancellation of a pension would always result in hardship after a man has been receiving it, and it seems to me extraordinary that simply because a man has been receiving a pension improperly for any reason at all, he should continue to receive it when it is found out that he ought never to have had it.

Mr. POWER: In the early days of the work of the pension commission the number of claims that came in was, as one can readily understand, very great. They were dealing with hundreds of claims, in fact, a hundred applications a day, away back in 1919 and 1920, and it can be readily understood that in some instances it was impossible to give them proper consideration.

Sir GEORGE PERLEY: Certainly.

Mr. POWER: Persons have been in receipt of a pension possibly ever since that time, and then owing to some accident or perhaps some review it was found that the pension was awarded and paid in error. Some instances which would have involved very considerable hardship were brought to the attention of the committee by the chairman of the commission himself. He felt that in some instances he could not cancel awards which had been made through error, and in order to make it quite clear that where undue hardship might ensue from cancellations, the commission would have discretion to continue the payment, and also to legalize the action of the chairman, the committee thought it was the proper thing to do to insert this amendment in the act. It is a departure, I quite admit, from ordinary legislation, but it must be remembered that this is remedial and beneficial legislation passed with the intent of bringing the greatest possible measure of justice to the ex-soldiers and their dependents, and it was thought that a provision such as this should be recommended to parliament.

Sir GEORGE PERLEY: Have there not been instances where a veteran has been found to be receiving a pension larger than he was entitled to, receiving perhaps forty dollars a month when he should have received only twenty, and when the facts were ascertained has not a certain amount been deducted from his pension each month until the overpayment had been returned to the government? Have there not been such instances?

Mr. POWER: I think it is well known to hon. members that within the last two or three years there has been a large number of reviews of pensions and pension assessments, and a number of pensions have been decreased, but in no case of that kind was reimbursement required from the applicant. There have been claims, and quite a large number, for reimbursement when the payment had been received through fraud, but not when it was due to an error or when there had been an overassessment.

Mr. MacNEIL: In the first line of page 4 of the reprinted bill has the word "five" been substituted for "ten"?

Mr. POWER: Yes; in the reprinted bill it is five years.

Mr. CAMERON (Cape Breton): I am not rising to raise any objection to this clause, but I would like to say something about instances of real hardship that have come under my own observation quite frequently of men who had undoubtedly served overseas and quite evidently sustained disabilities, but who through some error on the part of the soldier or some officer would be found disentitled to pension. Where there was some error or mistake on the part of the soldier or some officer, the soldier would be found to be disentitled to any pension. The rules have been carried out very strictly against a number of men known to me personally. If those who are entitled to pension but who do not come within the provisions of the law were treated with the same leniency as is contemplated by this section to be shown to men who are paid too much, I think this would remove a great deal of the dissatisfaction among soldiers. Within the week I had a letter from a man who served through the war. He was in the big drive of 1918 and came home badly wounded and suffered considerable hardship in the hospital in Halifax. I know he is not exaggerating his condition, but he is getting only a miserably small pension because of what I believe was a faulty examination in the early history of his application. To my mind that is a clear case of underpayment, but I cannot find any such lenient treatment as seems to be exhibited to those who are paid too much.

Mr. STIRLING: As a result of the revision to which the minister has just referred, was there not a considerable number of instances where the pensions were stopped, not where pensions had been fraudulently granted but where they had been granted by mistake?

Mr. POWER: Yes; there was a considerable number.

Mr. STIRLING: This revision having taken place in 1934, those pensioners have not received their pensions, but where the discovery is made in 1936 and subsequent years, they will continue to get their pensions.

Mr. BENNETT: I know of a large number of instances in which pension was discontinued because of error in the application and I think there were instances in which the money was returned. I only want to ask the minister if it is clear that in no case where a pension was awarded by error had there been any return of money to the department. If that is so, then that difficulty is cleared up. I cannot help but refer to the point raised by the hon. member for Yale (Mr. Stirling). I am sure that the result will be that applications will be made to continue these men on the pension list. That will be the inevitable result of this legislation.

Mr. POWER: I do not think they could come under this legislation, but I recognize that there is a possibility of such claims being made. Those instances were not brought to the attention of the committee. We did not deal with them, but perhaps that is no excuse for not taking them up at this time. Had the members of the committee been aware that there was any considerable number of claims, such as those mentioned by the hon. member for Yale (Mr. Stirling), perhaps provision would have been made for them.

Mr. NEILL: Does the minister say that he is advised that in no instance has there been a claim made for the repayment of pension?

Mr. POWER: In no instances of overpayment in error.

Mr. NEILL: There have been claims made for repayment?

Mr. POWER: Not in instances of error; there have been claims made in instances of fraudulent misrepresentation.

Mr. NEILL: But where it was done innocently?

Mr. POWER: I am informed, no.

Mr. NEILL: That is different from my information. There are quite a few instances within my knowledge, many of which arose in connection with the claim of a wife who could not produce the death certificate of her husband.

Mr. POWER: We are now entering into another subject altogether, the so-called disputed marriage cases. In a large number of these, where the wives were asked for marriage certificates, it was found that there had been no marriage. Payment should never have been made, but that was not an error of judgment on the part of the commission that awarded the pension; it was just a matter of misrepresentation, although perhaps in good faith. In certain instances good faith was shown, such as a remarriage in the anticipation of a divorce which had not yet taken place. In nearly all such instances the commission awarded pension, and in others repayment of moneys overpaid was not asked. I think there are some sixty odd cases remaining for disposal out of a total of 800. Most of them have been definitely settled.

Section agreed to.

[Mr. Bennett.]

On section 7—Four members.

Sir GEORGE PERLEY: Will the minister explain the reason for adding another member to the appeal court?

Mr. POWER: Representations were made by certain ex-soldier organizations that the appeal court was giving a too strict and too narrow interpretation to the law. As my right hon. friend knows, this court is composed of two lawyers and a former judge of the supreme court. It was thought that the presence on the board of a man familiar with medical questions might be of some assistance to the board and might serve to mitigate what was considered to be undue severity on the part of the board. Perhaps this does not refer to this particular section, but I should like to say a word or two about this appeal court. This court has had a very difficult task to perform. When cases reach them they have been before the pension commission. Sometimes a case may have been considered time and time again by the commission before being sent to the court. In most instances when a case does reach the appeal court it is very difficult of decision in favour of the applicant. As is well known, there has been throughout the country considerable criticism of the appeal court, and it was felt that if a member of the medical profession were placed on the court he might be in a position to understand better the medical questions which are very often the principal factors in arriving at a decision.

Mr. NEILL: Is it permissible to ask who the minister proposes to appoint to the court?

Mr. POWER: I have been too busy trying to get this legislation through and discussing matters with members of the committee to consider the appointment which will follow the passing of this bill.

Sir GEORGE PERLEY: What will happen in a court of four when they are divided?

Mr. POWER: Only three can serve at one time. There will be a spare member of the court. Section 67, subsection 1 reads:

> Any two members of the court shall constitute a quorum and may lawfully hear and dispose of any appeal brought before the court.

Section agreed to.

Sections 8 to 10 inclusive agreed to.

On section 11—When disability pension act not to be awarded.

Mr. MACKENZIE (Vancouver): I move that the section be amended by substituting the figures 1940 for 1938 in the last line.

Mr. POWER: This is to make it conform with the first part of the subsection.

Mr. BENNETT: It will be remembered that in England—I heard the Minister of Pensions himself say so—they attributed the success of their operations entirely to the fact that having arrived at a period they stuck to it.

Mr. MACKENZIE (Vancouver): With certain exceptions.

Mr. BENNETT: We have changed it in every parliament.

Mr. POWER: I believe that from 1919 the date has been changed at least five times, and in 1930 the time limits were removed altogether, so that every man who had had a claim, whether it had been passed upon or not, whether he had been debarred or not, was allowed to make a new application and put in a new claim. They have had six years in which to put these claims before the commission.

Mr. BENNETT: That is what made the duty of the appeal court so difficult.

Mr. POWER: Exactly.

Mr. NEILL: It must be remembered that in Britain while they had a fixed date, they were always ready to consider any applications—

Mr. MACKENZIE (Vancouver): It was left to the discretion of the minister.

Mr. BENNETT: Which he seldom exercised.

Mr. NEILL: Paragraph (b) has a proviso:

Provided always that the appeal division may, in its discretion, with respect to this class, grant leave to have the application entertained after the first day of January, 1938.

It is now 1940. What is the significance of this?

Mr. POWER: The commission has the discretion to grant leave. Unless a dead line were put in, every claim would be entertained. Now, a claim can be entertained only after leave is obtained from the commission.

Section as amended agreed to.

On section 12—In case of relief or retroactive increase.

Sir GEORGE PERLEY: Exactly what does this mean?

Mr. POWER: This is to provide for the case where there has been a payment of relief to a person who afterwards obtains retroactive award of pension. It is proposed to take some of that money to cover the amount paid in relief.

Mr. BENNETT: In practice that is done now?

Mr. POWER: Yes.

Sir GEORGE PERLEY: That is what I thought the intention was, but I fail to see that the wording conveys clearly that understanding. I suppose it has been carefully considered.

Mr. POWER: The wording has been carefully considered and very much discussed.

Section agreed to.

On section 13—Pension continued for minor children on death of wife.

Mr. COLDWELL: This is the only clause that relates to section 22 of the bill. Some time ago I called the attention of the minister to the fact that there were a few instances of returned soldiers having no children of their own, who had adopted foster children. There is no clarification by the amendment, but I am again urging that subsection 4, which gives the commission discretionary power in the awarding of pensions in respect of any children entitled, in the opinion of the commission, to be maintained by a member of the forces in respect of whom pension is claimed, shall be liberally interpreted to include such instances, and particularly in regard to education. I know of several men who, having no children of their own, adopted foster children and the foster children have been debarred from the grant to aid them in obtaining education.

Section agreed to.

On section 14—Restoration to pension.

Mr. BENNETT: This may involve retroactive payment.

Mr. POWER: For six months.

Section agreed to.

Section 15 to 28 inclusive agreed to.

On section 29—Section nineteen of chapter forty-five of the statutes of 1932-33 is repealed.

Sir GEORGE PERLEY: What is the section repealed?

Mr. POWER: It appears on the other page. This is really reenacted, with some small changes.

Mr. BENNETT: That is covered by preceding clauses in the act.

Section agreed to.

Sections 30 and 31 agreed to.

Title agreed to.

Mr. NEILL: Will the minister have the bill consolidated, for the convenience of the public?

Mr. POWER: I am informed that that is always done.

Bill reported, read the third time and passed.

On motion of Mr. Mackenzie King the house adjourned at 11.05 p.m.

Monday, June 15, 1936

The house met at three o'clock.

INDUSTRIAL AND INTERNATIONAL RELATIONS

Third report of the standing committee on industrial and international relations—Mr. McIntosh.

NATIONAL PARKS

PROVISION FOR ESTABLISHMENT IN NOVA SCOTIA AND PRINCE EDWARD ISLAND

Hon. T. A. CRERAR (Minister of Mines) moved for leave to introduce Bill No. 102, respecting the establishment of a national park in each of the provinces of Nova Scotia and Prince Edward Island.

He said: The purpose of the bill is to establish parks in the provinces of Nova Scotia and Prince Edward Island. Under the Parks Act legislation of this kind is necessary. When the estimates were under consideration there was some discussion concerning the proposed national parks. There are practically no details in the bill to explain, beyond the fact that in Nova Scotia the park will be in the northern end of Cape Breton Island, while in Prince Edward Island the exact location has not yet been definitely established. There is a choice among three or four sites, and it is expected a decision will be made shortly.

Motion agreed to and bill read the first time.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

RELIEF CAMPS INQUIRY COMMISSION

Mr. BARBER:

1. What was the total cost of the commission appointed by the present government to inquire into employment camps?
2. What amount was paid to each member in salary, and, or, per diem allowances and expenses?

Mr. ROGERS:

1. $6,423.28.

2.

	Allowance at $20 per diem	Travelling Expenses
	$	$
Mr. W. Humphrey Mitchell	1,720 00	1,037 09
Dr. E. W. Bradwin	1,720 00	1,056 25
Mr. R. A. Rigg	....	859 94
*Burr Motors, Princeton, B.C.	....	30 00

*Transportation for the three members of the committee.

NOTE.—Mr. R. A. Rigg, director of the employment service of Canada, who was a member of the committee appointed to make a survey of the relief camp situation, received no additional remuneration for his services in that connection.

VIMY WAR MEMORIAL

Mr. LAPOINTE (Matapedia-Matane):

1. What inscriptions will be engraved on the Canadian War Memorial at Vimy?
2. Will they be bilingual?

Mr. MACKENZIE (Vancouver):

Four inscriptions will be engraved on the Canadian War Memorial at Vimy: Two in both English and French; one in French; one in Latin. These inscriptions are as follows:—

Main inscription on westerly face of pylons:—

TO THE VALOUR OF THEIR COUNTRYMEN IN THE GREAT WAR AND IN MEMORY OF THEIR SIXTY THOUSAND DEAD THIS MONUMENT IS RAISED BY THE PEOPLE OF CANADA.

À LA VAILLANCE DE SES FILS PENDANT LA GRANDE GUERRE, ET EN MÉMOIRE DE SES SOIXANTE MILLE MORTS, LE PEUPLE CANADIEN A ÉLEVÉ CE MONUMENT.

On the inner face of the second front wall:—

THE CANADIAN CORPS, ON APRIL 9th, 1917, WITH FOUR DIVISIONS IN LINE ON A FRONT OF FOUR MILES ATTACKED AND CAPTURED THIS RIDGE.

L'ARMÉE CANADIENNE ATTAQUANT AVEC QUATRE DIVISIONS SUR FRONT DE SIX KILOMÈTRES EMPORTA CETTE CRÊTE D'ASSAUT LE 9 AVRIL 1917.

On front of one pylon, near the figure of sacrifice:—

FRÈRES D'ARMES
FRANÇAIS ET BRITANNIQUES
LE CANADA SE SOUVIENT!

Note: These words are intended as a tribute to French and British troops who suffered so heavily on this ground.

On the Tomb in front of the memorial:—

IN MEMORIAM SEXAGINTA MILLIUM CANADENSIUM QUI ANNO DOMINI MCMXIV—MCMXVIII IN ARMIS ULTRA MARE VITAM PRO PATRIA ULTRO DEDIDERUNT.

Note: This may be rendered in English as follows:

IN MEMORY OF 60,000 CANADIANS WHO IN THE YEARS 1914-1918 SERVING IN ARMS OVERSEAS OF THEIR OWN FREE WILL GAVE UP THEIR LIVES FOR THEIR COUNTRY.

*RED CAPS AT TORONTO UNION STATION

Mr. CHURCH:

1. Has the attention of the government been called to working conditions of the red caps at the Union Station, Toronto, under the employ of the Toronto Terminal Company, made in the house last Thursday by the honourable gentleman for West Hamilton (Mr. Wilton), reported on page 3678 of Hansard?

2. How many red caps are employed by this company at this terminal?

3. How many are single and how many married men?

4. How many of them are returned soldiers?

5. What is the wage schedule, if any?

6. How many are receiving no pay, only tips from the public?

7. Will the government institute an inquiry into it?

8. What are the wages per week paid by this company for the ten only out of sixty who receive any pay?

Mr. HOWE: The government has no information on this question. Red caps are employed by an independent corporation which acts for both railways, and details of its management are not available to us.

BAIE STE. ANNE, N.B., WHARF CONSTRUCTION

Mr. BROOKS:

1. Were tenders called for certain government work at Baie St. Anne, Northumberland county, New Brunswick, in the year 1935-36?

2. If so, who were the tenderers, what was the amount of each, and to whom was the contract awarded?

[Mr. I. Mackenzie.]

Mr. CARDIN:

1. Yes, for construction of wharf.

2. (a) and (b)

	Total as per unit prices quoted in form of tender
James T. Forrest..	$16,049 00
J. Willard McMulkin.. ..	19,977 00
Diamond Construction Company, Limited.. ..	21,840 00
Abraham Asoyuf..	22,270 00
J. E. and D. P. Connolly..	22,643 00
Harold N. Price..	22,985 00
Thos. P. Charleson..	23,006 50
S. A. Doyle and W. A. McKay..	23,531 00

(c) No contract awarded.

BLACK ROCK, N.S., WEIR PRIVILEGES

Mr. BROOKS:

1. Were weir privileges applied for and granted to C. V. Rawding at Black Rock, Kings county, Nova Scotia, in the year 1935?

2. Has Mr. Rawding applied for these privileges again this year (1936)?

3. If so, have they been granted?

4. If not granted, for what reason or reasons were they refused?

5. How much has Mr. Rawding spent for purchasing equipment, etc., in expectation of being granted this privilege?

Mr. MICHAUD:

1. A licence to operate a weir at Eaton Point, which is immediately adjacent to Black Rock, was applied for in 1935 by C. V. Rawding. A licence was granted on condition that it would not be renewed if it detrimentally affected the operation of the existing weir at Black Rock.

2. Yes.

3. No.

4. Because it did detrimentally affect the Black Rock weir.

5. No information.

TRANS-CANADA HIGHWAY, QUEBEC

Mr. POULIOT:

1. Was the federal government officially notified by the province of Quebec of a change to the Trans-Canada highway in Témiscouata county?

2. If so, on what date, and by whom?

Mr. ROGERS:

1. Yes.

2. Under date of June 9, 1936, Jos. L. Boulanger, Esq., Deputy Minister of Highways for the province of Quebec, forwarded to the honourable the Minister of Railways and Canals a copy of executive order of the Province of Quebec No. 1630, approved

by the Lieutenant Governor on June 5, 1936, which redesignates the route of the Trans-Canada highway in the lower part of the province. A copy of the correspondence in this regard is as follows:

Ottawa, June 10, 1936.

Dear Mr. Cote:

I have before me a copy of the Montreal Gazette, of Saturday, June 6, in which appears a press item from the Gazette Staff Correspondent, Mr. Abel Vineberg, under the caption, "Trans-Canada highway extended 117 miles towards Gaspe region," which states that an order in council was approved on the 5th instant by His Excellency the Lieutenant-Governor of the province of Quebec in virtue of which the Trans-Canada highway within that province is lengthened by a distance of 117 miles and follows a new route from that designated by previous orders in council.

In our agreements with the various provinces in the dominion the trans-Canada has been defined as "a continuous route connecting the province with any other or others of the provinces as may be designated by the province and approved by the dominion." You might by reference to the agreement between the dominion and the province of Quebec of the 26th July, 1933, corroborate this. In accordance with this understanding orders in council have been passed by various provinces designating routes within each province to constitute a continuous highway across Canada.

For your information I enclose copies of the following:

(1) Order of the 15th August, 1931, of the executive council for the province of New Brunswick;

(2) Order of the 1st October, 1931, of the executive council for the province of Quebec;

(3) Order of the 7th June, 1933, of the executive council for the province of Quebec;

(4) Order of the 24th March, 1933, of the executive council for the province of Quebec;

(5) Order of the 26th August, 1931, of the executive Council for the province of Ontario;

(6) Order of the 23rd November, 1932, of the executive council for the province of Ontario.

These orders in council, you will note, meet with the dominion's requirements in regard to the forming of a continuous route as between provinces. If the newspaper report appearing in the Montreal Gazette on Saturday, June 6, 1936, is correct the altered route will not meet with this requirement inasmuch as the terminus of the route in the province of Quebec will be Matapedia while that in the province of New Brunswick will be on Highway No. 2 at a point near St. Jacques.

It is noted further that in the projects submitted by the province of Quebec towards which federal assistance is sought under any agreements which may be entered into between the dominion and the province under the Unemployment Relief and Assistance Act, 1936, are the following which are on the newly designated portion of the Trans-Canada highway from Rivière du Loup to Matapedia:

"No. 7—Preliminary works and construction of a 'low cost' paving on highway No. 10 from Rivière du Loup to Cacouna. 4·2 miles. 50 per cent of $75,583.41.

"No. 8—Improvement to curve on highway No. 10 in the municipality of Ste. Cecile du Bic. 50 per cent of $4,000.

Also the following bridges:

County and municipality	River	Location	Value of the works up to April 1, 1937
Matane, Ste-Angelle de Merici	Metis	Rimouski-Matapedia	$23,100
Matapedia Saindon	Riv. Noire	Rimouski-Matapedia	11,300
Rimouski, St. Fabien	Cap a L'Orignal	Levis-Rimouski	20,000

I would much appreciate receiving from you definite information regarding the correctness or otherwise of the above referred to newspaper item and a copy of the order in council if such has been passed.

Yours very truly,
W. M. Dickson,
Deputy Minister.

The Honourable Emile Cote,
Minister of Roads,
Quebec, P.Q.

The Honourable the Minister of Public Works reports for the information of the committee of the executive council:

That he has received a request from the Right Honourable R. B. Bennett, Prime Minister of Canada, that the right-of-way of the Trans-Canada Highway through the province of New Brunswick be definitely designated;

The Honourable the Minister of Public Works now recommends that the route of the Trans-Canada Highway through the province of New Brunswick be definitely fixed and designated as the route ordinarily known as route No. 2 and generally described as follows:—

[Mr. Rogers.]

"Beginning at a point from the boundary line between the province of Quebec and the province of New Brunswick where the main trunk highway route No. 2 intersects the said boundary line of the western side of the Madawaska river; thence following the main trunk highway on the west side of Madawaska river to Edmundston; thence along the eastern side of the St. John river to Grand Falls; thence along the western side of the St. John river to Andover crossing St. John river to Perth; thence down east side of St. John river to Hartland; thence down west side of St. John river through Woodstock, Fredericton, Oromocto, Gagetown, Westfield to St. John; thence from St. John through Sussex, Moncton and Sackville to the Nova Scotia boundary near Aulac." This route shown as route No. 2 on the attached map.

And the committee of council concurring in said report and recommendation,

It is accordingly so ordered.

Certified passed.

August 15, 1931.

M. B. Dixon,
Clerk Executive Council.

Translation

Copy of the report of a committee of the honourable the executive council, dated October 1, 1931, approved by the Lieutenant-Governor October 2, 1931.

Concerning the Trans-Canada Highway

The Honourable, the Minister of Highways, in a memorandum dated October 1 (1931), recommends:

That a road be built across the province of Quebec, said road to be known as the "Trans-Canada Highway";

That said highway be made up as follows:

Highway No. 2 from the boundary line of New Brunswick, between Saint-Jacques, New Brunswick, and Sainte-Rose-du-Dégelé, province of Quebec, to the city of Lévis, passing through the town of Rivière du Loup and following the river road between the village of Andréville and Sainte-Anne de la Pocatière;

Highway No. 3, from the city of Lévis to the intersection of highway No. 1;

Highway No. 1, by way of the Quebec bridge, from the intersection of highway No. 3 to Quebec city;

Highway No. 2, from Quebec city to Montreal following the river road connecting Saint-Sulpice and Charlemagne.

Highway No. 8, from Montreal to Hull.

Certified true copy.

A. Morrisset,
Clerk of the Executive Council.

Translation

Copy of the report of a committee of the honourable executive council dated June 7, 1933, approved by the Lieutenant-Governor, June 8, 1933.

Concerning the Trans-Canada Highway

The Honourable the Minister of Highways, in a memorandum dated June 7 (1933), recommends:

That the alignment of the Trans-Canada Highway as determined by order in council No. 2510, dated October 2, 1931, and modified by order No. 524 on the 25th March, 1933, be further modified so as to follow the section of highway No. 2 which passes through the town of L'Assumption, instead of the river road, connecting Saint-Sulpice and Charlemagne.

Certified true copy.

A. Morrisset,
Clerk of the Executive Council.

Translation

Copy of the report of a committee of the honourable the executive council dated March 24, 1933, and approved by the Lieutenant-Governor on March 25, 1933.

Concerning the Trans-Canada Highway, in the province of Quebec

The Honourable the Minister of Highways, in a memorandum dated March 24 (1933), recommends that the order in council No. 2510, approved October 2, 1931, in connection with the alignment of the Trans-Canada Highway, in the province of Quebec, be amended so that the alignment of said Transcontinental highway, between Montreal and Ottawa, follow highway No. 8 as far as Grenville, to cross thence to Hawkesbury by the new Interprovincial bridge over the Ottawa river, and proceed towards the federal capital on the Ontario side.

Certified true copy.

A. Morrisset,
Clerk of the Executive Council.

Ontario

Executive Council Office

Copy of an order in council, approved by The Honourable the Administrator of the Government of the Province of Ontario, dated the 26th day of August, A.D. 1931.

The committee of council have had under consideration the report of the Honourable the Minister of Lands and Forests, dated August 26th, 1931, wherein he states that the government of the Dominion of Canada have signified their intention of joining with the provinces in the construction of the Trans-Canada Highway as a national road and have agreed to make contributions to the construction of the said highway by the provinces;

Whereas the route of the said Trans-Canada Highway across the province of Ontario has been fixed by the province as to parts thereof and surveys are now in progress so as to obtain the necessary information to enable the Government of the Province of Ontario to designate the route of the balance of the said road;

And whereas it is desirable to designate by order in council such parts of the route of the said road as are ascertained so that work may proceed thereon promptly.

The Minister, therefore, recommends that the route of the proposed Trans-Canada Highway in Northern Otnario be designated as follows:

Section 1. Commencing at the northerly or westerly boundary of the Town of Pembroke in the County of Renfrew, and there connecting with Highway No. 17 of the King's Highway System of the Province of Ontario, and following the valley of the Ottawa River on a relocation of the existing road easterly and northerly on the south shore of the said Ottawa River to the Town of Mattawa, and thence westerly on a new survey to the easterly limit of the City of North Bay in the District of Nipissing, and

Section 2. Commencing at the westerly boundary of the town of Schreiber in the District of Thunder Bay and thence westerly following the northerly shore of Lake Superior to the Village of Nipigon, thence southwesterly to the Cities of Port Arthur and Fort William, and thence westerly through Upsala, Dryden and Kenora to a point 23·11 chains south from Mile Post 24 on the Interprovincial Boundary between the Province of Ontario and the Province of Manitoba and there connecting with the Trans-Canada Highway now being constructed by the Province of Manitoba.

The Minister further recommends that the Minister in charge of the Department of Northern Development be given authority to continue the survey and reconnaissance now being made to ascertain the most desirable route for the Trans-Canada Highway between the said City of North Bay and the Town of

Schreiber, and upon the completion of the said survey to make a recommendation to Council as to the route of the said Trans-Canada Highway in the said territory.

The committee of council concur in the recommendation of the Honourable the Minister of Lands and Forests, and advise that the same be acted on.

Certified,

C. F. Bulmer,
Clerk, Executive Council.

Ontario

Executive Council Office

Copy of an order in council approved by The Honourable the Lieutenant-Governor, dated the 23rd day of November, A.D. 1932.

Upon consideration of the report of the Honourable the Minister of Highways wherein he states that by an order in council dated the 25th day of September, A.D. 1931, the route of the Trans-Canada Highway was designated from Ottawa easterly to the Quebec border, following King's Highway Number 17;

Whereas the Province of Quebec is desirous of having this link in the Trans-Canada Highway designated along the north shore of the Ottawa River within the Province of Quebec;

And whereas it would appear that a reasonable compromise between the original plan of the Ontario government and of the Quebec government should be adopted.

The Honourable the Minister of Highways recommends that the order in council passed on the 25th day of September, A.D. 1931, be repealed, and that the route of the proposed Trans-Canada Highway in eastern Ontario be designated as follows:

Commencing at the Perley Bridge in the Village of Hawkesbury and continuing westerly on King's Highway Number 17 in the province of Ontario through the towns of Hawkesbury and Rockland to the city of Ottawa; thence continuing in a westerly direction on King's Highway Number 17 through the Village of Carp, the towns of Arnprior and Renfrew, via the village of Cobden, to the town of Pembroke, with such deviations as may be necessary to permit of improvement of the said road.

Certified,

C. F. Bulmer,
Clerk, Executive Council.

Ministère de la Voirie
Province de Québec
Québec, le 9 juin 1936.

Honorable C. D. Howe,
Minister of Transport,
Parliament,
Ottawa, Ont.

Dear Sir:

The Honourable Minister of Highways directs me to enclose you, herewith, a certified copy of order in council No. 1630 passed on the 3rd and approved on the 5th instant, changing the location of Trans-Canada Highway in the lower part of this province.

I trust that you will see your way clear to recommend that such a change be approved by the federal government.

Thanking you, I remain,
Yours very truly,
J. L. Boulanger,
Deputy Minister.

[Mr. Rogers.]

(Translation)

Copy of the report of a committee of the honourable executive council dated June 3, 1936, approved by the Lieutenant-Governor, June 5, 1936.

Concerning the change in the route of the Trans-Canada Highway.

The Honourable the Minister of Highways, in a memorandum dated June 3 (1936), recommends:

That the location of the Trans-Canada Highway, determined by order in council No. 2510, dated October 2, 1931, and amended by order in council No. 524, dated March 25, 1933, be further amended so as to replace section of highway No. 2, from the boundary of New Brunswick to Rivière-du-Loup, by section of highway No. 6, between Matapedia and Sainte-Flavie, and highway No. 10, from Sainte-Flavie to Rivière-du-Loup.

Certified copy
Wm. Learmonth,
Assistant Clerk, Executive Council.

June 11, 1936.

Dear Sir:

I have yours of the 9th instant with enclosed certified copy of order-in-council No. 1630, passed on the 3rd and approved on the 5th instant, changing the location of the Trans-Canada Highway in the lower part of the Province of Quebec. I am referring your correspondence to the Minister of Labour as this is a matter which comes under his jurisdiction.

Yours very truly,
C. D. Howe.

Jos. L. Boulanger, Esq.,
Deputy Minister,
Department of Roads,
Quebec, P.Q.

Office of
The Minister of Railways and Canals
Ottawa, Canada

June 11, 1936

My dear Colleague:

I am attaching hereto letter received from Jos. L. Boulanger, Deputy Minister, Department of Roads, Province of Quebec, with copy of order-in-council referred to therein. As this is a matter coming within the purview of your department, I have advised Mr. Boulanger that his communication was being referred to you for attention.

Yours faithfully,
C. D. Howe.

Honourable Norman McL. Rogers,
Minister of Labour,
Ottawa.

Mr. POULIOT:

Did the dominion government approve any change in the course of the Trans-Canada highway in the province of Quebec this year?

Mr. ROGERS: No.

PREROGATIVES OF THE PRIME MINISTER

Mr. POULIOT:

1. Referring to return S.P. 171Q of June 12, 1936, and the statement of the office of the

privy council to the effect that "among the special prerogatives of the Prime Minister is that of making recommendations in any departments of the government," is that a prerogative of the Prime Minister to make recommendations to council on behalf of any other head of department when he is not acting head of such department?

2. If so, since when, and in virtue of what authority?

3. What is the quorum of the privy council?

Mr. MACKENZIE KING:

1. Yes.

2. For at least forty years, in virtue of orders in council passed from time to time.

3. Four.

QUESTIONS PASSED AS ORDERS FOR RETURNS

STAFF AT PORT OF CHURCHILL

Mr. PERLEY (Qu'Appelle):

1. How many men are employed on the seasonal or temporary staff at the port of Fort Churchill at the present time?

2. What are their names, and home addresses, and who recommended each of them?

MARKET GARDENING PRODUCTS—VALUE FOR DUTY PURPOSES

Mr. LACOMBE:

1. Did the government determine the valuation of certain market gardening products with a view to the imposition of customs duties thereon?

2. If so, upon what date, and upon what products?

3. Were these valuations imposed by order in council, and were the customs duties fixed in like manner?

4. If so, at whose request were these valuations made, and the rates of duty determined?

NATIONAL EMPLOYMENT COMMISSION

Mr. BARBER:

1. Who have been appointed to the national employment commission?

2. What are their addresses and occupations?

3. What amount is to be paid each member by way of salary, and, or, per diem allowance and expenses?

4. Who are employed under the commission and what salaries are paid such employees?

Mr. ROGERS: Return tabled herewith.

COAL INQUIRY

Mr. CHURCH:

1. Has another royal commission been appointed to investigate the coal question in Canada?

2. If so, who is the commissioner?

3. Will a copy of his commission be laid on the table?

4. What knowledge of the coal business does the commissioner possess and what are his qualifications?

5. What action has been taken regarding a recent report of a prior commission on the same subject?

6. Have any prosecutions resulted from this report, or to give effect to its findings?

7. Will the report of the new commission be received before coal is purchased by consumers for next winter?

NEW BRUNSWICK PUBLIC BUILDINGS—COAL

Mr. BROOKS:

1. What persons or companies were awarded contracts for the supplying of coal for the dominion public buildings in New Brunswick for the coal year 1936-37?

2. What tonnage was given to each contractor, what building or buildings was each to supply, what grade of coal, and at what price per ton?

INSPECTION OF POTATOES—NEW BRUNSWICK

Mr. PATTERSON:

1. What rate, per car, is charged for inspection of table potatoes in New Brunswick?

2. Who collects this inspection fee?

3. Has every inspection account in New Brunswick been paid to date; if not, what amount is outstanding?

4. If any amounts are outstanding, what are the names of the firms and their respective amounts?

MOTIONS FOR PAPERS

FARMERS' CREDITORS ARRANGEMENT ACT—OFFICIAL RECEIVER

Mr. WERMENLINGER:

For a copy of all correspondence, telegrams and other documents respecting the dismissal of Mr. M. P. Graham of Napanee, Ontario, as official receiver under The Farmers' Creditors Arrangement Act; also a copy of all correspondence, telegrams and other documents relating to the appointment of one Stuart Simmons, former tax collector for the township of Ernesttown to the aforesaid position.

CANADIAN PACIFIC RAILWAY—LOAN OF $60,000,000

Mr. POULIOT:

For a copy of all correspondence between the Minister of Labour, from May 31, 1933, to October 23, 1935, and one or any of the chartered banks or any railway company in connection with the guarantee given by the dominion government for the $60,000,000 loan to the Canadian Pacific Railway Company.

DOMINION GUARANTEE OF NEWFOUNDLAND LOAN

Mr. POULIOT:

For a copy of all correspondence in the possession of the government with regard to the dominion guarantee of a Newfoundland loan between August, 1930, and October, 1935.

BUSINESS OF THE HOUSE

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Would the Prime Minister indicate on what day the estimates for the Department of External Affairs will be brought down?

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, it is the intention of the government to proceed with the various bills on the order paper before taking up further estimates. I do not give that as an order to be followed too rigidly, but it is our desire at as early a stage in this week as possible to get over to the Senate as much in the way of legislation as we can. I see no reason why the item to which the hon. member refers should not be among the very first to be considered when we reach a further consideration of estimates. Possibly Thursday at the latest might be fixed as a suitable day, if that is agreeable, and I hope that perhaps Wednesday may be arranged.

DOMINION FRANCHISE ACT, 1934

The house resumed from Friday, June 12, consideration in committee of Bill No. 81, to amend the Dominion Franchise Act (dominion by-elections)—Mr. Rinfret—Mr. Sanderson in the chair).

On section 2—Qualifications.

Mr. RINFRET: Mr. Chairman, when we dealt with this bill the other day the leader of the opposition suggested that we let stand subparagraph (c) of paragraph (B) of section 2, which deals with the qualifications of the voter, and in the last lines of which appear the words "and has continued to be ordinarily resident therein until polling day." The right hon. gentleman very properly pointed out that this condition could not be foreseen. Evidently the intention was to cover the case of the rural voter who can always present himself at the poll at the last moment, but that case is already covered by the Dominion Elections Act. There seems to be no purpose in having this provision here, and I would ask the chairman of the special committee to move to strike out those words.

Mr. BOTHWELL: I move:

That section 2, subsection (b), paragraph (c), be amended by striking out the word "before" in the twenty-first line of the page and substituting therefor the words "immediately preceding"; and by deleting therefrom the following words, "and has continued to be ordinarily resident therein until polling day."

Amendment agreed to.

Mr. RINFRET: The leader of the opposition also directed our attention to paragraph (H) on page 24 of the bill. Evidently it is a useless section because the case is already covered by the first lines of section 2, which says that this bill applies only to by-elections. Why it was repeated here we were not able to find out, and I will ask the chairman of the special committee to move that it be removed.

Mr. BOTHWELL: I move, Mr. Chairman, that subsection (H) on page 24 of the bill be deleted.

Mr. BENNETT: Will that quite cover the situation? You see, you are retaining part of section 55. Is (I) dealt with separately? The whole of (H) comes out?

Mr. BOTHWELL: Section 55 was struck out at the last sitting, and section 54 is now completely struck out.

Mr. RINFRET: Mr. Chairman, the point made by the right hon. gentleman is that the letter (I) will now be replaced by (H).

Amendment agreed to.

Section as amended agreed to.

Bill reported, read the third time and passed.

CANADIAN NATIONAL RAILWAYS

BILL TO PROVIDE FOR APPOINTMENT OF AUDITORS

Hon. C. D. HOWE (Minister of Railways and Canals) moved the second reading of Bill No. 99, respecting the appointment of auditors for national railways.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Auditors appointed.

Mr. BENNETT: The only point I find it difficult to understand, Mr. Chairman, is that the act says that the auditors shall be appointed by resolution. There is no objection to proceeding by way of a bill, but it was originally intended that a resolution of both houses would be all that was necessary to appoint auditors.

The other point to which I would direct attention is that practically six months of the year have gone; presumably, as was the case on the other occasion, there has been a continuous audit by the present auditors, and some provision should be made to compensate them for their services during that period of time if they have, as I believe they have, continued the audit of the company's books during the last six months. It is now the middle of June. I intended to look up over the week-end the statute that appointed the Clarkson firm as auditors. I have not it beside me at the moment but I will look it up.

Mr. HOWE: It has been the practice to pass a bill for the appointment of the auditors. The difficulty is that the act says there shall be a resolution of parliament, and unfortunately there is no such thing.

Mr. CAHAN: Yes there is.

Mr. HOWE: A resolution of parliament?

Mr. MACKENZIE KING: A resolution of both houses of parliament but not of parliament.

Mr. CAHAN: A resolution of parliament is a resolution of both houses.

Mr. MACKENZIE KING: The crown is part of parliament.

Mr. CAHAN: A resolution of parliament has usually been construed to mean a joint resolution by both the Commons and Senate. I think such a resolution would fulfil the requirements of the statute.

Mr. HOWE: The previous government as well as the present government found that the only practical method of complying with the act was to pass a bill. We have been so advised by the Department of Justice. As far as compensation is concerned, there has been no work done in 1936 relative to the accounts for that year. There was some work in preparing the annual report for 1935, but it has been thoroughly understood that no work shall be done until the appointment is made. While it is a continuing audit, I am told that usually no work is done until the last half of the year.

Mr. BENNETT: There is a misprint in the next to the last line. There is a word spelled "thf" which no doubt should be "the."

Section agreed to.

On the title.

Mr. CAHAN: If the Prime Minister will look at section 17 of the British North America Act I think he will find it conclusive with regard to the matter in controversy between us. This section reads:

> There shall be one parliament for Canada, consisting of the queen, an upper house styled the Senate, and the House of Commons.

Mr. MACKENZIE KING: Yes, parliament consists of the three, the Sovereign, the Senate, and the Commons.

Title agreed to.

Bill reported, read the third time and passed

JUDGES ACT AMENDMENT

Hon. ERNEST LAPOINTE (Minister of Justice) moved the second reading of bill No. 83, to amend the Judges Act.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Salaries of judges of Supreme Court of Ontario.

Mr. BENNETT: Mr. Chairman, I informed the minister when we were discussing the resolution in committee that I thought, as I still do, that the necessity for increasing the personnel of the high court in Ontario would disappear if those who had attained a condition which rendered it impossible for them to discharge their duties as they should were to resign their positions. I hold that opinion very strongly. I trust that the reports which have appeared in the newspapers as to the purpose of this legislation are not accurate and that there is some real necessity for this bill beyond political needs. After carefully considering the matter, I do not think it would serve any useful purpose to go through the various provinces and name those whom it is quite apparent should retire.

I would point out that we endeavoured to meet the situation some years ago by offering a bill to the house providing for retirement at seventy-five years. However, the Senate thought it undesirable that a change should be made without conditions, and the bill did not pass. The Minister of Justice of to-day took the view that some provision should be made to safeguard the interests of those who were affected by the legislation, to which my answer then was, and now is, that there is an implied condition in the appointment of a man to the bench that he shall be reasonably efficient for the purposes for which he is appointed, and if through physical or mental disability he is unable to discharge those duties, he has forfeited his position and should resign. The present Minister of Justice (Mr. Lapointe) is responsible for the provision that ultimately found its place in the statute books. For the reasons which he gave the other day, and which I believe are cogent reasons, it is very undesirable to have a commission appointed to inquire into the physical or mental condition of those who hold judicial office. Such a procedure would be calculated to drag the judiciary into a certain measure of contempt. Having regard to what I consider to be the larger phase of the question, namely, the public interest, I shall refrain from making any criticism beyond saying that I do feel it is almost an intolerable condition in a country such as this that there should be men willing to accept positions on the implied condition that they will be able to continue to discharge their duties and who, despite the fact that they are not—even on their own

admission—continue to hold office and draw the emoluments of their positions. I shall be much censured for making these observations by those who belong to that favoured class, the judiciary, but that is not going to deter me in any sense from discharging what I conceive to be my duty.

Had it not been that the bill to which I referred was destroyed in the Senate, the necessary arrangements would have been made and it would have been unnecessary to appoint these two judges. If every man was functioning according to the implied condition of his appointment, it would be wholly unnecessary that there should be any additions made to this court. There will be incurred an annual expense of $18,000, in addition to travelling expenses, which need not be incurred were the duties of office discharged to the extent to which I believe there is an implied undertaking that they should be.

I repeat that I make these observations with some reluctance. I believe that the larger public interest should induce me to refrain from going into details. I indicated the other day that I would give much thought to this matter. I have, and I have concluded that the larger public interest is more important than the interest of the individuals in question. There would appear to be a seeming unwillingness on the part of these men to realize their obligations to the public in the same way as they compel litigants appearing before them to recognize their obligations. If an action were brought by a trained and skilled man to recover his salary, if it could be proven that he was in either the physical or the mental condition of some members of the courts, he could not recover, and it would be the duty of those who now continue to hold office to decide that he could not recover on the ground that he had not fulfilled that condition of special knowledge and fitness which is the very essence of the appointment. That is all I have to say.

Mr. LAPOINTE (Quebec East): With some, even most, of the points raised by my right hon. friend when this matter was before the committee on the resolution that preceded the bill, and with what he has just said, I agree. But I think the question presents itself to us in this simple way. The legislature of Ontario, in the exercise of its undoubted jurisdiction, and for reasons which I think are valid, has increased by two the number of judges in the high court, trial division, of that province. Are there any reasons for our refusing to implement the wish of the province in the matter, even if some of us think that possibly, by some other arrangement with regard to the superannuation of old judges or in some other way, these two additional judges might be done without? Can we tell the province of Ontario that we refuse to implement their legislation, which they have the right to pass, because we have not yet made up our minds as to what we ought to do with respect to judges who have reached old age or are afflicted with some physical infirmity that prevents them from doing all that they could do on the bench previously?

In the first place, what the province says is that it wants two additional judges for the trial division. I do not think the condition my right hon. friend mentions applies to the trial division of Ontario, according to information given me by members of parliament who are practising law in that province. There are at the present time eleven judges in the trial division. As I said on the resolution, two of them cannot work very well on the ordinary business of the court for the reason that one of them is working continuously on the board under the Farmers' Creditors Arrangement Act, devoting all his time thereto, while the other is engaged entirely on bankruptcy matters demanding the whole of his time. Then we have increased the work of the judges in Ontario. Two years ago we increased it by handing over to them the adjudication of matrimonial cases and I understand that, notwithstanding what was said here at the time—that this new method would result in a diminution of divorces—divorce cases have as a matter of fact vastly increased since this law was passed, and a great part of the time of the judges is taken up with these cases.

Now that the attorney general of Ontario has given his reasons to the legislature, which they find to be valid, may I repeat, just for the purpose of giving information to the committee, certain facts with respect to the courts.

There are forty-seven county and district towns—that is, outside the city of Toronto—where at least two courts a year and in many cases four are held. In the majority of cases the duration of the court is about one week. In Sandwich, Hamilton, London and Ottawa the jury courts, of which there are two each year, usually last for at least three weeks and the non-jury courts, of which there are two each year, also usually last for at least two weeks. In some of the other county and district towns to which a judge is assigned for one week it often happens that a longer period than a week is required to dispose of the cases that are ready for trial. A weekly court is also held at London and Ottawa on Saturday morning, and this necessitates a judge going to each of these cities every Saturday.

In the city of Toronto a jury court sits three times each year and is usually engaged about eight weeks. At each of such sittings it usually happens that some of the civil cases are not dealt with and it is necessary that they stand over until the next court. The non-jury court at Toronto is a continuous court and sits the year round except for the period of court vacation. In this court the work is particularly heavy and in an effort to reduce the list to a size which will permit the hearing of cases within a reasonable time after they have been set down, it has been necessary for some years now to have two courts sitting. The Toronto weekly court, in which most of the time of the court is devoted to the hearing of motions, sits continuously the year round except for the court vacation periods, and the court usually lasts the better part of a day, five days a week. Then the questions of bankruptcy and the Farmers' Creditors Arrangement Act are dealt with.

I believe that the duty of this parliament and my duty as Minister of Justice is to see that the administration of justice in Ontario should be carried out reasonably, and those who have the responsibility there are those who know whether or not we should proceed in the way provided for in this bill. As to the other question, which arises incidentally—and I know my right hon. friend has this in mind—there is in two or three provinces more than room for improvement in view of the conditions that exist there. But as my right hon. friend knows, I have given this matter a good deal of attention, and I am inclined to agree with the members of the Canadian Bar Association, who have been specially charged with the investigation of this matter and who recommend that we should revert to the condition that existed before the amendment of 1920 and permit judges who have reached the age of seventy-five and who have been for a stated number of years on the bench—twenty years—to retire with the salary which they received on the bench. This was changed in 1920. The committee of the Canadian Bar Association favour this change. They suggest that we might require judges who have retired under such a provision to serve in emergency cases, or when there is need of their services, at the request of the chief justice of their court, and that they should retain their rank in the judiciary.

There is much to commend this to the favourable consideration of parliament. I have said that I am inclined to favour it. I submitted the matter to my colleagues, and, while I do not want to betray any secrets, I may say they thought that this is no time for increases of pensions or things of that kind, and in my private conversations with my right hon. friend (Mr. Bennett) I learn he also thinks that this would have no chance of getting through parliament at the present time. Possibly that is so. The hon. member for St. Lawrence-St. George (Mr. Cahan) not only suggested but almost sought to impose upon us the necessity of adopting the drastic method he advised; he accused all the ministers of justice of lack of moral courage in not having taken advantage of a provision in the statute under which, if it is believed that a judge is not physically fit to do his work, an investigation may be held, a regular trial at which witnesses may be heard, and on a report being made accordingly, the judge in question would cease to receive any salary. I do not think this would increase the dignity of the bench and enhance respect for the courts.

When my hon. friend said that it was while I was Minister of Justice that this provision was put on the statutes, I did not remember it, and I investigated the matter. I found that it was done in 1922 when Sir Lomer Gouin was Minister of Justice, and he was responsible for it in a peculiar way. There had been amendments to the Judges Acts, and when they were being discussed by the other house it was Senator Barnard who moved that amendment, and he was supported by members of that house who were strong opponents of the government. At the time, as my hon. friend knows, the party which now sits on this side of the house was in power, but very little so in the senate, as is the case at the present time. However, when the amendment came back to the house the then Minister of Justice merely said that he had no objection to it. That hardly supports the view of my hon. friend that this is my work, or even that of the government of the time.

Mr. CAHAN: I was not pressing that point. I was just trying to recollect.

Mr. LAPOINTE (Quebec East): However, that has never been applied up to the present time. Of course in the provisions of the law affecting county court judges there is a stipulation of this kind, although not so drastic, of which advantage has been taken. I myself recommended a few years ago an investigation in Manitoba, but I must say that before I did it I had received an application from the bar association of that province, and it was because complaints were officially placed before the Department of Justice that this extraordinary method was adopted. I think I may say that if either the Canadian Bar Association or the bar association of any province—because they know the facts better

than anybody else—would officially ask for action as provided for in the section mentioned by my hon. friend, I would deem it my duty to take the necessary proceedings. But as it is, could the Minister of Justice act proprio motu or merely because he hears rumours and because certain newspapers have published some reports? It would be a very dangerous thing to do, and if the judge concerned had been in years gone by an opponent of the party in power, possibly the minister would be accused of having his actions dictated by political considerations. We must leave the bench absolutely outside of any possible suspicions about politics, and especially so with regard to any action that could be taken by the Department of Justice with regard to judges. A law could be made, as it applies to the Supreme Court of Canada and the federal courts, so that when a judge reaches a certain age he has to leave the bench. My hon. friend from St. Lawrence-St. George objects to age being taken into consideration. He says that in some cases old men are better than young men. I agree with him—

Mr. CAHAN: I was objecting to age being the sole consideration.

Mr. LAPOINTE (Quebec East): —but I think the exceptions confirm the rule and that is being done in other countries. My right hon. friend was right when he said the other day that seventy-two years had been recommended as the age limit by the commissioners in England who considered that question. As a matter of fact at the present time county court judges are retired at seventy-two years of age, but there is a provision that if the Justice department considers their services could still be utilized, their term of office may be prolonged from year to year. I do not approve of the department intervening in the matter; I think retirement should be provided for without the executive having anything to do with making the decision. However, all that will have to be considered and will have to be dealt with. I do not like the drastic section of the Judges Act which was placed in the statutes in 1922 and which has never been acted upon. But we must do something to prevent possible abuses, and if my right hon. friend is correct—and I think he is—there are certain abuses. I submit, however, that this is only incidental to the present bill; we are merely asked to give effect to the statutes of Ontario, and they have the right to ask us so to do.

Mr. BENNETT: The Minister of Justice (Mr. Lapointe) was entirely right in saying he was not the author of the provision in the statute of 1922. If anything I said would indicate that he was, I knew better, because I took the trouble to follow it up. It was introduced in the other chamber, as he suggested, and it came to this chamber and was accepted by the Commons. The present Minister of Justice was then, if I remember, Minister of Marine.

Mr. LAPOINTE (Quebec East): Yes, I was a sailor at the time.

Mr. BENNETT: Well, he has been in stormy seas since. This statute, being a statute of the province of Ontario, is being acted upon with greater celerity than usual. It was late in April when the statute increasing the bench by two was passed, and during my short time in parliament I have seen a year or more go by without any action being taken by the federal authority to implement an increase, for economic or other reasons. I remember one occasion when no provision was made for quite a considerable time, on the theory that there was really no necessity for the increase. I had thought that the Farmers' Creditors Arrangement Act would not be permanent and would not engage a judge's entire working hours for very long. In respect to bankruptcy, the registrar really does most of the work, but the judge must take certain steps because he does the final act.

I quite agree also that the discussion with respect to the tenure of office is but incidental to this question. I brought it up because there might be no other opportunity except on the estimates to refer to it, and I thought it well to refer to it. The answer I make to my hon. friend, and I am sure he had had it in mind—it was in the mind of those with whom I have discussed it—is that to provide at this time that all judges of a certain age should receive full pay would have the effect at once of inducing all those who had been superannuated and had attained that age to demand equal treatment, and I have not seen any answer that I could reasonably make to that request. I did look into the matter very carefully during the time we were in office, and I gathered from discussions that I had in various parts of the country that there was a general feeling that to undertake to increase pensions of the judiciary at this time would be an impolitic thing to do. I should be sorry if my hon. friend should conclude that I suggested he could not put the amendment to the Judges Act through if he so desired, for his majority is ample for that purpose. What I did mean to convey was that I do not think it carries the general approval of the country or of parliament, for reasons that I need not discuss. The very

suggestion of members of the judiciary holding on and continuing in office when they must know of their own limitations is an effort to induce parliament to do something under duress, if I may use that word—wrongly in that sense, perhaps—but under compulsion or of necessity. To be compelled by that method to provide pensions would not be a nice thing for this parliament, and would be resented I think by many people in every part of the country.

I was not able to look up the royal commission which investigated the matter in England; I am glad the hon. gentleman has done so, because my memory was that the age of retirement recommended was seventy-two or seventy-three, I was not sure which.

I should like to refer briefly to one point to which the minister directed attention, namely the ability to utilize the services of those who have retired but who are in good health. In England a retired judge frequently goes down at Christmas to help out in the divorce, admiralty and probate divisions. The late Lord Mersey used to do it frequently, helping the courts to dispose of arrears before the Christmas vacation. But in this country where you have the double jurisdiction there is that difficulty. The dominion would have to provide that they should be paid no salary beyond their retiring allowance. Clearly the province could not confer jurisdiction upon a retired judge to act, and clearly we would have to amend our statute to provide for it. There are grave complications. The matter was looked into once by a minister of justice and by one of the officials of the Department of Justice, and no conclusion was arrived at. I favour the proposal, and if the minister could work out any plan by which retired judges might be enabled to render service as judges through cooperative action on the part of the provinces and the dominion, I think it would be very desirable and would serve a useful purpose, permitting the attorneys general, with the aid perhaps of the Minister of Justice, to call upon a retired judge in times of stress to render further service without the payment of any further compensation than travelling expenses. Certainly in England where they have the unitary system, it is feasible, but under the complex system of the provinces determining the number of judges and the dominion providing their salaries it might require joint legislative action.

Mr. LAPOINTE (Quebec East): There is no doubt about it.

Mr. HEAPS: Can the Minister of Justice give the committee information as to the number of judges in each province who are appointed by the federal government?

Mr. LAPOINTE (Quebec East): In Ontario in the high court there will be, when this bill becomes law and is acted upon, twenty-one judges. In Nova Scotia there are 8—chief justice, judge in equity, judge in divorce, and 5 puisne judges. In New Brunswick there are 8 judges of the high court.

Mr. BENNETT: The judge in divorce is also a judge in the same manner?

Mr. LAPOINTE (Quebec East): Yes, I include him. In Manitoba there are 11 judges; in British Columbia, 11; in Saskatchewan, 12; in Alberta, 11 judges of the high court. There are 3 in Prince Edward Island, and there is one in the Yukon territory. I will come to Quebec in a moment.

In addition to these there are the county court judges, who are also appointed by the federal government. In Ontario there are authorized—I do not say they are all appointed, but almost all—75 judges of the county and district courts. In Nova Scotia there are 7 county court judges; in New Brunswick, 6; in Manitoba, 9 and one junior county court judge. In British Columbia there are 14 judges and junior judges; in Prince Edward Island there are 3. In Saskatchewan there are 18 district court judges, and in Alberta, 12.

In Quebec the high court judges do most of the work that is assigned to the county court judges; there are no county court judges in Quebec. There are 12 judges of the court of king's bench as the appeal court, and there are 37 judges of the superior court. There are no other judges appointed in the province of Quebec by the federal government.

Mr. BENNETT: Is there not a smaller court?

Mr. LAPOINTE (Quebec East): Yes, I should mention the circuit court of the district of Montreal.

Mr. CAHAN: Which is similar to the county court.

Mr. LAPOINTE (Quebec East): Yes; there are 4 judges, consisting of a senior judge and three other judges. The senior judge is paid $8,000 per annum and the three others are paid $7,000 per annum. Those judges are sitting in addition to the high court judges of the province of Quebec.

Mr. HEAPS: Is it a fact that there are only forty-nine judges appointed by the federal government in the province of Quebec?

Mr. LAPOINTE (Quebec East): Yes; there are magistrates appointed by the provincial government.

Mr. HEAPS: How is there such a wide discrepancy between Quebec and Ontario?

Mr. LAPOINTE (Quebec East): Because the systems are altogether different. In Quebec there are no county court judges, while Ontario has a large number of them. But as the hon. member will have noticed, there are less high court judges in Ontario than in Quebec. There are only twenty-one high court judges in Ontario and there are thirty-seven in the trial division of the superior court in Quebec, plus twelve appeal court judges.

Mr. HEAPS: As a layman the fact which appeals to me is that in Ontario there are ninety-six judges while in Quebec there are only forty-nine. I assume those forty-nine judges must be doing the same work as the ninety-six in Ontario.

Mr. LAPOINTE (Quebec East): Except that in Quebec judges are appointed by the province to deal with smaller cases which are considered by county court judges in Ontario. Secondly, I do not believe there is a very great discrepancy in the matter of expense, because the high court judges are paid $9,000 and the county court judges $5,000.

Mr. WOODSWORTH: What is the expense per capita as compared to Great Britain?

Mr. LAPOINTE (Quebec East): I cannot answer immediately, but I could have someone figure it out for the hon. member.

Mr. COLDWELL: Does the minister know how many judges there are in Great Britain?

Mr. LAPOINTE (Quebec East): I have not the figures before me.

Mr. COLDWELL: I have heard criticism by lawyers and others as to the cost of the judiciary in Canada as compared with that of other countries. It seems to me an increase in the number of judges in Ontario, while requested by the province, is an example which should not be followed by other provinces. In view of the criticisms one hears I think hon. members might be given further information with regard to the relative costs of the judiciaries in the various parts of the British commonwealth.

Mr. HEAPS: The figures the minister has given would seem to indicate that the bill before the house is not essential. If there are almost twice as many judges in Ontario as there are in Quebec there would seem to be no valid reason for increasing the number. However, I suppose Ontario has asked for the change, and the minister has very obligingly acceded to the request of the provincial government—

Mr. LAPOINTE (Quebec East): No, not the provincial government—the legislature of Ontario.

[Mr. Heaps.]

Mr. HEAPS: Yes, I may be slightly in error. I can understand that legislatures will be quite willing to make all possible requests of the federal government if they believe it will always foot the bill.

Mr. LAPOINTE: (Quebec East): That will not happen.

Mr. HEAPS: They may make other suggestions, too. When that time comes I do not suppose the government will be quite as willing to accede to the requests of legislatures as they are in this particular instance.

Mr. LAPOINTE (Quebec East): I will keep the hon. member's observations in mind.

Section agreed to.

Bill reported, read the third time and passed.

JUVENILE DELINQUENTS ACT

Hon. ERNEST LAPOINTE (Minister of Justice) moved the second reading of Bill No. 89, to amend the Juvenile Delinquents Act, 1929.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Summary trials.

Mr. LAPOINTE (Quebec East): This is an amendment requested by the council of social welfare. Under the criminal code all prosecutions for offences by juvenile delinquents are proscribed after six months. Under a certain section of the act there is provision for the prosecution of one who passed the age of eighteen after committing an offence, and whose offence was not discovered until more than six months after that time. This is to provide that when a person is prosecuted for an offence committed while he was a juvenile, and which has been discovered subsequently, the six months proscription will not apply.

Section agreed to.

On section 2—Adults liable who contribute to delinquency.

Mr. LAPOINTE (Quebec East): Section 2 is simply to correct a mistake in the statute enacted last year, at which time the subsections were eliminated by mistake, and the amendment did not apply to them. This section is to reinstate them in the law.

Section agreed to.

Bill reported, read the third time and passed.

DAIRY INDUSTRY ACT

Hon. J. G. GARDINER (Minister of Agriculture) moved the second reading of Bill No. 56, to amend the Dairy Industry Act.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Sale of butter.

Mr STEWART: The minister might explain the general purpose of the clause and just why this change is being made.

Mr. GARDINER: Section 1 amends subsection 3 of section 6 of the Dairy Industry Act. Subsection 3 of section 6 of the act reads:

No person shall sell, offer or have in his possession for sale,
(a) any butter moulded or cut into prints, blocks, squares or pats ...

That subsection is repealed, and the subclause that is being substituted for it by this bill makes this change only, that instead of confining the size of prints to quarter pounds, half pounds, one pound and two pounds, it makes it possible to have them in any multiple of a pound. The chief reason for the change is that it is customary in British Columbia and in other places to sell butter in three pound prints, and under the present law that is not legal.

Mr. STEWART: There is a line underlined at the end of paragraph (a). Is that new?

Mr. GARDINER: That is just a rewording of the language of the old act. The words in the old act were "as sold by farmers" and the amending words are "manufactured by individual farmers and sold by them." The butter must be made by the farmers as well as sold by them.

Mr. STEWART: Were any representations made by the dairy council or other agricultural interests asking for these amendments?

Mr. GARDINER: Representations were made, I am not sure whether by the dairy council or not, asking for these amendments, and the department considered them in the interests of the dairy industry, particularly in British Columbia.

Section agreed to.

On section 2—Cheese.

Mr. STEWART: What is the reason for this change?

Mr. GARDINER: The reason for this has to do with the recommendations that were made by the price spreads commission last year. One of their suggestions, which has been discussed at some length, was to the effect that we should have prints of cheese made in multiples of a pound rather than in sizes of, say, five ounces, six and a half ounces or seven and a half ounces. This amendment provides that the prints must be put up in either multiples of a pound or in divisions of a pound, such as a quarter of a pound, or half a pound. It is one of the suggestions that was made in connection with the inquiry by the price spreads commission of the sizes of packages offered to the public for sale.

Mr. STEWART: But the individual farmer may sell cheese in any way he likes?

Mr. GARDINER: A phrase similar to the one used at the end of the previous subsection is contained here, "but nothing in this subsection shall be held to apply to cheese of indiscriminate weight manufactured by individual farmers and sold by them." That is, home-made cheese is not subject to this legislation.

Mr. CAHAN: What is the meaning of "indiscriminate" weight?

Mr. GARDINER: It can be any weight at all; it is not confined to multiples or divisions of a pound, if made and sold by a farmer.

Section agreed to.

Bill reported, read the third time and passed.

CANADIAN BROADCASTING CORPORATION

PROVISION FOR NATIONAL BROADCASTING SERVICE AND REPEAL OF ACT OF 1932

Hon. C. D. HOWE (Minister of Marine) moved that the house go into committee to consider the following proposed resolution:

That it is expedient to bring in a measure to provide for the constitution of a corporation to be known as the Canadian Broadcasting Corporation for the purpose of carrying on a national broadcasting service in Canada in the place and stead of the present Canadian radio broadcasting commission, to provide for honorariums, remuneration, salaries and other expenses incidental thereto, to authorize the governor in council to make certain advances for purposes therein mentioned, and to repeal the Canadian Radio Broadcasting Act, 1932.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Mr. BENNETT: Mr. Chairman, there are some features of the report made by the special committee that dealt with the radio question to which I should like to direct attention. The report was a unanimous one. It contemplates the creation of a corporation similar to the British Broadcasting Corporation. I do not think the committee realized

the difference between conditions in Great Britain and here. In the first phase of its report the committee recommend:

That in the opinion of your committee radio broadcasting could be best conducted by a general manager.

In 1934 the radio committee made the same recommendation; there is nothing new about that. That is the experience of Great Britain, where they are carrying on their broadcasting through a corporation with a general manager. He is a very eminent man, a scholar, an Oxford man possessing wide administrative experience. In this country he would be regarded as an extremely high type of official. He was drawn from the great reservoir that they have in Great Britain from which to draw men of this type for public service, and he has rendered conspicuous service to his country in the position which he holds. But when you come to appoint a general manager in Canada you find many difficulties in the way. I am not going to do more than point out that as far back as 1934 certain recommendations were made but were not acted upon because we realized, after the closest inquiry, that you cannot say that because a given condition in Great Britain assures certain results, different conditions in Canada will make the same results possible.

The report of the committee contemplates a condition exactly opposite to that which prevails in Great Britain. There are no such things as private broadcasting stations in Great Britain; all the broadcasting stations are under the sole control of the corporation, of which Sir John Reith is general manager. Owing to lack of funds, our organization was not able to build stations. It had to utilize, by leases and other arrangements, the existing facilities for the purpose of carrying out its undertaking. There was a constant endeavour on the part of private interests to secure licences for new stations. Under the existing law, the responsibility of deciding whether or not a new station shall be licensed rests with the commission and its technical officers; under the conditions that the committee reports upon, it will be left to someone in the Department of Transport, now the Department of Marine. I may say to the minister at once that that means disaster to the broadcasting undertaking in this country.

We know—it is not merely guessing—that very large numbers of people are constantly seeking licences for broadcasting stations. If the political department—I use the word in its broad sense—is to deal with these applications, an inevitable result will follow. Hon. members of this committee must know that applications were refused by the commission, because part of the basis of the complaints against the commission was that it would not continue to grant licences. All you have to do is grant enough licences and you destroy the public character of Canadian broadcasting. At the moment we have secured the ownership of this facility, or utility, or whatever you may call it, in the people of Canada, and we have ensured it against destruction by private interests, but the private interests have been very vigilant. They have been watchful of their own interests and have determined that if it is within their power, this facility is not to function as a public enterprise. They have determined fairly and legitimately, so far as that is concerned, to destroy this publicly owned facility. Their idea is that it should be in the hands of private enterprise. The two or three great enterprises across the line have watched with increasing anxiety the operations of this publicly owned facility. They do not desire that their privately owned enterprises should be regarded merely as tentative experiments; they wish to continue as a privately owned enterprise and not be merged in a publicly owned and controlled broadcasting system such as we have in this country.

I point this out because if broadcasting in Canada is to be in the hands of a corporation, and that is what the report of the committee recommends, then you will have to ensure its continuance and life. If a department of government is to determine whether or not additional licences shall be issued for private stations, I say again that will mean the end of our publicly owned radio broadcasting facilities. If the minister will look into the matter under present conditions, he will have no difficulty in realizing why I say this.

One step further. When the former government brought this broadcasting enterprise into being as a publicly owned facility, it had first of all to take up with the United States the question of channels. This was an international side of the matter which had to be considered, and there were many difficulties that had to be dealt with. They were fairly successfully overcome, but private interests were constantly demanding that their facilities should be used. The existing channels were in the hands of private interests in all parts of the country, except possibly in British Columbia which was not adequately covered. The newspapers had facilities of their own, private interests had facilities of their own, and the result was that the commission, being without adequate funds, was compelled to

make the best arrangements possible for the purpose of carrying on to the extent of its ability in broadcasting throughout the dominion.

I do not agree with the general tenor of the report of the committee with regard to the operations of the commission. It is human because it is composed of individuals. It had to meet an extraordinary situation. Without money, and limited to the revenues from licences, it had to provide coverage from Great Britain to Vancouver. Notwithstanding the terms in which the report of the special committee refers to the result of its efforts, in countries other than Canada this experiment has been regarded as very successful under the circumstances. It is not encouraging to those who devoted their time to this matter, who laboured as they did and brought about results which were noted very highly in other countries, to find a committee of the House of Commons investigating their efforts and speaking of them in the terms in which they did. Undoubtedly mistakes were made, but I do not think anyone can deny that mistakes would be made in the bringing into being of a commission such as this. The commission was faced with difficulties in connection with complaints as to interference. There was a clashing in channels and there was also interference from the large powerful stations across the line.

The programs that were put upon the air reflected some measure of credit upon the Canadian enterprise. We could not expect that 11,000,000 people would be able to provide facilities comparable to those at the disposition of the two or three great private enterprises in the United States. Having made the election that we did, that is, to create a publicly owned enterprise, we would be manifestly unfair to attach too much criticism to the fact that in the judgment of some it does not compare favourably with the high powered stations in another country built up at the cost of millions of dollars. The temptation merely to copy slavishly the method adopted in another country for the purpose of operating this facility is very great, and the minister will find that conditions are quite different both as to ownership of facilities and as to the attitude of mind of the public to the facility, to advertising and advertisers and to the general situation. For instance, it is well known that facilities have been established in countries across the channel for the purpose of advertising in Great Britain and Ireland. That is well known. We have had many problems in connection with advertising. We have had very acute problems in connection with the language used on the radio—complaints from western Canada on the one hand, and on the other complaints from eastern Canada—and the endeavour to navigate through a very difficult channel and through very stormy waters the ship that was launched under such conditions has not been an easy task.

I can only say to the minister, without going into the matter in further detail, that if the question of licences is to be determined by a political body, namely, the government or any department of government rather than by the corporation itself, then the corporation is destined to be supplanted in its public operations by private enterprises, because in the very nature of things we have not provided the money to carry on the kind of organization one would like to carry on. We increased the licence fee to two dollars, with much complaint and criticism, in order that the commission might have larger funds at its disposal. In its report the committee suggests that the government may lend money to the commission for the purpose of enabling it to provide facilities. The minister knows what difficulties will be encountered there. It is better to provide in the estimates for a loan to them so that they will be free as a corporation to spend it, than to leave them in a position where they will have to make application for the purpose of securing loans; for then there will enter into the question the many factors that have brought disaster to many of our enterprises of a public character, and it will certainly not enure to the benefit of this institution if we are to maintain it as it now is, a publicly owned facility operating for the people at no cost at the present time except the licence fee of two dollars. No country in the world that I know of, except some smaller European countries, is placed in a more difficult position than ourselves. You have great and powerful stations in New York, in Cincinnati and on the Pacific slope; and when the words have been projected into the air—they no longer say the ether—when they have been projected into space they go north as well as south, and you tune in your radio and hear what is being said. There is no way of controlling it adequately, and that is why some people have unfavourably compared our operations with those of the great republic. The multiplication of privately owned stations under any circumstances will be detrimental to the interests of this publicly owned facility, whether it be held and operated by the commission or by a corporation; and the essential limitation that has been imposed upon this undertaking by reason of our geographical position and lack of means has not made it

possible to carry on in the way in which one would have liked. But I should like my fellow Canadians to think that the opinions expressed in other parts of the world as to what we have been able to do reflect credit at least upon Canada and Canadians and do not deserve unrestrained criticism, as will be found in some parts of the report to which I refer.

Mr. HOWE: Radio broadcasting in Canada has been studied by one royal commission and three parliamentary committees, and these four reports agree on the broad principles that must govern us. That is to say, the aim of broadcasting should be a complete coverage by government facilities and the present situation demands complete control over all forms of broadcasting whether public or private. These conditions are being maintained in the present bill. There is no question whatsoever as to whether this bill is the last word in radio broadcasting. The government believes, however, having in mind the reports of these various committees, that the bill does represent the consensus of opinion as to the next step to be taken. We know that many conditions affecting radio broadcasting at the present time are unsatisfactory. I assume that more mail comes into my office protesting against various phases of broadcasting than against any other matter with which my department has to deal. Many of these complaints are frivolous; nevertheless the volume and general character indicate that there is something lacking in the present situation.

This bill follows very closely the report of the committee, and I believe that had the earlier legislation conformed more nearly to the reports of the royal commission and of the parliamentary committee that preceded the introduction of that legislation, perhaps we should not have wandered afield in our attempt to reach the ultimate goal. My right hon. friend has mentioned the fact that this gives power to the minister to licence private broadcasting stations. The minister has that power to-day; it is inherent in the Radiotelegraph Act of Canada.

Mr. BENNETT: No; it rests with the commission now.

Mr. HOWE: On the advice of the commission.

Mr. BENNETT: Yes, exactly.

Mr. HOWE: But after the minister receives the advice of the commission he has the power to issue the licence or not, and he has been known in my time to exercise that power. The only action I have taken in that regard is to refuse recommendations of the commission in the direction of issuing two additional broadcasting licences.

[Mr. Bennett.]

We have in Canada, as those familiar with radio matters agree, far too many private licences to-day for stations of small power, and the result is that the channels of communication are becoming very much involved. It is almost impossible to find a clear channel for a station of high power such as is needed to hold our place against the high powered stations across the line and particularly in Mexico, and in my opinion very serious consideration must be given to straightening out the situation that has been caused by the granting of so many licences to small powered stations. That is one of the most serious problems to be considered.

Mr. BENNETT: The first commission contemplated that.

Mr. HOWE: I cannot say what was contemplated, but my observation leads me to believe that very little was done; in fact, the situation has become worse. That is my personal opinion, based on what I have seen since I took over control of the department which is responsible for this matter. I think the control of broadcasting is inherent in the government everywhere. Even in Great Britain the British Broadcasting Corporation does not determine the allocation of channels.

Mr. BENNETT: It is a monopoly.

Mr. HOWE: Of course they have a monopoly; nevertheless the power to allocate channels is vested in the Post Office Department under their radiotelegraph act. Similarly in the United States the power is vested in the government through an act of congress. This is logically a function of government in that the channels are arranged by government negotiations. It will be remembered that all the governments interested in telegraphs met at Madrid some few years ago and worked out the allocation of free channels between the various countries. I think there is no particular occasion for criticism, but this can be discussed when the clauses are before us in committee, and I assure my right hon. friend that the government is not committed to the exact method set out in the bill; it is quite willing to consider modifications. All I wish to point out is that the government has always had that power and has always exercised it, but under the last act it was bound to receive, if not to accept, the recommendation of the commission.

I do not know that anything further need be said at this time. The bill can be more effectively discussed when it is before us. I think everyone in Canada realizes the difficulty of the situation. The very limited funds at the disposal of the commission are a great restriction. We collect and turn over to the

commission roughly about a million and a half dollars a year. In Great Britain about ten times that amount is collected; in Australia also, a country with a smaller population than Canada, the amount is larger. It seems to me fairly well fixed in everyone's mind that a fee of two dollars is about all that can be expected.

Mr. BENNETT: All the traffic will stand.

Mr. HOWE: All the traffic will bear. That of course is one great limitation. Then we have the tremendous cost of wire charges to cover the country from coast to coast. Further, we have a situation which is perhaps peculiar to this country, arising from the competition of high powered stations to the south of us broadcasting expensive programs which naturally invite comparison with ours. Considering the amount of the expenditure for programs, I think we have very little to be ashamed of at the moment. My feeling is that we have done extraordinarily well with the funds that have been made available. But I have not the slightest doubt that the committee have reported a program which should be adopted in Canada. As we know, the former act has not been satisfactory; it has been amended from time to time to permit it to operate. There are some features that are quite unworkable without amending legislation, and I sincerely commend the bill to the study of the members of the house in order that it may be discussed on second reading.

Mr. CAHAN: I was a member of the committee which considered radio matters. I regret that I received no notice of the meeting of the committee at which the report was prepared until I found it in my post office box in the afternoon after the committee had closed its proceedings; but that would have made, perhaps, very little difference.

Mr. MARTIN: Will the hon. gentleman allow me to make an interruption?

Mr. CAHAN: Certainly.

Mr. MARTIN: One member of the committee was asked to communicate with the hon. gentleman in respect of his personal attendance. We were advised that he had communicated with you and that you had said you had to go to Montreal.

Mr. CAHAN: What happened was that he did communicate with me at a time when I was on my feet and discussing an important matter before this house, and he suggested, supposing it were adjourned until the evening—this was on a Friday, if I remember correctly—

Mr. BEAUBIEN: Mr. Chairman, if I may interrupt the hon. member—

Mr. CAHAN: Will the hon. member allow me a moment to state my case? As a matter of fact, under the circumstances I could not attend as I was discussing another measure in the house, and afterwards, in the evening, I found a notice in my box which I had not received beforehand. But I am not complaining about that, except to state that I was not present when this report was placed before the committee. If I had been, I should have endeavoured to secure the insertion of a reference to certain matters which I regard as important.

First, from sitting on that committee I found little by way of criticism of or reproach against the existing commission. I think the chairman of that commission, Mr. Charlesworth, is a gentleman of high culture, of literary experience and artistic taste, and a very useful member of a commission or board such as this. The impression I received was that he had not had experience in administering business affairs to the extent necessary to enable him to look carefully after the financial administration of the commission. I heard nothing by way of evidence which cast any reproach upon Colonel Steel, who is regarded not only in this country but also in the neighbouring republic as one of the most eminent men connected with radio transmission work. I think if I had been present when the report was drawn up I would have suggested leaving out certain references to the political broadcasting. I admit that a certain script was placed before me of one broadcasting of the so-called Sage broadcast, which contained two references to the then leader of the opposition and the present Prime Minister (Mr. Mackenzie King) which I regard as uncalled for and tending toward defamation. There is no doubt in my mind, having been through it, that the investigation into a certain hydro electric power matter indicated that there had been an effort at organized corruption the like of which had never before been known in this country, and I should not have been surprised if, in making a political broadcast, either speakers on the platform or those who were preparing the script for a broadcast such as this should have made some reference to it. As a matter of fact I did not hear on any public platform any reference to the Beauharnois matter. I say further, while I am dealing with it, that I went through the evidence in the Beauharnois investigation and I heard what was said before the committee and what was said outside of the committee, and I did not hear of any evi-

dence which cast any reflection upon the personal honour and integrity of the present Prime Minister, who then also was Prime Minister. That is clear in my mind, and I deprecate any such reference as was made in the Sage script.

But in dealing with defamation over the radio, hon. members know as well as I do that the practice was not confined to the propagandists of any one political party. There were sent to me examples which on their face appeared to be extreme defamation and which had been sponsored either by the Liberal party or by individual members of that party. I refrained from placing them before the committee because I thought that was not a proper matter for inquiry under the circumstances. For instance, one related to the hon. member for Kootenay East (Mr. Stevens), with whom I have had grave differences of opinion on political matters relating to his retirement from the late government. Nevertheless it would be very difficult to justify to me the radio propaganda which was directed by the Liberal party against him and his personal reputation and personal conduct. I believe that such matters should be eliminated from political discussion at election time or otherwise. So I should like to have had just a little different reference in this respect to political broadcasts. But I do not think the personnel of the commission were shown to be responsible either for the defamation by Liberal propagandists or for the defamation by Conservative propagandists which came over the radio at certain times. I listened myself to certain addresses delivered in the province of Quebec by some of my political opponents, which caused me to smile with contempt, but I think if they were stenographically reported they could not but be deemed defamatory, and I believe that the commission, if continued as a commission, would certainly have taken these matters under their consideration, because prior to the general election, at the suggestion of the then government, a by-law was adopted by the commission prohibiting political propaganda of a defamatory character.

I do not think much is to be gained by the new legislation. All that was desirable could have been attained by a few slight amendments to the present statute and by the appointment of a business manager to deal exclusively with financial and business operations. It is perhaps not to be expected that Mr. Charlesworth would be thoroughly competent and qualified for the financial part of the work, but I think the work he and his associates have done since they were appointed, the difficulties they have overcome and the problems they have solved entitle them to high commendation and praise from this parliament and from the public in general. After listening to the witnesses and having read the report I have a slight suspicion that perhaps there is rather a political aim to be served by this proposed bill than to have material and satisfactory remedies provided for the existing defects. However I am not going to oppose the measure but shall let it go through. Perhaps in the course of a year or two—

Mr. HOWE: There will be lots of graft and corruption!

Mr. CAHAN: I am not talking in this instance about graft and corruption. There may be some of that, despite the honest efforts of the hon. gentleman, but I am suggesting that although he may have received numerous complaints with regard to the present commission, complaints will be just as numerous and far more pungent and critical in the future than those he has received in the past. You cannot please all the Canadian public with a publicly owned operated and controlled radio service. There will be dissatisfaction. But what I do say, having listened in, as it were, for the last two or three years, is that I think a splendid advance has been made, and that to-day the public is more satisfied with the radio commission service than it had been before we undertook government control of radio.

Mr. BEAUBIEN: As chairman of the special committee to inquire into radio broadcasting in Canada, it is perhaps proper that at this time I should offer a few remarks on this resolution. In the first place may I answer the criticism of the hon. member for St. Lawrence-St. George (Mr. Cahan) in connection with his absence from the meeting—

Mr. CAHAN: I am not criticizing at all, but simply stating the fact.

Mr. BEAUBIEN: If the hon. gentleman will allow me to make my statement. The clerk of the committee put the notice into the mail box of every member of the committee the evening prior to the final meeting to prepare the report and present it to the house, and if my hon. friend did not receive that notice it must be either that he did not go to his mail box or else the notice was mislaid by him. But even if he did not receive the notice, I, as chairman, made an effort to have the hon. member attend that meeting. The hon. member for Greenwood (Mr. Massey) was asked to try to locate the hon. member, but at the time we were not able to locate him. I am not making any criticism, but I want to make it clear that the members of the committee made every effort

to have every member of that committee at that final meeting before our report was prepared for presentation to the house.

May I say that it was one of the great privileges which I have enjoyed since I have been in public life to be chairman of this committee. Hon. members from all parties showed me every courtesy, and made my work light, because they did most of it. I think the aim of every member of the committee was to try to improve radio broadcasting in Canada. There was no other object. At the same time, we had an order of reference from the House of Commons, which we were obliged to follow. We were instructed to do certain things. When my hon. friend criticizes the clause which relates to the Mr. Sage broadcasts, he had the same privilege as every other member of the committee; there was no limit to our investigation. Let me read one or two lines from the order of reference:

> Also to inquire into the extent to which there has been any abuse of broadcasting privileges, either for political or advertising purposes, and to advise as to what principles should govern the regulations or control thereof.

So that we had to investigate any abuses concerning political broadcasting as we were ordered to do so. My hon. friend had the same privilege as any other member of the committee; if he knew of any abuses, political or otherwise, it was for him to bring them before the committee.

Now I wish to answer briefly one or two criticisms made by the right hon. leader of the opposition (Mr. Bennett). But before I do that may I say, Mr. Chairman, that the committee had before them the report of the Aird commission which made an extensive study of radio broadcasting in practically every country of the world and reported to the government of the day. We had also the evidence taken by the special committee in 1932, also the evidence taken by the special committee in 1934, and the evidence taken at the sittings of the committee this year. So that the committee, in arriving at their conclusions, had before them plenty of evidence on which they based the recommendations contained in the report, which recommendations, I am given to understand, will be embodied in a bill when this resolution is passed. Not only that, but this year we made an extensive inquiry. May I add that a great number of public bodies were anxious to make their presentations to the committee. They had made special studies of radio broadcasting not only in Canada but in all other countries. Not only did they appear personally, but they prepared and presented to the committee extensive briefs. Representatives appeared in person in readiness to give members of the committee any explanation they might desire concerning the contents of the briefs presented. These bodies went to the trouble of preparing and presenting the briefs without any cost to the committee, and without pay for the work they had done. It is most gratifying to note that the people who appeared before us were prepared to do that. Their only object seemed to be that of giving better radio broadcasting in Canada.

As I stated previously we had before us the Aird report and the evidence taken in 1932 and 1934. Further, we had the recommendations made in 1934, which were not embodied in legislation. May I mention briefly the names of a few bodies which appeared before the committee. We had the Canadian Press, supported by Mr. J. F. B. Livesay, general manager, and Mr. E. Norman Smith, vice-president; Mr. Paul Coffey, representing the Young Men's Canadian Club; Mr. S. P. Dunlop, president of the Montreal Federation of Musicians, supported by Mr. W. M. Murdock, who represented the Canadian locals of the American Federation of Musicians; Mr. Alan B. Plaunt, honorary secretary of the Canadian Radio League, an organization composed of practical men throughout the dominion, men who have made a real study of radio broadcasting in Canada They had as their purpose giving Canada the best possible radio broadcasts under the circumstances. Then, we had Mr. Brooke Claxton, counsel for the Canadian Radio league, who appeared with Mr. Plaunt. We had the Reverend Father H. St. Denis, Professor of Philosophy at Ottawa university; Mr. Herbert Moore, of New York, president of the Transradio service, who lodged some charges against the Canadian Press. We had Mr. E. A. Weir, formerly with the Canadian radio commission; Mr. C. M. Pasmore of the MacLaren Advertising Company, Limited, Toronto; Mr. Glen Bannerman, of the Association of Canadian Advertisers; Mr. J. A. MacLaren, of the Canadian Association of Advertising Agencies; Mr. Harry Sedgwick, chairman of the Canadian Association of Broadcasters; Mr. W. T. Burford, representing the All Canadian Congress of Labour; Mr. R. W. Ashcroft, former general manager of the Trans-Canada Broadcasting Company; Hon. W. J. Major, Attorney General and Minister of Telephones and Telegraphs for the province of Manitoba, who also represented the telephone systems of the three

western provinces. May I add that the publicly owned telephone system in Manitoba owns broadcasting station CKY, the most powerful station in Canada, and another one at Brandon. We had the Hon. J. L. Ralston, representing the Trans-Canada telephone system; Rev. H. L. Haslam, of Yarmouth, Nova Scotia.

In addition, many briefs were presented unaccompanied by witnesses. We received hundreds of letters containing requests, criticisms of and praise for the radio commission. All those were placed before the committee. In presenting a concrete report I believe the committee should be commended. I do not believe the report of any special committee has received more favourable comment from the newspapers of Canada. I do not intend to weary this committee by quoting lengthy comments, although I have before me comments from newspapers of all political shades. They seem to agree that the unanimous report as presented to the house is satisfactory to Canadian listeners and to people generally who believe in a national broadcasting system in Canada. A comment from the Ottawa Journal of May 28, is as follows.

Mr. WOODSWORTH: I have no desire to interrupt the hon. member but—

The CHAIRMAN: Is the hon. member speaking to a point of order?

Mr. WOODSWORTH: The hon. member is acting in a manner contrary to the rules of the house when he reads from editorial comments which might influence the passage of legislation. I am quite in sympathy with the presentation of the chairman of the committee, but from the standpoint of the rules of the house I believe I should not agree to the reading of editorial comments from newspapers when we remember that on occasions the chairman of the committee has tried to refuse us permission to read news items.

Mr. LAPOINTE (Quebec East): And the hon. member protested violently.

Mr. BEAUBIEN: I am sorry the hon. member for Winnipeg North Centre has raised the point, because I was pretty certain nobody else would. I think these comments could be placed on the record, but if the committee does not wish me to do so I shall refrain from doing so. I do not want to break any rules. However, as I did want to read them, I shall simply read one or two paragraphs:

The report of the committee—

Mr. WOODSWORTH: This matter has been brought up year after year, and while I am not a stickler for points of order, I suggest that in the present instance the hon. member is making a recital of newspaper opinion.

Mr. BEAUBIEN: I shall not read them; I shall follow the rules.

The CHAIRMAN: I think the hon. member for Winnipeg North Centre is correct in the position he takes, and I must ask the hon. member for Provencher to follow the rules of the committee.

Mr. BEAUBIEN: I shall obey the rules. I suggest, however, that if hon. members would read these editorials they would be bound to conclude that the unanimous report presented by the committee has been well received from coast to coast by almost all newspapers in Canada.

What is the situation in regard to radio broadcasting in this country? There are three systems which we may accept as guides. We have the system followed by the British Broadcasting Corporation in England; we have the Australian system and we have that followed in the United States. To my mind none of them is applicable in Canada, but in attempting to give our radio listeners that which they should have we may get something and gain some advantage from all of them.

Broadcasting in Great Britain is an absolute monopoly conducted by the British Broadcasting Corporation. That corporation has a board consisting of five governors appointed by the government, and its actual operations are carried out under the supervision of a general manager. It operates fifteen stations and derives its revenue from licence fees collected from the public, and from proceeds derived from publications issued by the corporation. Last year the gross revenue of the British Broadcasting Corporation amounted to £2,472,000. There are no private stations in England, nor is advertising allowed in the radio broadcasts of that country. However, evidence was submitted to the committee which indicated that $10,000,000 was spent in France, Germany and Ireland by advertisers broadcasting to the English public. The British people are losing that revenue through prohibiting advertising over the radio. But the British Broadcasting Corporation are in the advertising business themselves through publications, and they solicit advertisements all over Great Britain for their publications.

In Australia broadcasting is done both by government and private stations. There is a main chain of fourteen government stations extending across the country, and there are sixty-four private stations. The programs of the government stations are handled by the Australian Radio Commission, a corporation with a board of five commis-

sioners, operating through a general manager. The actual technical operation of the government broadcasting stations is in the hands of the Australian Postmaster General, who also exercises complete control over the licensing and operation of all private stations. The activities of the corporation in Australia are limited to the production and presentation of programs. The number of licences issued last year in Australia was 721,852, and the revenue accruing therefrom amounted to £405,000.

In the United States all broadcasting stations are private. The federal commission shows 630 private broadcasting stations as being licensed last year. Radio sets do not have to pay a licence fee in that country, and the estimated number of sets last year in the United States was about 21,000,000.

So there are those three systems, none of which would be applicable to Canada, but it is the opinion of the committee that we can get something from each of them to improve radio broadcasting in this country.

I do not think the report of the radio committee or the legislation to be based upon the resolution now before us is going to be the last thing in radio in Canada. Science is progressing so fast that television might be in operation to-morrow, or in the near future, and I do not think either the parliament of Canada or the members of the House of Commons can say that the legislation which is introduced to-day will necessarily be able to take care of radio broadcasting next year or three or four years from now, because science is moving so fast that conditions are changing almost overnight.

What was the situation in 1932 when the present radio act was brought into being? We had sixty-nine broadcasting stations in Canada, there being sixty-two private commercial stations and seven amateur stations. To-day there are in this country eighty-one broadcasting stations, seventy-five of which are long wave broadcasting stations and six short wave broadcasting stations. They are divided geographically as follows: Northwest Territories, Department of the Interior, one station, 50 watts; in British Columbia, eleven privately owned and one commission station; in the western provinces the stations are all privately owned—and I might say in passing that Manitoba telephone system owns CKY in Winnipeg—in Ontario, twenty-three privately owned and four commission stations; in Quebec, eight privately owned and three commission stations; in the maritime provinces, all privately owned.

We started in 1932, when the present radio commission was brought into being, with sixty-nine private broadcasting stations and none nationally owned, and we find ourselves in 1936 with eighty-one broadcasting stations, seventy-three of which are private broadcasting stations as compared with sixty-nine in 1932. So I do not think the radio commission has made a great deal of headway in nationalizing radio broadcasting in Canada. There have been many difficulties, and I do not want to throw too much blame on the commission, but at the same time that is the situation to-day. Undoubtedly the commission has been handicapped by lack of funds. The total expenses of the radio commission for the fiscal year 1935-36 amounted in round figures to $1,702,000, divided as follows: salaries, $233,000; administration, $80,000; operation of stations, $91,000; new construction, $85,000; technical apparatus, $23,000; national network, $680,000; programs, $502,000; contingencies, $4,000. The radio commission and the present set-up have found themselves probably without enough money to nationalize the whole radio broadcasting system or to make any progress in nationalization.

The committee also found that many parts of Canada lack coverage, and people who were paying licence fees and were getting no reception had a right to complain. The committee, in making its recommendation that the radio corporation should be allowed to borrow $500,000 from the treasury, took care to see that coverage be supplied to these outlying districts.

Coming back to some of the criticisms of the right hon. leader of the opposition about our comments on the radio commission, and putting into the hands of the Minister of Marine control of the granting of licences, wave lengths, channels and things of that description, I believe, Mr. Chairman, that we had very good grounds for making the recommendations we did. The Aird report of 1929 tells exactly what they wanted done, and in our report we embodied a clause contained in the Aird report, concerning that phase. We also gave the minister or the department protection because the minister cannot grant licences without first obtaining the consent of the corporation; so, as far as the criticism of the right hon. leader of the opposition is concerned, I think the report recommends proper safeguards in that connection.

In regard to the criticism of the commission itself, I do not want to go into details of the evidence which was presented before the committee. I do not think it is the proper thing to do, but there is plenty of evi-

dence contained in the minutes of proceedings of the different meetings of the committee to prove that there was a lack of understanding and a lack of cooperation between the members of the commission. May I give just one example to make my point? And I am making no criticism of who got the contract or who did not. The radio commission entered into a contract for wire line network which involved an expenditure, under the contract, of $375,000, and which in the total aggregated an expenditure of $526,000. That contract was signed without the chairman of the commission knowing anything about it. Not only that, the contract was signed almost nine months before the contract which then existed expired. A few days after the contract was signed the chairman of the radio commission wrote a letter saying that it would be impossible to enter into a new contract as the one which already existed did not expire until April, 1936. If my right hon. friend were chairman of the commission and a contract were being entered into which involved that amount of expenditure, I am sure he would know what was in the contract before it was signed.

I am just about finished, Mr. Chairman, as I do not want to make any long speeches at this stage of the game. The committee refrained from making many specific recommendations because we wanted to leave the new body free in any administrative action they might take. However, the committee did make a specific recommendation with regard to future political broadcasting. I do not think there is any doubt but that the Canadian people were fed up with the broadcasting during the last election. There was too much broadcasting and I am sure the different parties spent money for broadcasting which could have been spent elsewhere to better advantage. The committee recommended that dramatized political broadcasts be prohibited. I think everyone is in favour of that recommendation, even the political parties that put out dramatized broadcasts during the last election.

Another recommendation was that full sponsorship of all political broadcasts be required. I think that is very necessary. Political broadcasts were put out during the last election without any sponsorship, and these broadcasts were sent out from the stations of the Canadian commission. I think every political broadcast should be sponsored by a party so that the people may know who is doing the broadcasting. There should not be any deception of the public. There is no doubt that during the last election certain dramatized broadcasts were sent out from the stations of the radio commissions with the idea of deceiving the public into thinking they were dramatic productions. The public were deceived into listening to what they thought was drama, but which was nothing but a political broadcast. Another recommendation was:

> That the limitation and distribution of time for political broadcasts be under the complete control of the corporation, whose duty it shall be to assign time on an equitable basis between all parties and rival candidates.
>
> That no political broadcasts be allowed on an election day or during two days immediately preceding same.

Those are the only specific recommendations which were made. I want to thank the members of the committee who honoured me by making me chairman. If the bill which will follow this resolution embodies the main recommendations of this report, I believe radio broadcasting in Canada will be making progress, not only from the standpoint of the listeners but from the national standpoint.

Resolution reported, read the second time and concurred in. Mr. Howe thereupon moved for leave to introduce Bill No. 103, respecting broadcasting.

Motion agreed to and bill read the first time.

INCOME WAR TAX ACT AMENDMENT

Hon. CHARLES A. DUNNING (Minister of Finance) moved the second reading of Bill No. 75, to amend the Income War Tax Act.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Company rate of tax.

Mr. BENNETT: Perhaps the minister could give the committee some idea as to what will be involved by way of increased revenue under paragraphs C and D.

Mr. ILSLEY: This section provides for the new rates of tax on corporations. The general rate on corporations is increased from 13½ per cent to 15 per cent, and in the case of consolidated returns the increase is from 15 per cent to 17 per cent. It is estimated that these increases will yield about $4,500,000 to $5,000,000 additional revenue.

Section agreed to.

On section 2—Rate on "non-resident-owned investment corporations."

Mr. BENNETT: As I understand it, the effect of this amendment will be that companies engaged in financial operations in this country and owned outside will compete with

companies that are owned in Canada by Canadians and will pay just half the tax. That is the position as I see it. Perhaps I have a wrong impression. Will the minister give some explanation?

Mr. DUNNING: Perhaps a word on the object in addition to what was said in the budget address is in order at this stage, and I shall admit at the outset that this is a very complicated matter which calls for considerably more legal knowledge than I have. I can say at once that the object is to produce more revenue from the class of companies embraced within the next few sections. It is estimated, as closely as the officials can estimate it, that approximately $1,000,000 of additional revenue should be involved in the changes provided. The object is partly to reverse the taxation instituted, I believe, in 1933 whereby dividends paid out by certain companies were taxable, thus differing in principle from income tax in general, which is a tax upon income coming in. At that time there were difficulties which I can appreciate, difficulties in the form of surpluses accumulated prior to the time the taxation of 1933 came into force. These difficulties still exist, because many of these companies do not pay out their surpluses in the form of dividends but allow them to accumulate. It is thought better to inaugurate taxation based upon income rather than to rely upon being able, at some unknown date in the future, to tax, as provided for in the existing law, the disbursement of surplus. Surpluses tend to accumulate year by year, in many cases reaching very substantial sums, and there is at least some difficulty when we contemplate the possibility of such companies being able to get out at some stage without paying a tax upon their disbursements in the form of dividends. I shall not attempt to discuss the legal possibilities in that regard. It will perhaps be sufficient at this stage to say that it must be remembered that some of these corporations have no assets in Canada, nothing which can be attached here, and the sums involved are considerable. For that reason the government is of the view that it would be far better to tax the revenue of such companies as it comes in rather than to rely upon receiving taxation from them as they pay out that revenue, now or in the future, in the form of dividends.

It may be asked: Why halve the normal corporation tax rate? The present rate of taxation on some companies, in so far as they are taxed under the present law, is 5 per cent when they pay out their dividends. As to making the tax half the normal corporation rate, the reason is, of course, as I indicated in committee of ways and means, our desire not to drive these corporations out but to make them pay revenue to the dominion treasury. Obviously, if we taxed them too highly from their own point of view, being international they could move anywhere and they would undoubtedly move out. I am of the opinion that if we attempted to charge the normal Canadian corporation tax all such companies would vanish from our midst and consequently be non-taxable. Indeed, representations are made to me that the rate of taxation proposed in the bill will have the effect of driving some of them elsewhere. Be that as it may, after listening to all the representations on the subject, we believe that this is fair taxation and should not involve the companies in question moving out, but should result in a substantial increase in revenue to the federal treasury from this source.

Mr. BENNETT: I think the minister must be in error in assuming that such companies have no assets in this country that we can get control of, for this is the definition on page 2 of the bill:

> "Non-resident-owned-investment corporation" means a company incorporated in Canada, at least ninety-five per centum of the aggregate value of whose issued shares and all of whose bonds, debentures and other securities or evidences of funded indebtedness are beneficially owned by persons who are non-residents of Canada or are owned or held by trustees for the benefit of non-resident persons....

And so on. And the income arises:

> (i) from the ownership of or the trading or dealing in bonds, stocks or shares, debentures, mortgages, hypothecs, bills, notes or other similar property, or any interest therein;
> (ii) from the lending of money with or without security, or by way of rent, annuity, royalty, interest or dividend;
> (iii) from or by virtue of any right, title or interest in or to any estate or trust.

Obviously the corporation has assets in Canada, and obviously the assets arise from the fact that it is domiciled in Canada, because it must be incorporated in Canada.

Mr. DUNNING: It need not have assets here.

Mr. BENNETT: It might have assets outside this country, but it is a company over which we have control because it is incorporated under our companies act, either federal or provincial; and once the parliament of Canada is seized of jurisdiction with respect to a company incorporated under our law, I should think it might deal with that company's assets, even though they were outside the country, by being able to deal with the

corporate existence of the enterprise. I did know of a British company incorporated in Prince Edward Island. It would be difficult to say, with respect to trading within the limits prescribed by sections 1, 2 and 3, that this parliament would have no control over it at all, because in the very nature of things, for taxing purposes, I think we could easily relate ourselves to its assets. The point is that, as a matter of fact, it does compete with existing organizations which are paying 15 per cent tax in Canada. I am not unmindful of the difficulties with regard to the whole question. The former Minister of Finance initiated this form of taxation and he was at once inundated with protests. It was indicated that it would be injurious to the invitation of additional capital to come to this country seeking investment. But if it is to seek investment as a trading corporation in Canada, then its position should not be vastly different from that of other companies doing business in this country. If, on the other hand, it does not do that and its assets are in some other country, then this form of taxation should secure more revenue for Canada than the other method. But there should be a clear distinction between the two. If the corporation uses one of the large trust companies for the purpose of holding $10,000,000, and accumulates dividends without parting with them, it is obvious it is not paying taxation. If, however, this method is pursued, then 7½ per cent of its income is affected, which would be a much larger sum than could possibly be secured through a 5 per cent tax on dividends, for in many instances these companies permit their dividends to accumulate.

I was under the impression, however, that there was in our taxation act a provision by which dividends that accumulate in the way of rest or reserve or surplus are liable to taxation if they are not declared. That is so with respect to our own domestic companies, in any event. There was inserted in our law a provision whereby our companies could not escape taxation by accumulations in that way, although in 1930, of course, they were allowed to make a distribution of their surplus, and did so, without paying any taxes, from which situation we have not yet entirely recovered. But I was given to understand that the law as suggested by the departmental officials was ample to cover that situation, and that when certain contingencies happened the tax would be imposed. But as the section reads now, it was put to me a few days ago that what we are doing, after all, is saying that a firm of Canadians engaged in the same classes of business as defined in this statute in the last three clauses of paragraph (p) would pay 15 per cent on their income as an income tax, and that the shareholders would pay their appropriate income tax on the dividend they received, whatever that might be, whereas this enterprise incorporated in Canada, with shareholders of whom at least ninety-five per cent were resident outside Canada, would not pay any tax as the law stood, that is until the present amendment was made, except five per cent on the dividend as declared. That is as I understood the matter at that time. Such a corporation now has to pay 7½ per cent on the money which comes in by way of income in competition with other companies that are engaged in exactly the same class of business. Only the management in the one case is employed by people who reside outside Canada, and the management in the other case is employed by shareholders who reside in Canada and are shareholders of a corporation incorporated in Canada. That is the statement as it was put to me, and I want to be sure whether it is correct—it looks to me as though it is correct—namely, that when this company accumulates income, its head office being in Canada and its income being referable to that head office, and it has an income of $100,000, it pays $7,500 in taxes, whereas next door is a company engaged in exactly the same kind of business, with an income of $100,000, from which $15,000 is taken in taxes. I must say, after looking at the statute this afternoon and listening to what has been said, that seems a fair statement of the case, and it is that question which I desire to have answered in order that I may be informed and be in a position correctly to answer the inquiry which was made of me.

Mr. ILSLEY: I shall attempt to make some explanation of that apparent discrimination.

Mr. BENNETT: Well, is it correct? That is the first question.

Mr. ILSLEY: Not without a great deal of qualification. For instance, let us take what we call an ordinary financial corporation whose shares are not owned wholly by non-residents. That company, if its assets are partly in Canada and partly outside Canada, is taxed at the rate of 15 per cent, but some of its income is exempt entirely from taxation. For instance, that part of its income which is derived from dividends of Canadian companies which themselves have paid income tax is exempt entirely from taxation.

Mr. BENNETT: Quite so.

Mr. ILSLEY: And then with regard to the income which it derives from foreign sources, from foreign securities, this government does not get the whole 15 per cent upon the entire income of the corporation; it is obliged to give a credit of the tax.

Mr. BENNETT: Of the tax the corporation pays abroad?

Mr. ILSLEY: Paid abroad; so that it is impossible to say just what tax this government obtains from that corporation without knowing where its share holdings are and knowing in what securities it has invested. The provisions of the legislation are designed to reduce to a very small compass the number of cases in which there would be any discrimination whatever.

Mr. BENNETT: It might happen; probably it would not.

Mr ILSLEY: It might happen. I could quote an extreme case in which there would be discrimination, but in most instances there would not be any real discrimination with regard to taxation between the ordinary financial corporation and the proposed non-resident-owned investment corporation.

Mr. BETTS: I preface my remarks by saying that I do not wish to hold up the business of the committee, but inasmuch as this bill was handed to us only about an hour ago I wonder whether we could call it six o'clock, as I should like to have a chance to read the bill before anything more is carried.

Mr. BENNETT: It was not on our files this afternoon. We received it only a few minutes ago.

Mr. HEAPS: One minute to six.

Mr. DUNNING: You can object.

Mr. HEAPS: I have the right to object.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

The CHAIRMAN: At six o'clock we were on clause 2.

Mr. BENNETT: What has been the revenue that we have received under clause 4(k)?

Mr. ILSLEY: The amount received for the fiscal year 1935-36 from the five per cent dividend tax is $7,207,600.

Mr. CAHAN: As far as I can follow these changes I commend them as a good experiment, but I think it is purely an experiment, which will have to be reconsidered possibly at a later date. I think the department is perhaps going to the extreme, to such an extreme as may induce a number of these companies to change their incorporation and remove themselves entirely from Canadian jurisdiction. Nevertheless I can understand that an experiment should be tried, and at the end of a year or two the department may be compelled to reconsider the matter, from the point of view of revenue.

Mr. DUNNING: I should have indicated that our consideration of this matter is to some extent affected by the provisions of other countries, notably Great Britain. It will probably be remembered that the Chancellor of the Exchequer there gave certain intimations in his budget speech in reference to taxing people who, from his point of view, were not paying the tax which he thought they should pay to the British exchequer. That, of course, has a bearing upon what we do in Canada. I think there is much force in what my hon. friend says; it is a matter which we must be prepared to deal with from year to year in the light of experience and also in the light of what other countries are doing.

Mr. CAHAN: Of course the Chancellor of the British Exchequer is looking at the matter from an entirely different point of view from that from which we approach the study of the question. He undoubtedly is trying to find ways and means of increasing his collection of taxes from British subjects domiciled in Great Britain. We are attempting to increase our collection from those domiciled not only in Great Britain, but in France, the United States and other countries, who make use of a Canadian corporation to control the assets vested in such a corporation whose stockholders are not resident in this country.

Mr. BENNETT: Is the minister sure that the sum collected is over $7,000,000? That represents a distribution of nearly $150,000,000 disbursed by these companies.

Mr. ILSLEY: $7,207,600 is correct. This is the amount of tax collected not only on dividends sent abroad to shareholders of what are called 4(k) companies, but also on all dividends sent abroad to shareholders of Canadian companies, whether ordinary industrial or financial corporations or companies owned wholly abroad.

Mr. DUNNING: The collections under this section were not so much as that.

Mr. CAHAN: What the leader of the opposition (Mr. Bennett) had in mind is: Can

you distinguish now between the revenue received from 4(k) companies and the revenues received from foreign resident shareholders of Canadian companies?

Mr. DUNNING: No; we cannot do that. It all comes under the five per cent tax in our returns.

Section agreed to.

On section 3—Non-resident-owned investment corporation.

Mr. BETTS: I should like some help in connection with this clause. I am trying to ascertain the position of a company, under paragraph (p), as to which over ninety-five per cent of the stock is owned outside Canada, and whose gross income is derived from the ownership of stock. It is really a holding company. As I understand the definition of non-resident-owned investment corporation, such a company would be subject to a certain tax by, I think, section 9. But I find it impossible to reconcile that definition in paragraph (p) with the terms of section 4. Paragraph (i) of section 4(k) exempts certain corporations, among others a corporation "whose business operations are of an industrial, mining, commercial, public utility or public service nature, and are carried on entirely outside of Canada, either directly or through subsidiary or affiliated companies." That, I take it, would be the position of the company of which I speak.

Mr. ILSLEY: Non-resident-owned?

Mr. BETTS: Yes. I say it is possible to imagine a corporation which could fall under both those definitions.

Mr. CAHAN: Under either.

Mr. BETTS: Yes; put it that way, under either.

Mr. DUNNING: Under paragraph (p), as is indicated, the ownership must be at least ninety-five per cent outside Canada. That provision is simply to make allowance for directors' qualifying shares, and small holdings such as that. Also, the investment itself must be entirely outside Canada. Under section 4, which we have not yet reached, would come companies such as the Brazilian Traction, if there is no objection to my naming one. At the present time it is a 4(k) company in the sense that it is a Canadian holding company, the whole of whose assets and operations are outside Canada. It would qualify under section 4, but not under section 2.

Mr. BETTS: I do not see why it would not fall under paragraph 2 (p), and then be subject to a tax, because reading down in paragraph (p) I find:

... the gross income of which is derived from one or more of the following sources—

From the ownership of stock, and so on.

Mr. ILSLEY: The hon. member is right about that. He has in mind a holding company incorporated in Canada whose shares are shares in an industrial company carrying on business abroad; is that what the hon. member means?

Mr. BETTS: Yes.

Mr. ILSLEY: I understand the hon. member has that type of company in mind, and he says that holding company—

Mr. BETTS: No; whose shares are their own shares. They do not own the shares of another corporation.

Mr. ILSLEY: Perhaps I did not follow the hon. member, but I tried to do so when he was making his objection. I could see some validity in what he said, namely that if there were incorporated in Canada a company which held the shares of an industrial company the assets of which were abroad, then that company might come within the definition of a non-resident-owned investment corporation, and might also come within the definition of 4 (k) (i), because it would be a company whose operations are of an industrial nature, and 4 (k) (i) includes wholly owned subsidiary companies which are engaged solely in the transaction of business outside Canada. In the case of a company coming within both definitions, such company would have a right to elect as to whether it would be treated as a 4 (k) company or as a 2 (p) company. The right of election is provided for in another section of the bill.

Mr. CAHAN: Is it not clear that under paragraph (p) we are dealing with a non-resident-owned investment corporation?

Mr. ILSLEY: Yes.

Mr. CAHAN: That is not an operating company.

Mr. ILSLEY: No.

Mr. CAHAN: Brazilian Traction, Mexican Light and Power and Barcelona—there is a whole list of them—are not investment corporations within the meaning of paragraph (p); they are companies which are incorporated in this country and which are actually operating in foreign countries. That makes a clear distinction. It may be possible that one company may be found running near to

both lines, but that is the clear distinction in the type of company which comes under one or the other of these two provisions.

Mr. DUNNING: The ownership of shares also provides another distinction, in a practical way, although it is possible to visualize a situation in which the ownership of shares would not be a factor in the decision, because to come under paragraph (p) a company like Brazilian could not qualify because ninety-five per cent of its stock is not owned outside Canada.

Mr. ILSLEY: The company described by the hon. member for St. Lawrence-St. George could be only a 4 (k) company for reasons stated by the Minister of Finance, and also because it is an industrial company. It is carrying on industrial operations.

Mr. CAHAN: Quite so.

Mr. BETTS: Would it not be desirable to make it clear that 3 (p) companies do not include any 4 (k) companies.

Mr. ILSLEY: They may include some 4 (k) companies, and therefore the right of election is given in a later section of the bill.

Mr. CAHAN: The man who pays the tax has the right to elect.

Section agreed to.

On section 4—Business and assets situate abroad.

Mr. BENNETT: It is hard to think that any company coming within 2 (p) would come within this clause, because 2 (p) companies have to derive their incomes from (i) (ii) and (iii) of paragraph (p), whereas 4 (k) companies are industrial mining, commercial, public utility and public service companies gaining their revenue from their operations either directly or through subsidiaries.

Is $100 an ample filing fee in cases like this? Two of the companies that have been mentioned are incorporated by the parliament of Canada, and have all the protection which can be given to them. They pay $100 towards revenue.

Mr. DUNNING: That is a point worthy of consideration.

Mr. BENNETT: The fee has not been changed?

Mr. DUNNING: There has been no change, but I think the point is worthy of consideration.

Mr. BENNETT: What are the sections 19 and 22A that are added? I notice the words are "except as hereinafter provided by sections 19 and 22A."

Mr. ILSLEY: Section 19 is in the act at the present time.

Mr. CAHAN: It provides for distribution and winding up.

Mr. ILSLEY: Yes; section 22A deals with the taxable income of a non-resident-owned investment corporation.

Mr. BENNETT: I understand.

Section agreed to.

Section 5 agreed to.

On section 6—Non-resident-owned investment corporation elects.

Mr. BETTS: What is the tax upon income set out in paragraph E of the first schedule of the act? I cannot find it.

Mr. DUNNING: One-half of the corporate rate.

Mr. BETTS: Is it in the act?

Mr. DUNNING: In section 2 of the bill.

Mr. BENNETT: It is found in this bill, section 2.

Mr. BETTS: How does a company which falls under 4 (k) elect to pay a $100 filing fee only? I understood the minister to say that that right was available to a company falling under 4 (k).

Mr. ILSLEY: Yes. Companies which have been 4 (k) companies heretofore may qualify for admission to the class of non-resident-owned investment corporations, if they so desire. They have a right to elect to become non-resident-owned investment corporations, and to be so treated. That is provided for in this section. They may elect within such time effective from such date and in such manner as may be prescribed by regulations.

Mr. BENNETT: I can understand the variability with respect to the other factors, but to say, "in respect of periods after the coming into force of this subsection," seems to present some difficulty. It looks like variable fees. That is the only observation I have to make about it.

Mr. DUNNING: Of course, the idea of putting that language into the law is in order to deal with a situation where election takes place part way during the taxation period. A company may go along for one year under

one section, and then, some time during the following year, may elect to come under the other. Provision will have to be made whereby the minister will determine just when that election shall become effective.

Mr. BENNETT: The election must remain effective for the whole taxation period, one year, must it not? But, as the section reads, a company might elect one way for some months and then another way for the remaining months of the period. It is not desirable to have any election made except for the accounting period for which taxation is imposed, namely, the fiscal year, is it?

Mr. CAHAN: The accounting years of many of these companies do not correspond.

Mr. BENNETT: Quite so.

Mr. BETTS: On this question of election I may be stupid, but I can still visualize a situation in which, to turn back to section 3, paragraph (p):

—a company incorporated in Canada, at least ninety-five per centum of the aggregate value of whose issued shares and all of whose bonds, debentures and other securities or evidences of funded indebtedness are beneficially owned by persons who are non-residents of Canada—

And whose gross income is derived from the ownership of stock. Now that might be a 4(k) company.

Mr. ILSLEY: Yes.

Mr. BETTS: At least, if it wants to be a 4(k) company. Now, how does it elect? Where does it get the power to elect?

Mr. ILSLEY: It does not need to elect.

Mr. BETTS: Suppose somebody comes along and says: You are a non-resident-owned investment corporation. What then?

Mr. ILSLEY: If it is a 4(k) company within the definition of 4(k) companies, it is taxed as a 4(k) company. In order to be taxed as a non-resident-owned investment corporation it must elect.

Mr. BETTS: But my point is that it can fall within either the 2(p) or 4(k) definition by fulfilling these conditions which we find in 2(p), because they apply as well to the one as to the other.

Mr. ILSLEY: That company is a 4(k) company under the law, but it may move out of that class into the other class, the non-resident-owned investment corporation class, of its own volition by election if it can qualify as a non-resident-owned investment corporation. The hon. gentleman put this case. He said: Suppose somebody comes along and says: We have here a non-resident-owned investment corporation and we are going to tax it accordingly. But we cannot tax it accordingly unless the company itself elects to be a non-resident-owned investment corporation. Otherwise it has to be treated as a 4(k) company which it is under the law. The tax is not imposed on non-resident-owned investment corporations unless they elect to come under the provisions of section 6, which says:

A non-resident-owned investment corporation which elects ... shall not be liable to the tax provided for in subsection 2 of this section but shall pay a tax upon income at the rate set forth in paragraph E in the first schedule of this act.

Mr. BETTS: My difficulty is this. The minister says that the company which I just outlined to him is a 4(k) company, but as I read the definition of 2(p), the one definition would fit either one or the other class of companies.

Mr. ILSLEY: It may be a 4(k) company. Certainly not all the companies that are non-resident-owned investment corporations would necessarily be 4(k) companies, but there might be a company which could elect to come within the 2(p) category, and if that were the case and the company did nothing, it would be taxed as a 4(k) company. That is to say, there would be no income tax; there would be a tax only on dividends. But if the company elected to be regarded as a non-resident-owned investment corporation, then the tax applicable to those companies would apply to it.

Mr. BETTS: I do not see why you should say it is of necessity a 4(k) company.

Mr. ILSLEY: I did not. I am simply taking one that is a 4(k) company.

Mr. BETTS: I may be entirely wrong. I shall run over the definition I quoted before, and if the minister can tell me why that should be a 4(k) company more than a 3(p) corporation I shall be satisfied:

—a company incorporated in Canada, at least ninety-five per centum of the aggregate value of whose issued shares and all of whose bonds, debentures and other securities ... are beneficially owned by persons who are non-residents of Canada ... the gross income of which is derived from—

The ownership of stock. Now is that a 3(p) or a 4(k) company?

Mr. ILSLEY: It certainly is a 2(p) company; 2(p) is the proper number, not 3(p). But it may be a 4(k) company. It would be a 4(k) company when its assets and its business are all situated abroad, and when it

is an industrial corporation, not an investment corporation. Then, being a 4(k) company, it is exempt from income tax, but there is a tax on the dividends remitted to its non-resident shareholders, who, in the instance cited, would be all its shareholders. That is the way it would be taxed. It would be exempt unless it elected to come within the other provision applicable to non-resident-owned investment corporations, in which event it would be taxed on income, and not on dividends. That might be either an advantage or a disadvantage; it is for the company to decide.

Mr. BENNETT: Is there any doubt about the question of making more than one election a year? That is the point I put a moment ago. The words are, "from such date in respect of periods after the coming into force of this subsection and in such manner as may be prescribed by regulations hereunder." The company should not make more than one election in a year.

Mr. ILSLEY: I do not know what occasion there would be to make more than one election.

Mr. BENNETT: Suppose the nature of the business changes. Suppose I make an election now; I call the directors together and make an election. Then, six months hence, by reason of changes in my investments and in the set-up of the business, I make another election. I do not think there should be more than one election in a given fiscal period. Is the section open to that construction? That is all I am asking.

Mr. CAHAN: Would it not effect all that the department has in mind to leave out the words "in respect of periods after the coming into force of this subsection," so that it would read:

A non-resident-owned-investment corporation which elects within such time, effective from such date and in such manner as may be prescribed by regulations hereunder.

Mr. BENNETT: I would suggest leaving in the words "after the coming into force of this subsection," and delete the words "in respect of periods."

Mr. ILSLEY: It is hard to consider all the implications of the suggestions. For the moment, I cannot think of any objection to what is being suggested. However I would observe that this matter can be regulated under the powers of the section; the minister has the power to make regulations which would prevent anything unworkable.

Mr. BENNETT: If you take out the words "in respect of periods," there would not be a possibility of difficulty and you would not impair the value of the section.

Mr. DUNNING: The suggestion is to take out just the words "in respect of periods"?

Mr. BENNETT: Yes.

Mr. DUNNING: I have no objection.

Mr. ILSLEY: I move that the words "in" in line 30 and "respect of periods" in line 31 be struck out.

Section as amended agreed to.

On section 7—Five per cent tax on non-residents.

Mr. BENNETT: Would there be any harm in leaving out the words "or credited by"? Can a man escape the tax because it is credited and not paid to him?

Mr. ILSLEY: He might argue that he had not received it.

Section agreed to.

On section 8—Payments in respect of rights to the use of works whether copyrighted or not.

Mr. BENNETT: This section reads, "sixty per centum of such payments shall not be subject to the tax under this section." Does that mean sixty per cent in every year in any particular case? If that is continued, it will amount to many times the value which attaches to a film.

Mr. DUNNING: It is the amortization of the cost.

Mr. BENNETT: If it is carried on for three or four years in respect to the same transaction you will have dealt generously with the owner.

Mr. ILSLEY: Films have a short life.

Mr. BENNETT: Yes; I suppose that is so.

Section agreed to.

On section 9—Dividends of non-resident-owned investment corporations.

Mr. BENNETT: This is a most vital section and, if I am correctly informed, one that has caused a great deal of trouble. The following subsections are added:

Dividends paid or deemed to be paid by non-resident-owned investment corporations shall not be taxed under subsection 2 of this section, provided that there has been paid in respect of the income earned between the 1932 fiscal period and the fiscal period first taxed by reason of election under subsection four of section nine of this act, or in respect of dividends equal in amount to the said income, an amount of tax equal, in the aggregate, to five per centum of the said income.

What does "in the aggregate" mean? This is an annual tax.

Mr. DUNNING: There may be a combination of both.

Mr. BENNETT: This contemplates an election being made in the middle of the year and that is the reason why I asked my question. If the combination comes about by reason of the election, then part of the tax would be referable to the period before the election was made. As the tax is annual, you would have the year divided into two forms of taxation. That was one of the reasons I asked a question with respect to the preceding section.

Mr. DUNNING: Assume a case where small dividends are paid for a period and then an election is made, in the middle of the year or otherwise, to switch over to the other tax. The aggregate applies with respect to the tax from 1932 on. If there has been an escape from taxation, this provides the means of checking it up.

Mr. BENNETT: This is fixing 1932 as a base year?

Mr. DUNNING: Yes.

Mr. ILSLEY: The five per cent dividend tax was imposed in 1933.

Mr. DUNNING: This is the most difficult section there is.

Mr. CAHAN: Suppose that the tax in force did not apply to the extent of five per cent?

Mr. DUNNING: Because of no dividends being paid?

Mr. CAHAN: Yes, from 1932 to 1936; we shall say from March 31, 1932, to March 31, 1936. Is it not an unjust exaction by indirect means to increase the aggregate tax payable by means of an enactment made in May or June, 1936?

Mr. DUNNING: Let us assume two cases, in one of which a dividend is paid each year and is taxed as a dividend, and in the other in which a dividend is earned and not paid, but in connection with which on a subsequent occasion an election is made to come under the other category. My hon. friend can see that we should not be putting a premium upon the holding back of dividends in order to escape taxation. The two cases would be treated alike by virtue of this section.

Mr. CAHAN: I can see the point where dividends have been wilfully withheld.

Mr. DUNNING: Many of these companies are really formed with the object of paying out their incomes in the form of dividends only to a very limited extent.

[Mr. Bennett.]

Mr. BENNETT: As I read the subsection it provides that you shall not tax at the rate of 7½ per cent in the aggregate in any fiscal year when they have paid five per cent on what we consider as dividends; that is the fair way to put it?

Mr. ILSLEY: It is not quite correct. The 7½ per cent tax is not correct; it is really a five per cent tax by reason of later provisions in the legislation.

Mr. BENNETT: By reason of deductions and allowances. Then I shall use another wording. A tax which amounts to one-half of the tax on the income of a normal company, as provided for by section 2, if an election is made is not to be imposed if between the 1932 fiscal period and the final period first taxed by reason of the election the aggregate tax as paid equals five per cent of the said income. But does this section make that clear? There is nothing to indicate that the aggregate in one year shall be that. Surely it does not mean the aggregate in four years should equal five per cent. Is that clear? That is the whole point to which I direct attention. The words "fiscal period" are quite clear: "In respect of the income earned between the 1932 fiscal period"—whatever time in that year it is—"and the fiscal period first taxed by reason of election." That may be 1936; it must be some time this year, after this act comes into force. Then the subsection reads: "Or in respect of dividends equal in amount of the said income, an amount of tax equal, in the aggregate"—for the fiscal period —"to five per centum of the said income," because it must be an annual tax. As this subsection stands, it is during the period of four years that the five per cent must be made up. That is not what the government intends; the government intends to make the aggregate payment equal to five per cent of the dividend taxed during the fiscal period, or per annum, we shall say for the sake of argument. Now, this does not do anything but make it five per cent of the aggregate for the period, and there must be added somewhere in the subsection the words, "equal, in the aggregate in any one year or fiscal period," to five per cent of the said income.

Mr. ILSLEY: It does not seem to me to make any difference. We are speaking now of a period—

Mr. BENNETT: Which begins some time in 1932.

Mr. ILSLEY: Or at the end of 1932, the first of January, 1933. The normal case would be, perhaps, the first of January, 1933. Some time after the passing of this—

Mr. BENNETT: The first of July, 1936 say.

Mr. ILSLEY: —the first of July, 1936, there will be an election, and that election will relate to some fiscal period. It would probably relate to the calendar year 1936.

Mr. BENNETT: Quite so, because it must be a period subsequent to the date of the coming into force of the act.

Mr. ILSLEY: The date of the election must be subsequent.

Mr. BENNETT: The date of the period also.

Mr. ILSLEY: Let us say it is for the year 1936. We have to consider a period between these two dates and this will include the years 1933, 1934 and 1935.

Mr. CAHAN: Each year being a period.

Mr. ILSLEY: Yes. Now this section provides that the crown shall receive a tax of five per cent on the income during those three years.

Mr. BENNETT: Per annum or per fiscal period, not on the aggregate of the three years.

Mr. ILSLEY: Five per cent per annum, yes.

Mr. BENNETT: But is that clear? That is the only point, and I am afraid it is not clear. The minister's observation is not quite accurate because the date is subsequent to the coming into force of the subsection; it must be subsequent to that. The election is one thing, but the date must be subsequent to the coming into force of the subsection. The only criticism I have to make is that the subsection as it stands does not make it clear that the aggregate of the tax of five per cent must be in any one fiscal period or year, whichever term you use. As the subsection reads now, it would be necessary to take only an aggregate of five per cent for the whole of the period that has elapsed from the date in 1932 to the date of the election.

Mr. ILSLEY: I think it amounts to the same thing. Suppose the company earns $100,000 in each of the three years 1933, 1934 and 1935; that makes $300,000 the company has had that by way of income. We consider that we are entitled to five per cent of $300,000, and that is what the subsection provides.

Mr. CAHAN: But does it so provide? That is the point.

Mr. ILSLEY: Yes, I have no doubt that is what it provides. It says:

> Provided that there has been paid in respect of the income earned between the 1932 fiscal period and the fiscal period first taxed by reason of election under subsection 4 of section 9 of this act, or in respect of dividends equal in amount to the said income, an amount of tax equal, in the aggregate, to 5 per centum of the said income.

So long as we get five per cent of what is earned by way of income during that period, that is all that matters.

Mr. CAHAN: "Said income" applies to the aggregate between the 1932 fiscal period and the date of the election?

Mr. ILSLEY: Yes.

Mr. BENNETT: That is not quite the general principle which has governed in connection with these taxing acts. We have dealt with the income as income for a fiscal period or year; we are now dealing with it for a period, namely, that period which will have elapsed from some time in 1932 to the date of the election, which must be some time subsequent to the date of this subsection 4 coming into operation. The method of computation the minister has made fairly clear, but it is a departure from the ordinary rule that governs, because it deprives us of a certain measure of interest which we should otherwise get. We take the sum total of the income instead of computing it for the separate years. As the law now stands, we should be entitled to say: Your income in 1933 was $100,000; we were then entitled to $5,000, and as you did not pay it we are entitled to interest for a period of two or three years.

Mr. ILSLEY: As the law stands we are not entitled to anything until the income is paid out by way of dividends.

Mr. BENNETT: But we are predicating it on that assumption. As a matter of fact, they kept the money back from us; it was a scheme they devised for the purpose of escaping taxation. We are now making it retroactive to 1932, which is the base year from which we start, because that is the time we began to tax non-resident dividends. Then we say we shall take five per cent from that starting point in 1932 up to the date of election being made under this section subsequent to the coming into force of the section of the law which provides for the election. It must be subsequent to that date. I was dealing with the tax as an annual contribution.

Mr. CAHAN: It is a nice question whether "said income" covers the aggregate.

Mr. BENNETT: What is the real force of subsection 13 of section 9?

Mr. ILSLEY: There are certain companies that redeem debentures or bonds and in that way remit to bondholders abroad very substantial sums of money.

Mr. BENNETT: But are we going to get them at home? Never mind the people abroad; what about the people at home? I think I know what the minister desires to accomplish, and it is a very desirable thing to accomplish. This is in connection with a scheme of financial reorganization whereby a non-interest bearing debenture is issued, and then it is redeemed, really a method of getting something out of the company which was earned by the company but which, as the law stood, escaped taxation. I think the former minister gave some attention to this. Probably officials of the department and the income tax commissioners have been trying to devise some plan to meet it. As I understand the matter, this subsection is prepared for that purpose; that is, if the tax has not been imposed and the companies have paid nothing, under the provisions of this subsection they shall pay an amount equal to five per cent of the said income. That is the story?

Mr. DUNNING: Yes.

Mr. CAHAN: I think that covers it.

Mr. BENNETT: Yes; I think so.

Section agreed to.

On section 10—Trusts in favour of the same beneficiaries.

Mr. BENNETT: What is the necessity for that? That was to lessen the rate?

Mr. ILSLEY: Yes. Trusts were set up to lessen the rate, but all the money really belonged to the person who created the trust.

Section agreed to.

On section 11—Surplus distribution taxable.

Mr. BENNETT: In 1930, I think it was, we permitted the distribution of a surplus. Subsequently we passed a statute by which we hoped to tax that at some period of later distribution. Is that a fair way to put it? Now, what does this cover that was not then covered?

Surplus distribution taxable.

(1) On the winding up, discontinuance or reorganization of the business of any incorporated company, the distribution in any form of the property of the company shall be deemed to be the payment of a dividend to the extent that the company has on hand undistributed income.

[Mr. Bennett.]

That is, if the company has a surplus or rest which has been derived from operations, that would be undistributed income under this provision? Is that what is intended? I want to see if I have it clearly in my mind, because on the reorganization of a number of companies that has taken place in the last few years that question has always been put up to the commissioner of income tax, and I want to know exactly what this means.

Mr. ILSLEY: We did not intend by this to do anything except to carry on what has been done in the past. Subsection 1 is in the act at the present time. The proviso of the section is omitted and subsection 2 has been changed from subsection 2 of the act, but the object of subsection 1 is to tax surpluses when distributed as though they were income.

Mr. BENNETT: The minister understands that I have in mind the criticisms which have been made against certain reorganizations. The point I am trying to ascertain is whether or not, under this subsection as it reads, there can be any such thing as reorganization, where there has been an accumulated surplus derivable from operations and set up as reserve or rest on a reorganization of the business, without the payment of taxes. As the subsection now reads, I cannot see how that can be accomplished, but it has been done, and if there is no change in the law, I cannot see how they have escaped it.

Mr. DUNNING: There is no change in the law in that regard. The only change is the dropping of the proviso which provides for the companies dealt with elsewhere. That is absolutely the only change with regard to subsection 1.

Mr. BENNETT: Then I cannot see where that is ever going to be operative.

Section agreed to.

On section 12—Deductions not allowed.

Mr. CLARK (York-Sunbury): What is the point in deducting one-third of the dividends?

Mr. ILSLEY: At the present time the tax imposed upon dividends sent from this country to non-resident shareholders is five per cent of the dividend. A company whose assets and business are outside Canada would perhaps not elect to become a non-resident-owned investment corporation if by so doing it increased its tax substantially, from five per cent to 7½ per cent. The reason for providing that only two-thirds of the income derived from dividends of Canadian corporations shall be taxed is to equate the proposed income

tax on 2(p) companies with the dividend tax on 4(k) companies. It really means, in respect of the income of the 2(p) companies derived from Canadian dividends, that the tax rate is the same as it has been in the past, except that it is imposed upon the income, not upon the dividend. If it is imposed upon the income we get it as soon as the income is earned; if it is imposed upon the dividend we may not get it for many years to come. It was felt desirable to transform this from a dividend tax into an income tax, and it is clear that if you raised it to 7½ per cent there would not be the election which we desire to bring about.

Mr. BENNETT: As I understand it, what the minister says is this: Arbitrarily we have said that, in order to adjust upon a basis of equity the relations between these two classes of companies, payment shall be made of the tax upon two-thirds of the aggregate dividend received by that class of company from Canadian companies. That is the story?

Mr. DUNNING: That is correct.

Mr. BENNETT: And that is the arbitrary determination by the officers of the department as to what they think will be a reasonable arrangement to effectuate equality of treatment. That is the story, is it?

Mr. ILSLEY: That is the story.

Mr. BENNETT: I was a little curious as to how the government arrived at the two-thirds. As I understand the situation, the effort is, not to increase the toll taken from these companies, but to take it in a different form, because, they not having received the dividend we could not obtain it, but by taking it from income we receive it in a different form; and two-thirds of the dividend shall be treated as the whole dividend for the purpose of computing five per cent. Is that the story?

Mr. DUNNING: That is the story, yes, very clearly put.

Section agreed to.

On section 13—Transfers in trust.

Mr. BENNETT: Are there any changes in this? The law at present is very clear; I cannot in my lifetime create a trust which permits the corpus of the trust to come back to me, and thus avoid taxation. That is the general rule. Now what does this effect?

(3) Where a person transfers property in trust and provides that the corpus of the trust shall revert either to the donor or to such persons as he might determine at a future date or where a trust provides that during the life-time of the donor no disposition or other dealing with the trust property shall be made without the consent, written or otherwise, of the donor, such person shall nevertheless be liable to be taxed on the income derived from the property transferred in trust or from property substituted therefor as if such transfer had not been made, unless the minister is satisfied that the contingencies expressed in the trust deed do not substantially affect what is in substance a bona fide gift and are not for the purpose of evading taxes on income imposed under this act.

The last part of that is new, is it not? As a matter of fact it does not need to be there at all as far as the law is concerned. Where a donor creates a trust and that trust leaves the corpus in his hands or subject to his disposition he still must pay taxes upon the income from it, because he has not effectually put it out of his control. This is to declare the law, I take it, in order that there may be no doubt about it. But the provision at the end I certainly do not think is desirable. It is very undesirable to say that the minister shall be satisfied about any contingency.

I think the officers of the department will say that the law has been thus administered. I have in mind a case in which a gentleman told me that he had undertaken to make a trust, but he discovered that he had endeavoured to maintain control over the disposition of the corpus and he was informed that the revenue from that must be taxable. In other words, to use the language of Lord Eldon that I have so frequently quoted, you cannot approbate and reprobate at the same time. You cannot say: It is my property now for my purposes, and belong to the trustee for another purpose. I do not like this idea of:

—unless the minister is satisfied that the contingencies expressed in the trust deed do not substantially affect what is in substance a bona fide gift and are not for the purpose of evading taxes.

I submit that that is very unsound. If it is a gift, it is a gift; if it is a trust, it is a trust. The minister should not be the one to decide whether or not the donor has correctly interpreted his own intentions.

Mr. ILSLEY: I am afraid I cannot argue that point exhaustively. As I understand it, there are certain transactions described in the early part of the section which are not necessarily regarded as non-gifts, that is, are not necessarily transactions which leave the subject matter of the transaction in the hands of the donor. Let me read the subsection:

Where a person transfers property in trust and provides that the corpus of the trust shall revert either to the donor or to such persons as he might determine at a future date—

Mr. BENNETT: We are familiar with that form of trust.

Mr. ILSLEY: That would not be allowed as a gift.

Mr. BENNETT: No; I think that is quite clear.

Mr. ILSLEY (reading):

—or where a trust provides that during the lifetime of the donor no disposition or other dealing with the trust property shall be made without the consent, written or otherwise, of the donor—

Mr. BENNETT: That is no gift, because he still retains the power of disposition.

Mr. ILSLEY (reading):

—such person shall nevertheless be liable to be taxed on the income derived from the property transferred in trust or from property substituted therefor as if such transfer had not been made—

Mr. BENNETT: I wish the minister would stop there. It cannot be a bona fide gift and a trust fund at the same time. I think if the minister strikes these words out he will find it will not be an invitation to those who have to administer the act to depart from what is the declared sense of the law. I just suggest it.

Mr. ILSLEY: Perhaps we could leave this section for the moment, and I shall be prepared to say a word about it a little later.

Mr. BENNETT: Yes. Have I made the point clear? As the minister has read the subsection, it is quite clear that it is divided into two classes. Neither can be called a gift. It is also clear that where the donor retains the powers of disposition, either directly or by reversion to him of the corpus, or to a person named by him, then he does not escape taxation. Why? Because the power of disposition remains with him. I think the minister is inviting trouble if he puts himself into the position where he can say: Oh, yes, it is true this was a trust deed, and all that sort of thing, but you want me to find that this is a bona fide gift. If it is a gift, there is never any trouble about realizing that it is not a trust, and the man knew it was not a trust when he started. This subjects the minister to pressure which should not be put upon him; it is unfair to him and to the administration of the legislation. I am trying to put myself in the minister's place; I would not want to be subject to that form of pressure, having people come to me and say: It is true it is a trust, but I want you to say it is all right.

Mr. DUNNING: Then section 13 stands for the moment.

Section stands.

On section 14—Interest and penalty.

Mr. BENNETT: What is the four per cent?

Mr. DUNNING: It is the penalty. There is a reduction in both.

Section agreed to.

On section 15—One-third tax to be forwarded with return, balance within four months with interest.

Mr. BENNETT: Reverting to the latter part of section 14, I take it that this is intended to be applicable to the future, not only to this year. As it stands now it reads:

—shall be applicable only in respect of the tax payable on the income of the year 1935—

Surely that is not what is intended to be said.

Mr. ILSLEY: At the present time the tax is payable in four instalments. The first instalment is due April 30, and they continue from that date.

Mr. BENNETT: The rate of interest was six per cent and will be made five per cent; the penalty was four per cent and we are going to make it three per cent. But it is only one word to which I am directing the minister's attention. The end of the section says that it shall apply "only in respect of the tax payable on the income of the year 1935." If we say that it shall be applicable in respect of the tax payable on the income for the year 1935, and the fiscal period ending therein and thereafter, that is all we need to say until such time as we again amend it.

Mr. DUNNING: Section 15 considered in conjunction with section 14 clarifies the matter.

Mr. ILSLEY: Paragraphs 48 and 49 provide for payment by four instalments. I shall read them:

48. Every person liable to pay any tax under this act shall send with the return of the income upon which such tax is payable not less than one-quarter of the amount of such tax, and may pay the balance if any, of such tax, in not more than three equal bi-monthly instalments thereafter, together with interest at the rate of six per centum per annum upon each instalment from the last day prescribed for making such return to the time payment is made.

Paragraph 49 prescribes the penalty for short payment. Payment in four instalments is provided for in paragraphs 48 and 49. By a later section in the bill we propose to make the tax payable not in four but in

two instalments. Therefore sections 48 and 49 as now existing in the act will apply only this year, and when we amend those sections we amend them for this year only. Later we substitute two other sections for them, providing for payment of income tax in two instalments instead of four.

Mr. DUNNING: Section 15 clarifies the matter.

Mr. ILSLEY: If we were not to leave the word "only" in the section, we would be in a bad way. By this measure we provide for the payment of two instalments, and by section 14 we would be providing for the payment of four instalments.

Mr. BENNETT: The minister could have answered by saying that it is not intended that section 14 shall apply other than this year. I was simply asking whether the word "only" was used inadvertently, because clearly five per cent is to be the rate hereafter, and three per cent the penalty. It is not necessary to put in the word "only." But the minister has said that this is a separate thing standing by itself, and that therefore the word "only" should be there.

As regards section 15 is it desirable in these days of slow recovery to accelerate in that way the payment of income tax? Frankly, my observations would lead me to believe that with provincial taxes in most of the provinces the burden has become rather onerous, and to make instalments payable three in this year, and two in following years, is going to impose a heavy burden on a great many people.

Mr. ILSLEY: We are making a concession to the taxpayer by reducing the rate of interest he must pay and another concession by reducing the rate of penalty, when he does not pay as he should pay. Instead of ten per cent he will be charged only eight per cent, and then the taxpayer is asked to do something for us, namely to pay his tax before the end of August, and to make his payments in two instalments instead of four. In this way we shall reduce the overhead and make less work. We shall save a great deal in administration costs because at the present time there are endless interest computations necessitated by these numerous payment dates.

Mr. BENNETT: I am afraid most taxpayers do not regard the concession as comparable with the increased burden.

Section agreed to.

On section 16—Interest.

Mr. BENNETT: I think this is pretty hard, but it is not for me to say.

Section agreed to.

On section 17—Agreements with provincial governments.

Mr. BENNETT: What do we get for doing this? Have we any agreement with Ontario in connection with collecting the income tax for that province?

Mr. ILSLEY: The agreement with Ontario is not yet signed, but it is prepared and the terms have been orally agreed upon.

Mr. BENNETT: Does it mean that we get a collection fee for the service we render?

Mr. ILSLEY: Yes, we do.

Section agreed to.

Section 18 agreed to.

On section 19—Exemption from gift tax.

Mr. BENNETT: Is it correct that this applies only to gifts of capital? It cannot apply to gifts of any kind, because a man pays his tax on his income. If I give away a thousand dollars surely I cannot have a gift tax on it.

Mr. DUNNING: The present gift tax applies to gifts whether they come from capital or income.

Mr. BENNETT: The tax is bad enough as it is.

Mr. DUNNING: That is the way in which it has been administered so far; regardless of source, from either capital or income, it has so far been taxed. To some extent this is a relaxation.

Mr. BENNETT: I was told not. A man pays his tax at a certain rate, and he gives away a thousand dollars for some deserving purpose, possibly not to a charity, but for educational purposes; surely that should not be taxed. That would be absurd. The purpose of the act when it was put on the statute books was to prevent the distribution of capital under the guise of gifts, but the law was never meant to interfere with income; a man can do what he likes with his income after he pays his tax. No person ever thought of imposing a tax on the gifts a man made out of his income.

Mr. ILSLEY: His freedom from all taxes on that does not depend upon whether it is taken out of his income; it depends upon whether it comes within the exemptions set out in the act.

Mr. BENNETT: The exemptions do not touch it.

Mr. ILSLEY: We have added another one. The exemptions are in section 88 of the act. I do not know that I need read them all. If he made a gift of one thousand dollars it would be exempt under this section.

Mr. BENNETT: I mean outside exemptions, altogether. I never have heard it suggested until this minute that it covered gifts made out of income, which had paid a high tax. Nobody ever thought of doing it until this minute. Look at the absurdity of it. I speak feelingly about it. You pay a thousand dollars to some youngster who is trying to get through university. You have already paid on that amount your income tax of, let us say for the sake of argument, at least thirty per cent, and now somebody says that you must pay a gift tax as well on that thousand dollars. The whole purpose of the gift tax was to meet the situation created by the distribution of capital by those who were endeavouring to escape taxation by making family gifts, as was the case in the United States. But in the United States they never thought of imposing a tax on gifts made out of income. I have made inquiries about the matter, and if this is to be the law, it will necessitate revision of my taxation account, at any rate. I have never heard of anything of the sort, and certainly as far as I know it has never been so interpreted in this country. It would be absurd if it were so, and the sooner it is ended the better. Every time I give away a quarter on the street to a chap to get something to eat, do I have to keep an account of that because I give it out of my income, on which I have already paid income tax amounting to from thirty to fifty per cent? The reason for the gift tax was so clear. I remember when the gift tax was brought down by the minister. We followed the course that had been taken by the United States where fortunes were being distributed to escape taxation by the donor dividing his fortune among his family before death. There were three events that were challenged by the taxing authority. There was, first, the creation of a trust. If the trust completely severed the donor from his property, it was not taxable. If the donor still retained disposition of the corpus, it was taxable. People got over that by making outright gifts of $100,000 or $200,000 or $300,000, and that transferred the property and ended the matter. We followed, for the purpose of dealing with that very situation. The minister had in mind a particular case which had arisen. Suppose I gave $100 to the Red Cross; that is a charity and therefore is exempt from taxation. But suppose I give $100 to someone I have never seen, who desires to complete his education in Saskatchewan. Must I pay, in addition to the tax I have paid on that as part of my income, a gift tax as well?

Mr. NEILL: Surely not in addition.

Mr. BENNETT: That is the situation exactly. That is the absurdity of it.

Mr. NEILL: Is it not rather that you are not allowed to deduct that; you cannot claim it as an exemption?

Mr. BENNETT: No. They want me to pay a gift tax on it in addition.

Mr. ILSLEY: The commissioner of income tax advises me that no inquiry is made as to whether the gift is made out of income or principal, and in all the cases put by the right hon. gentleman he would be exempt because the gifts he enumerated are among the exemptions.

Mr. BENNETT: No.

Mr. ILSLEY: The thousand dollars—

Mr. BENNETT: No; the thousand dollars has long since gone, and so has the payment to charity. They tax the gifts made out of my income. The authorities have advised me that gifts for education and matters of that kind cannot be taxed.

Mr. ILSLEY: There is an exemption.

Mr. BENNETT: But it is a limited exemption. I am talking of sums that far exceed the exemption. Surely it is not suggested in this country that, after having paid the present high rates of income taxes, if you give away money for any purpose in the world that is not covered by section 88, you have to pay a gift tax when the money comes out of your income.

Mr. NEILL: It is ridiculous.

Mr. BENNETT: Not only ridiculous, but the statute never meant that.

Mr. DUNNING: Section 88, as it stands, does not appear to carry the meaning my right hon. friend says:

> Save as herein otherwise provided, there shall be assessed and paid upon the transfer in any year by any individual residing or ordinarily resident in Canada of any property (whether situate within or outside of

Canada) transferred by way of gift or donation a tax payable by such individual at the rate applicable in respect of the aggregate value of all the property so transferred during the year by such individual under the following schedule.

Then the schedule is set out.

Mr. BENNETT: That is just what it means—"property" transferred during the year. That does not mean a man's income; it means his property.

Mr. DUNNING: Subsection 2 provides:

The tax so imposed shall apply whether the transfer is in trust or otherwise, or direct or indirect, or whether the property is real or personal, tangible or intangible, and shall extend to gifts made by personal corporations.

Then comes the date payable, the donor being personally liable, the assessment, and application of the provisions of the act, and then the exemptions. But the commissioner advises me that certainly there has been no distinction whatever made from the point of view of the leader of the opposition.

Mr. BENNETT: Nobody ever thought of taxing gifts from income. Think of the effect of it.

Mr. MACKENZIE (Vancouver): How long has this been in operation?

Mr. BENNETT: The minister brought it in last year.

Mr. MACKENZIE (Vancouver): Has it had time to operate yet?

Mr. BENNETT: Oh, yes. Not only has it operated but the question became acute in a discussion I had only a few days ago. It is an invitation to leave this country quickly, and to give away no money. That is the main thing. It is a great invitation not to give anything to anybody, and the sooner you end it the better. A person pays a tax on the high rising scale of income taxes that we have in this act, and then you say that if a man with any surplus income gives anything away to a needy person he must pay a gift tax of eight per cent on what he gives away. Surely that was not ever intended to be the law of Canada. It certainly was not the intention of the former minister when he introduced the tax, or of parliament when it passed it. I recall vividly the circumstances that gave rise to its coming into operation. What is more, this will mean that people will have to revise their whole accounting arrangements because everybody is giving away money from time to time, I hope, to the extent of his ability, and he never thinks, because he gives it out of his income, therefore it is subject to a gift tax. Nobody has ever suggested this to me before. It seems so absurd. Where a man has a large fortune and gives away $100,000 to this member of his family, $100,000 to another, and so on, to escape taxation—that is what the statute was passed for. I can only say with respect to the people who have been trying to give away a little money—and I think I have been one—that this will necessitate a revision of my own position and that of many other people in this country who have endeavoured to help the poor, and have never asked exemption for so doing. I do not want to talk about my own affairs, but during the last year I have helped in education in every province of this dominion, I have aided young people, some of whom I have never seen, and as long as the money came out of my income I did not think it was taxable; neither did the former minister who brought in the gift tax. It has always been assumed that the gift tax referred only to a distribution of capital; that when capital was distributed it was taxable.

Mr. CAMERON (Cape Breton): As I heard that section read by the finance minister, I certainly think it bears the interpretation which the minister is contending for. I would like to suggest to the leader of the opposition that there is a rule which settles the will of parliament. It is not what is in people's minds but what parliament says in black and white, and what is written in the section says that the gift is taxable even if it comes out of income.

Mr. BENNETT: I do not think that was ever intended.

Mr. CAMERON (Cape Breton): I believe it was not intended, and I think the section should be corrected. But that is the way it reads.

Mr. BENNETT: I warrant that there is not a man in either chamber of this parliament who has any such idea.

Mr. CAMERON (Cape Breton): I do not believe it is right.

Mr. ESLING: If one chooses to give away a piece of revenue producing real estate after he has paid income tax and municipal tax, is he then to be taxed on the gift which he has given away outright? I can cite such a case. I have had a piece of property in Calgary for twenty-five years which does not even pay the taxes. If I want to give it away for nothing shall I be taxed?

Mr. ILSLEY: The tax would be very small.

Mr. BENNETT: It is the principle.

Mr. ILSLEY: That gift undoubtedly would come within the exemptions.

Mr. ESLING: It is to an individual.

Mr. DUNNING: Under the amendments now proposed, a gift not exceeding $1,000 to any individual would be exempt.

Mr. ESLING: There might be other gifts a man would like to make.

Mr. DUNNING: So long as they do not exceed $1,000 to any one individual, he can give away as many as he likes under the amendment now proposed. The separate gifts would not be taxable provided they were under $1,000. That is the change being proposed here.

Mr. BENNETT: It is absurd.

Mr. DUNNING: We are at least improving the situation a little.

Mr. BENNETT: As far as I am concerned, not a bit.

Mr. CAMERON (Cape Breton): I think the whole thing should be repealed.

Mr. ESLING: Suppose the value is more than $1,000 and you want to give away a piece of revenue producing property; in the computation of your income tax, your tax would be reduced, whereas the one to whom you give the property must make a return. It looks to me as though the tax is being doubled.

Mr. ILSLEY: The donee may be in a lower tax category than the donor, and in that way the income tax might be reduced.

Mr. BENNETT: Surely the minister will not say that there has ever been anyone who has paid a gift tax on a gift made out of income. Certainly I never heard of such a thing until I heard it in this committee tonight. Money taken out of the income of a man who has paid his income tax and surtax is now to be taxed. This will mean that people will not give away any money. I do not think the section was ever intended for any such purpose. I was not in the chamber when the section passed and I do not know how this came about. The provision was intended to prevent the distribution of property in order to remove incomes from the higher brackets, which might run as high as sixty or seventy per cent and get it down to a lower and more desirable bracket. A man might transfer two or three hundred thousand dollars to a wife or to daughters or sons and thus reduce his income and bring it down to a lower bracket. But now the government says that we are going to be taxed for giving away a little money after we have paid our income taxes, both federal and provincial. Certainly that cannot be the intention of parliament. Certainly parliament would never have passed the section over my say-so if I had known that was the interpretation to be placed upon it. This is just one of those sort of things which makes one wonder what it is all about. If in an economic depression one wants to become as generous as possible and give as much as he can, after he has paid high taxes, both federal and provincial, he is to be taxed because he makes a gift! A man is in difficulty; he writes you a letter and you send him $500 which you know you will never get back. This is a gift as far as you are concerned.

Mr. DUNNING: To each individual, yes.

Mr. BENNETT: This is a tax on a gift out of income; it puts people in a very difficult position who have been dealing honestly with their income tax.

Mr. NEILL: Most of the debate this evening has been far above my head, being a lawyers' debate on legal technicalities, but even my lay mind can grasp this situation. Years and years ago the government of the day conceived it to be a good idea to encourage people to give money for charitable purposes. They inserted a clause in the law providing income tax exemptions on such gifts up to ten per cent. These exemptions were to be obtained on the production of receipt to show that you had contributed to charitable institutions and so on. A broad interpretation was placed upon the section, the idea being to encourage people to make such contributions. We are now placing a direct tax upon generosity.

Mr. DUNNING: That is not correct; the tax now exists; we are modifying it.

Mr. NEILL: We passed a bad section last year, but the principle is absolutely wrong to penalize a person with generous motives, who gives money away. Certainly if this section means anything at all, it is in the direction of discouraging that kind of thing. I think we shall make ourselves a laughing stock if we pass legislation like this.

Mr. BENNETT: It certainly never was intended by parliament that there should be a tax on gifts out of income.

Mr. ILSLEY: I might have been able to make a better defence of this legislation if I had had some notice of it. We are improving the legislation by degrees. With regard to the point raised by the hon. member for

Comox-Alberni (Mr. Neill), gifts or contributions to charitable organizations or educational institutions in Canada, when operated exclusively as such and not for the benefit, profit or gain of any person, member or shareholder, are exempt from the gift tax. By this proposed legislation, any number of gifts of $1,000 each are to be exempt from the gift tax, and over and above that, $4,000 in gifts is exempt from the gift tax. There are a number of other exemptions, but when we get out of the exemptions, gifts are taxable. No inquiry is made as to whether these gifts are made out of capital or out of income. I could see great administrative difficulty in making such an inquiry necessary. For instance, a man might claim that certain expenditures had been made out of his capital as his income had been used up, and who is to say whether he is right? At any rate, we are administering the law as we found it and as it stands, and I am not prepared at the moment to try to draft an amendment to place before the committee.

Mr. DUNNING: I think the intention might be found in the budget speech last year of the former Minister of Finance Mr. Rhodes. At page 1986 of Hansard of 1935, Mr. Rhodes is reported as follows:

> Finally, it is proposed to levy a tax on gifts. This form of tax, adopted by many countries, is being imposed primarily to operate as a deterrent to transfers of property by gift, chiefly within family groups which would have the effect of reducing personal income to lower brackets and thus securing income tax assessment at rates lower than would otherwise be applicable. It is particularly expedient to introduce this measure at this time in view of the higher rates of taxation provided for in the new surtax on investment income. Not only should this tax put our income tax structure on a more secure foundation but also it should operate in a like manner with regard to succession and inheritance taxes levied by the provinces.
>
> The rates at which gifts are to be taxed are as follows.

Then the list is given. I call attention particularly to this:

> The tax shall not apply to gifts between husband and wife, nor to gifts to minors, as under the present act the donor in such cases continues to be taxed on the income from the property so transferred.

Mr. BENNETT. Yes; that makes the case complete.

Mr. DUNNING: He goes on:

> Certain classes of gifts are to remain free from tax such as, for example, gifts made for charitable, religious, educational, scientific or literary purposes, or to the dominion, any province or political subdivision thereof for public purposes. Furthermore, gifts in the aggregate not exceeding $1,000 a year are to be free from tax.

I have not the later discussion in committee of ways and means; that will be in a furthur volume of Hansard. Certainly, however, the administration of that section so far, under the government of my right hon. friend and under this government, has not contemplated a distinction as to whether the gift came from capital or income, so far as the donor is concerned.

Mr. BENNETT: For the obvious reason that no one has paid tax on gifts from income in this country, so far as I know.

Mr. DUNNING: I may tell my right hon. friend that I myself had some difficulty in deciding what I should return because of the existence of that provision.

Mr. BENNETT: As it stands now the government should at least give some consideration to it, for it never was intended to dry up the sources of gifts in this country. As it stands now, I must try to keep a record of the number of ten dollar gifts I make.

Mr. DUNNING: No, because the exemption is large enough to cover that.

Mr. BENNETT: Yes; but that applies to gifts not exceeding $1,000. After making his return and paying a tax on that basis, if the donor gives away money out of his income he will have to pay seven or eight per cent. This puts Canada in a class by itself; no other country so far as I can ascertain has thought of doing such a thing. Certainly, if my information is correct, this is not the situation in England, and they tax gifts, as do the United States. The minister referred to the case where capital is given away for the purpose of getting into a lower bracket. In that case there is a tax. But giving income away does not get you into a lower bracket unless you convert the income into capital; you spend your income and that is the end of it. I can only say that it is a desperate situation if it is as the minister suggests. The late government never had any intention of doing any such thing.

Mr. DUNNING: But the statute is there.

Mr. BENNETT: I think the explanation in the statute itself makes it clear. It was never intended to tax gifts out of income.

Mr. DUNNING: If it was clear before then it is still clear.

Mr. BENNETT: But the question has arisen now, it has been suggested that the law is not clear.

Mr. DUNNING: If the intention of the statute is as my right hon. friend suggests, and if it can be so construed, then the amendment is not changing the intention of the last parliament.

Mr. BENNETT: But the law should be clarified now if there is any question about it.

Mr. CAMERON (Cape Breton): The speech of the former Minister of Finance is not a rule for interpreting the statute.

Mr. DUNNING: Only as to intention.

Mr. CAMERON (Cape Breton): But his interpretation makes it clear that he had no idea that income was taxable. I think the legislation should be clarified. Once the taxpayer makes his return showing his income, on which income he will pay his tax, he should not have to account for any gifts which he may make during the year out of that income. He makes his return and pays his tax.

Mr. BENNETT: I do not think the clause should carry. At the same time, it is clear that this does not touch the operative section out of which this trouble has arisen. If language means anything, the language of the former Minister of Finance meant that gifts from income are not taxable; that is as clear as any man can put it.

Mr. MACKENZIE (Vancouver): I read entirely the other way the language of the Minister of Finance of last year.

Mr. BENNETT: He spoke of a man trying to get out of one bracket into another by giving away capital. But now we are discussing the gift tax.

Mr. MACKENZIE (Vancouver): What he said was:

> The tax shall not apply to gifts between husband and wife, nor to gifts to minors, as under the present act the donor in such cases continues to be taxed on the income from the property so transferred.

Therefore the income tax does not apply under the exemptions made by the minister last year with respect to the gift tax, the inference being strong that it applies to those not exempted.

Mr. BENNETT: But read the first statement made by the former minister when he said that he proposed to impose the gift tax.

Mr. MACKENZIE (Vancouver): This was what he said:

> Finally, it is proposed to levy a tax on gifts. This form of tax, adopted by many countries, is being imposed primarily to operate as a deterrent to transfers of property by gift, chiefly within family groups which would have the effect of reducing personal income to lower brackets and thus securing income tax assessment at rates lower than would otherwise be applicable. It is particularly expedient to introduce this measure at this time in view of the higher rates of taxation provided for in the new surtax on investment income. Not only should this tax put our income tax structure on a more secure foundation but also it should operate in a like manner with regard to succession and inheritance taxes levied by the provinces.

Then comes the crucial point where he makes specific exemptions from the gift tax:

> The tax shall not apply to gifts between husband and wife, nor to gifts to minors, as under the present act the donor in such cases continues to be taxed on the income from the property so transferred.

He is making a special exemption, with reference to exemptions under the gift tax, leaving the obvious inference that in all other cases income is taxable.

Mr. BENNETT: But the hon. gentleman uses "income" in a wrong sense. There is no tax on gifts between husband and wife. The husband has an income of $50,000 and hands $25,000 to his wife. Somebody else takes $25,000 and gives it away in ten and twenty dollar lots, and he has to pay the tax. That is not what was intended. There is no question of exemption with respect to husband and wife, because it dealt with income.

Mr. DUNNING: In committee of ways and means last year there was a little discussion which to some extent clarifies the intention further. After making an explanation in response to a plea by Mr. Coote to have the exemption raised a little, the then Minister of Finance said, as reported in Hansard, volume 4, 1935:

> Mr. Rhodes: Mr. Chairman, we did make inquiry with respect to this tax, which is in operation in other countries. The nearest example is to be found in the United States. The object of the tax is obvious; it is to prevent an individual with an income which would bear a very heavy income tax from escaping that tax by handing over to certain relatives, perhaps to his immediate family, a physical volume of securities, for instance, which would have the effect of dividing his income among five or six persons.

Mr. BENNETT: Can you get anything clearer than that?

Mr. DUNNING (reading):

> These, paying individual income tax, would come under a lower bracket, being in receipt of a smaller income, and in the aggregate the income tax payable by these individuals would be nothing like the income tax that would be paid by the man under the higher bracket.

Mr. BENNETT: Quite so.

Mr. DUNNING (reading):

It was to prevent that sort of thing, without the state securing some compensation by way of revenue, that this gift tax was imposed. The figure originally mentioned in the resolution was $1,000.

He is now speaking of the exemption.

That was raised, because we did not want to include in the category of gifts which were intended to be taxed, for the reasons I have just indicated, certain bona fide gifts by individuals to members of their families by way of an annual income, for example. There were certain cases of that. Inasmuch as the individual who gives, we will say, an annuity of $4,000 to a member of his family has paid an income tax upon that, the exchequer is not cheated. Possibly $5,000 might be a fairer figure; that is the figure set in the United States. I should be quite content to have it raised to $5,000, but I doubt if we would be wise in increasing the exemption beyond that figure. In that regard I am entirely in the judgment of the committee.

The intention there, so far as I can gather it, is certainly to tax income.

Mr. BENNETT: No, exactly the opposite. It cannot mean anything but just that, that there should be no tax upon distribution of income by gift. Why? Because, he says, the idea is to prevent men from giving away their property in such a way as to make the aggregate tax payable upon the income derived from it, by the persons to whom they give it, less than if they paid in the higher brackets. You could not make the case clearer than that to show that the tax refers to corpus only and not to income.

Mr. DUNNING: But in the further reference to exemption—

Mr. BENNETT: The exemptions only strengthen the case.

Mr. DUNNING: The figure originally mentioned, the former minister said, speaking of exemptions, was $1,000. That was raised—

—because we did not want to include in the category of gifts which were intended to be taxed, for the reasons I have just indicated, certain bona fide gifts by individuals to members of their families by way of an annual income, for example. There were certain cases of that. Inasmuch as the individual who gives, we will say, an annuity of $4,000 to a member of his family has paid an income tax upon that, the exchequer is not cheated. Possibly $5,000 might be a fairer figure—

And so on. To my mind the then minister on that occasion was certainly talking of a gift from income, and speaking of the exemption provision as one which would operate to prevent the individual being taxed twice on that amount.

Mr. BENNETT: Nothing can more clearly indicate that the minister had not in mind income than the reason he gave when the matter was first dealt with. The tax was a tax on gifts of principal which had the effect of reducing the income tax paid to the state upon a fortune. A man has $1,000,000 of income from his securities, and he wants to reduce that to $600,000. He gives securities to his children, just as the former minister says, until he reduces the income to that amount. Thereupon the tax that he pays is in the lower brackets of twenty and twenty-five per cent instead of sixty and seventy per cent. The others are in the low brackets as respects the sum total of taxes they pay, and as the former minister points out, the tax is less than the man would probably have paid as owner of all the property. I am not going to mention the particular case that the former minister had in mind when he was discussing that point, but nobody ever suggested seriously until I heard it here to-night that the income the man received was also to be taxable. The former minister said, "When a man provides an annuity of $4,000 for somebody we allow for that, because he has made a gift; he has set it aside and the income from it. He is not required to pay because it goes to that other person." To provide $4,000 or $5,000, $100,000 is set aside; that is quite common in this country; and because the former minister wanted to protect that sort of gift he said that he was not going to charge a gift tax on that transaction. That is all there is about the matter, but certainly from my standpoint it is incredible that any one should suggest it was ever the intention of the late government to impose a tax upon gifts made out of income. The hon. member talks about administration. It is as simple as one, two, three as far as administration is concerned. That bogey has been worked to death in this country. By the time we get down to a fair appreciation of what is involved, we shall realize that it will be disastrous to any man who is trying to do something to aid another. A thousand dollars is not any good. For instance, what about a man's election expenses? Suppose he helps a friend by giving him $5,000.

An hon. MEMBER: Too much.

Mr. BENNETT: Let us say it is too much. But even supposing it is, some of us have been known to have—

Mr. DUNNING: He could go to a thousand dollars a head, which would be more helpful.

Mr. BENNETT: That is not the point. The candidate makes his return. Suppose a man pays in $5,000 to the fund in Queens county, Prince Edward Island.

Mr. DUNNING: Thank you.

Mr. BENNETT: Suppose he does that. Is he to pay eight per cent on that? Was it ever intended that the income thus used by him in his discretion should pay this tax? Surely the mere statement carries its refutation on its face. I know this much; it was never intended by the late government that it should be so. That is made clear by the explanation of the former minister which has just been read. I cannot speak with certainty, but it is not my understanding that such is the position in the United States, though they tax everything there, even the profits you make on the exchanges; here we do not. All the former minister was trying to do was to prevent a lessening of taxation by a distribution of the corpus of one's fortune. "I am going to take toll," he said, "out of that fortune as it is being disbursed by a man in his lifetime so that he may pay less taxes." As a matter of fact the practice of making distribution of the corpus of the estate was getting quite common in this country. I am greatly opposed to the section as it stands. I think the government should modify the principles of the law in that regard, because hitherto such has never been the intention of parliament; certainly I have not gone upon that assumption, nor has anyone else as far as I know.

Mr. ILSLEY: In the light of this discussion I think I should say that as far as I am concerned I would certainly consider an amendment, but not at this session. I have been trying to determine what sort of amendment would meet the case of the right hon. gentleman.

Mr. BENNETT: Oh, it is easy.

Mr. ILSLEY: But certainly an exemption up to the amount of the taxpayer's income would not be proper.

Mr. BENNETT: Why?

Mr. ILSLEY: Because in that event he would say that his personal expenditures, whether $50,000 or $100,000, were out of capital.

Mr. BENNETT: How could he?

Mr. ILSLEY: He would say that the gift was out of income. He could claim the exemption for the gift up to the amount of the income and then his other expenditures would be deemed in reduction of capital.

Mr. BENNETT: I do not understand that. I confess the genius of the minister's advisers is beyond me.

Mr. ILSLEY: Let us think about that for a moment. The right hon. gentleman has not suggested anything.

[Mr. Dunning.]

Mr. BENNETT: Yes; I suggested that the law should be what was originally intended. There should be no tax except on capital distribution; that was all that ever was intended by this parliament or by the former minister who introduced the gift tax. The last extract read by the minister makes that quite clear.

Mr. ILSLEY: Suppose a gift of $100,000 comes to the attention of the department. The taxpayer says: That gift was out of income, because I have an income of $100,000. We say: But what about the other $100,000 that you spent on yourself and your wife and family and trips to Europe?

Mr. BENNETT: He can give it to his wife if he likes.

Mr. ILSLEY: He says: I have a right to use up my capital in trips to Europe if I like. The amendment I have proposed to-night is the only one I can think of at the moment. If he can deplete his capital, and claim exemption by saying it was out of income—

Mr. BENNETT: That could not last long.

Mr. ILSLEY: The right hon. gentleman will say: You could make provision or regulations to prevent that. I think we could, but it will take some consideration. I shall give consideration to the matter for next session, but not for this.

Mr. BENNETT: But think of the inequity of the section as it stands. There is the former minister's statement of what he introduced the tax for, and now we are going exactly opposite to that. When he brought in that bill he said that he did it for a given purpose, and we are negativing that purpose by saying that we are going to tax every gift. As regards the illustration about going to Europe, of course that is not a deductible item, in any event. One can speak with certainty about some things, that is what he knows himself. I am not engaged any longer in the practice of my profession; therefore I pay my income tax on income from investments, except as to the salary which I receive here and the indemnity. The two together make a sum in excess of that which I am allowed to deduct. In other words the maximum income which I am supposed to earn is $14,000, is it not? The rest of it is subject to surtax. I pay the ordinary tax, and then on any sums in excess of $14,000 there is the surtax. I am allowed $1,000 exemption, being single, plus what the department may regard as being vouched for as charitable donations, under the law not exceeding ten per cent of the taxable income. Then there is the provincial tax which

is on the amount of your income less the dominion tax. Now the government seeks to make it impossible for me to lower the brackets under which I pay. As the former minister says, that can be brought about only in one way, not by gift of income, but by gift of capital. Giving away all my income, to whomever I give it, and in whatever sums, does not change the bracket. The bracket can be changed only in one way, that is by the gift of capital, the corpus.

Mr. DUNNING: It could be changed for the next year by the gift of a large part of the income of this year.

Mr. BENNETT: No; I could not change the bracket in the least.

Mr. DUNNING: For the next year.

Mr. BENNETT: But the principal is still intact; that is the whole point. It is no use for the minister to suggest that the bracket can be changed in the way he indicates; it cannot be done. The cold-blooded fact is that my corpus has not changed between last year and this year. From that capital I have "X" income, and whatever I do with it cannot in any sense change the bracket. That is quite clear. That being so, that I cannot change the bracket by any gift of income, and the former minister having said that the purpose was to prevent a change of bracket, obviously there is only one way by which that can be prevented, that is by a tax on corpus. As regards the explanation given as to $1,000, $2,000, $3,000, $4,000, I could give the history of that. A man gives a bond of $1,000 as a birthday present to his child; no one suggests that is going to be taxed, whether he went to his safety deposit box and took $1,000 out and gave it or paid it out of income. But when he takes $100,000 or ten times $100,000, then there is to be a tax. But if he buys out of his income a $1,000 bond, that just adds to what the state gets. That is the odd part. Bear this in mind, that every time a man invests any part of his income as additional capital and thereby converts it into capital, the state wins. There are no longer any tax-exempt bonds; there will not be any to buy after 1937. Every time a man out of his income invests $5,000 he has added to his taxable income for next year, from which income the state takes its piece. But it is now said that if he gives away any part of his income, he incurs an additional burden of eight per cent in addition to the three kinds of tax he now pays, his income tax, the tax he pays the province and the surtax. Well, Mr. Rhodes, the ex-Minister of Finance, explained what he was doing; he was making it impossible for a man with a fortune to reduce his bracket rate of income tax by giving his capital to his family. If he gives it to his wife he does not escape; why? Because she gets the income and pays tax on it. It is not as though this was not done with exactitude; it was done with care. The language is clear. There is no doubt as to Mr. Rhodes' explanation, and if one reads the section as it stands, it must be applicable only to gifts of corpus or capital. It would be an almost intolerable situation to suggest that a gift of capital is not in a different position from a gift of income. To tax a gift of income is to impose a burden on those who are anxious to pay; if that is the theory, it will make more people want to leave this country than do now. One would be very much better off in England, although we talk about the high taxes there, than with the municipal, provincial and federal taxes we have here, and in addition a gift tax on everything a man gives away. How much of a man's income does anyone think he spends on himself? Three meals a day and a few clothes! A very small part. The rest of it finds its way into channels of commerce in some way; he gives it here and there and elsewhere; he incurs obligations; he goes into various ventures, and now he is told that if he uses that income in the way in which he desires he has to pay a gift tax on it. This is wholly at variance with what Mr. Rhodes had in mind. When I heard the last statement read by the minister it recalled it exactly as Mr. Rhodes put it; that is the whole foundation of that tax. To suggest that this was a tax against income is to do violence to anything any hon. member had in mind at the time the provision was passed; I am sure of that. I was not here; I was ill, as a matter of fact I never heard of it being discussed until it was mentioned the other day.

Section agreed to.

Mr. BENNETT: Mr. Chairman, this clause in any event would have to pass; whether the tax be on income or capital would not make any difference. But it afforded an opportunity for the discussion.

Mr. DUNNING: No; this is a modification of the bearing of it.

Mr. BENNETT: That is all.

On section 20—Exemption of metalliferous mines.

Mr. BENNETT: This is another illustration of the unfairness of it. Suppose a man's income is entirely derived from gold mines. Until last year he paid a tax on fifty per

cent of the income, and that is all. If he gave away the other fifty per cent, he could pay the tax on it and still be better off than nowadays, whatever might be left to himself or whatever might be accumulated surplus. We changed this to thirty-three and a third per cent. Just see how it applies: First of all a man has a reduction of fifty per cent on his taxable income. The man's income as certified by the auditors is $10,000,000. After depletion is taken off and depreciation is allowed he has a net profit of $10,000,000. Fifteen per cent of that is $1,500,000. But instead of paying on the $10,000,000 you split it in two and make it $5,000,000. Then you pay 15 per cent on that, which makes $750,000. That is the tax. Now comes the distribution of $10,000,000, in part, because part of it is still kept for reserve and rest. They distribute the dividends to shareholders and the balance is profits. Do they pay income tax, as I do? No; they reduce by thirty-three and a third per cent that dividend cheque and pay income tax on that.

Mr. DUNNING: Twenty per cent.

Mr. BENNETT: It was thirty-three and a third per cent.

Mr. DUNNING: Not on dividends.

Mr. BENNETT: It was fifty per cent when we came into office.

Mr. DUNNING: You reduced it to twenty per cent.

Mr. BENNETT: We reduced it to thirty-three and a third per cent.

Mr. ILSLEY: For companies and twenty per cent for individuals.

Mr. BENNETT: When one begins to talk about allowances for depletion and depreciation, this should be in the statute itself I had intended to deal with it by statute. It is not right to have it left to the caprice of individuals. It should be settled and fixed by statute. At one time it was to be; then it was settled by regulation. I am not sure now whether it is by regulation or statute. The former minister had intended to provide for it by statute but whether it has been done or not I cannot say. The minister has the statute before him; would he state whether it is by regulation or statute?

Mr. ILSLEY: By regulation, and always has been.

Mr. BENNETT: That is right; it has been. In view of the fact we are undertaking to make a contract not to vary the tax for a given number of years it might be desirable that in the statute itself there should be stated just what is to be allowed for depletion. For when you read in the papers that the ore reserves are now good for fifty years, and that is put in the annual report, and you show that a rest is accumulated by which the company could in any event retire its common shares at their original cost, it is a little difficult to understand why they should be thus favoured beyond any other person. There was great trouble in the department for a long time in getting the depletion in connection with coal mines settled. In the United States they settled it in one way. They had great difficulty to get it settled in this country. The same applies to silver, platinum, nickel, copper and so on. Might it not be desirable that there should be a schedule indicating just what the allowance would be for depletion in the company's hands and in the hands of the dividend receiver?

Section agreed to.

Section 21 agreed to.

On section 22—Taxation periods affected.

Mr. STEVENS: Section 22 refers to sections 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, and 16 of the act and it states that they shall be applicable to the income for the year 1935. It will be noted that in section 8 which is one of these, provision is made for the taxation of motion picture films, and an exemption of sixty per cent is allowed. But the practice in this and, I take it, in some other instances, is to remit royalties, or whatever the earnings may be, monthly or at short periods of time. Virtually all of that which occurred prior to the notification of the public that this was to be done had been remitted. Obviously an agent who could not possibly be expected to have anything like the resources of his principals could not bear the taxation, and could not collect it from his principals. I should like to ask the minister if that feature of it has been given consideration, and if those who have remitted the income to their principals in Great Britain, for instance, for British films or matters of that kind—I imagine musical copyrighted productions would be in the same position—will now be called upon to try to pay the tax for the 1935 year, which I submit in many many cases will be utterly impossible?

Mr. ILSLEY: I know that is the submission of certain persons who are affected by this provision. However, one has to know something about the whole background of the section in order to come to a conclusion as to what should be done. This is what

happened in connection with motion picture films: In the past the companies have been paying a five per cent tax on ten per cent of the royalties or payments they have been remitting. The view of the department is that they have got off very lightly in the years gone by. I do not know that we would be justified in limiting this to the year 1936 and subsequent periods. It is true that the tax could not be deducted from the remittances of last year, but they can be paid now in respect of the remittances of last year. We have arrived at a reasonable tax concerning the justice of which there can be very little dispute, namely two per cent of all such royalties or payments. That is to be the rate, instead of five per cent.

Mr. STEVENS: I am not criticizing the set-up. But may I put the matter to the minister in this way: While this is an income tax it is almost in the nature of a sales tax. If it were a sales tax and remittances were made for last year on goods sold and disposed of, we would not think of making it retroactive and applying it to invoices which had been issued. I imagine some of these remittances are made bi-monthly or monthly, at very short periods, and the transactions are ended. The minister has properly said that there was very light taxation in the past, but that was the law. We should not say: You have got off too easily, and therefore we shall come down on you with a heavy hand. That was the law.

Mr. ILSLEY: But our view was that there should have been a payment of five per cent on the whole thing, under the law as it stood. They have been paying five per cent on ten per cent, and were doing it through last year.

Mr. STEVENS: I think that is perfectly sound but it should be made applicable from the time the tax was announced in the budget, May 1. They could not possibly have known of it; the agent could not have retained the amount out of his remittances, and he will simply have to make it up in some way out of his own resources, which would not be fair. For instance, companies in the old country or in Germany or France, or wherever they may happen to be, certainly will not now pay a retroactive tax, and I earnestly suggest to the minister that in cases of that kind the tax should not be made applicable until the date it was announced, May 1.

Mr. ILSLEY: There are always objections to retroactive taxation, but it has been the practice here, ever since there have been amendments to the Income War Tax Act, to make the amendments, many of them at least, retroactive to the extent of the previous year. I do not think, therefore, that any more injustice will be done in this case than in the case of ordinary individuals. The view we have taken is that the five per cent is taxable on the whole remittance as the law stood. This now says that the five per cent is applicable only to forty per cent of the remittance. The companies claim that we should come to their point of view as regards last year and say that they should pay only five per cent on ten per cent of the remittance. We never concurred in their view that only ten per cent should be taxed. They want us not only to agree that that was the law but to confirm it now for last year. We have considered the matter and do not think we should do so.

Mr. STEVENS: While it is true that we have made the income tax retroactive or applied it to last year, that is quite normal because income tax returns for last year's income as a rule are not made until early this year. All I am asking in this case—I am not criticizing the rate of taxation proposed; I accept that—is that this tax, which is in the nature of a duty, should not be made applicable until the date the tax was announced, because the poor agent in this country, as far as I can see, is the one who will have to pay the tax. He having had a contract, and having fulfilled his contract and made his remittances, his company or his principals certainly would not think of returning to him the taxes for last year which now suddenly and unexpectedly become payable. I think the agent is the one who will have to bear the weight of this taxation. This is not something that is sweeping over a very wide field and for the future we could make clear what is taxable and impose the taxation, but in justice, fairness and equity to the agent I submit that the tax should not be applicable this year prior to May 1, the date when the budget came down.

Section agreed to.

Sections 23 and 24 agreed to.

On section 13—Transfers in trust.

Mr. ILSLEY: Mr. Chairman, upon consideration I agree that the change suggested by the leader of the opposition should be made in this section, and I therefore move that all the words after the word "made" in line 41 of page 6 to the end of the subsection be struck out.

Section as amended agreed to.

On section 20—Exemption of metalliferous mines.

Mr. BENNETT: Mr. Chairman, I should like to say one word on section 89, which is a new section being added to the act by section 20 of this bill. I had intended to say something but we passed the section fairly quickly. Would it not be desirable to provide that the regulations shall be printed in the gazette? This is an extraordinary power which is being left to one man, and in view of the declared general policies of the administration I think it might be desirable that the regulations should be published in the gazette, and that notice should be given when the certificate issues. I do not wish to prolong the discussion in committee, but certainly in view of that power which is given, I think it would be desirable from the public standpoint, and from the standpoint of the minister himself, to have the regulations published in the gazette, and notice given when the certificate issues. Under the old law relating to the Interior department, when certain lands were alienated a certificate to that effect was issued, and I think a great deal of improvement may be effected in connection with the administration of the law if publicity is given as I suggest.

Mr. ILSLEY: Notice to whom?

Mr. BENNETT: Notice to the world in the gazette—notice is hereby given.

Mr. ILSLEY: I think publication in the gazette is reasonable, but I am just wondering whether it would not be sufficient if I gave an undertaking that notice will be published in the gazette.

Mr. BENNETT: The kind of notice I had reference to was such as was usually given under the Department of the Interior Act. For instance, under subsection 3 of section 89 you would say: Notice is hereby given that on July 1, 1937, a certificate was issued by the minister that a mine known as - - - - - - was deemed to have come into production from and after that date. That is what I mean. It is the old provision that had to do with publication in connection with any alienation of the public domain. In this case it is a question of lessening public taxation.

Mr. ILSLEY: I do not see that anybody is legitimately interested in that notice except the company. The public is likely to be misled by such a notice. I see no reason for publicity; on the other hand there are many objections against it. Speculators would say: The government has given a certificate that this mine has come into production. Now we do not know whether or not the mine is any good, but for our purposes we have come to the conclusion that it has come into production. That fact should not be paraded round the country as an invitation to persons to put their money into that mine; yet that is what might happen. I do not see what good it would do. The people interested in the notice are the people who will get the exemption, and we will tell them.

Mr. BENNETT: I would think it is far wider than that, but I shall not undertake to discuss it to-night. In any event the minister has to issue a certificate; I can move in the House of Commons to have it tabled, and therefore it follows that ultimately it may become a public document. I was suggesting that we follow the course which was pursued under our statutes in the early days with respect to the alienation of the public domain, when a certificate was published in the gazette with respect to lands in western Canada, mines, timber limits and matters of that sort. The gazette may not be the best place in the world to do it. But if any man has the duty cast upon him under the law, I submit that it is in the public interest that he discharge that duty involving the issuing of a certificate itself and publishing it in the gazette of the country, to the effect that notice is given; that pursuant to the provisions of section so-and-so a certificate has been issued that the mine has come into production. If the minister does not think well of the suggestion, I am quite content, but I think something of that sort would be in the interest of the minister as well as of the country.

Section agreed to.

Bill reported, read the third time, and passed.

UNEMPLOYMENT

AMENDMENT OF UNEMPLOYMENT RELIEF AND ASSISTANCE ACT, 1936, TO ASSIST PROVINCES IN RESPECT OF RELIEF EXPENDITURES

Hon. NORMAN McL. ROGERS (Minister of Labour) moved the second reading of Bill No. 100, to amend the Unemployment Relief and Assistance Act, 1936.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Agreements with provinces.

Mr. BENNETT: There was certain information the minister was to give.

Mr. ROGERS: Mr. Chairman, when the house was in committee on the resolution preceding this bill I gave an undertaking that at this stage I would give the leader of the opposition (Mr. Bennett) certain information

which he sought when the Unemployment Relief and Assistance Act, 1936, was before the house some weeks ago. His inquiry related to the adequacy of the federal supervision over relief expenditures in the western provinces, more particularly in Saskatchewan. He will correct me if I am mistaken in what I now say, but my impression was that he was concerned as to the adequacy of the supervision over expenditures under the farm placement scheme.

Mr. BENNETT: That was one of the questions.

Mr. ROGERS: Some question arose as to whether or not a representative of the dominion government had been asked to make a report under the farm placement scheme in the province of Saskatchewan. I may say that following that inquiry I secured information which I think will provide what the leader of the opposition had in mind. The facts of the matter are that Major Barnett was appointed to represent the Department of Finance in Saskatchewan in connection with the moneys advanced for relief in the drought area. That is to say, his duties related specifically to the accountable advance of $9,000,000 which was made for relief in the drought area. Major Barnett was appointed in November, 1934. Subsequently Mr. Burgess, whose name was also mentioned in the previous discussion, and certain other clerks were engaged to assist Major Barnett. When Major Barnett resigned, Mr. Burgess took his place in May, 1935. There was some trouble between the dominion government and the Saskatchewan government as to payments under the farm placement scheme, and there was a short period during which Major Barnett, acting for the dominion government, did assume responsibility for payments under the farm placement scheme. However, distribution was actually made from lists supplied by the province of Saskatchewan, the certificates of expenditure being signed by Major Barnett and countersigned by Mr. Symons, the resident auditor of the Department of Labour who has been in the service of the department since he was seconded from the income tax branch in November, 1931. While Major Barnett did supervise these expenditures during that brief period, there was no report made by him on the farm placement scheme in Saskatchewan. My right hon. friend will recall that that was one of the main points of his inquiry. I gathered that he was under the impression that a report had been made by Major Barnett or by Mr. Burgess with respect to expenditures under the farm placement scheme in Saskatchewan, but no such report was made to the Department of Labour.

Mr. HEAPS: I had hoped the minister would give a more extensive explanation of the general unemployment situation in the Dominion of Canada. I do not know whether he is prepared to give us any more information to-night than he did the other evening, but if he is, I shall be extremely glad.

Mr. ROGERS: On Friday evening the hon. member asked me if I was prepared to give a statement as to the number of those on relief in April of this year as compared with April of last year, or at any rate to give some comparison between the numbers on relief this year and last year. I gave him the preliminary figures for April of this year and the figures for April of last year, but I explained that the April figures were subject to correction. I may say that we now have available the preliminary figures for May of this year which can be compared with the figures for May of last year. The preliminary figures for May of this year indicate that there are 261,674 heads of families on relief, which figure includes 25,572 heads of families in the drought areas of the prairie provinces. Exclusive of the dried out areas the dependents and individual cases number 878,908. In the dried out areas there are 104,379 dependents and individual cases, and the total number on direct relief for the month of May is, therefore, 1,244,961 as compared with 1,277,464 in May, 1935, a reduction of 2·54 per cent. In addition, in May, 1936, there were 19,596 single homeless persons cared for as compared with 37,024 in May, 1935, a reduction of 47·07 per cent. There were employed on relief works at wages during May, 1936, 5,991 persons as compared with 12,330 in May, 1935, a reduction of 51·41 per cent. Including dependents, there were 18,295 individuals placed on the land under the relief settlement plan as compared with 18,097 last year. The number of persons placed under this plan, by the nature of the plan, will be larger with each succeeding year. These figures represent, I believe, the proportions of the relief problem at the present time as compared with last year, and obviously we have to consider the problem in a relative sense, using the figures of the preceding years as a measure of increase or decrease under the particular categories which I have given the committee. I take it that these are the figures which my hon. friend had in mind when he put his question to me some days ago.

Mr. BARBER: Is there any corresponding decrease in the cost of relief?

Mr. STIRLING: Will the minister give the figures with regard to the work camps instituted in connection with the railways?

Mr. ROGERS: I propose to take that question up later. I have made a notation of several questions put to me when the resolution was under consideration, and I have the information. First of all I might answer the question put by the hon. member (Mr. Barber), who has asked as to the total cost of relief this year as compared with last year, taking corresponding months. The total cost including expenditures by municipalities, provinces and dominion for April, 1935, was $7,771,279. The preliminary report from the provinces for April, 1936, indicates an expenditure of $7,490,801, a reduction of 3·61 per cent. I am giving the total figures and not simply the grant in aid by the dominion to the provinces for relief purposes.

Mr. DONNELLY: Do the figures given for the dried out area in western Canada include those who receive seed and feed or only those who receive groceries, coal and clothing?

Mr. ROGERS: I am informed that the figures for the dried out areas apply to those actually in receipt of relief within that area.

Mr. DONNELLY: But what kind of relief —clothing or seed?

Mr. ROGERS: Shelter, food and clothing. I do not think the figures I have given include those who receive seed and fodder.

Mr. POULIOT: This bill provides that the governor in council may enter into agreements with corporations, partnerships or individuals engaged in industry respecting the expansion of industrial employment. The minister should be very careful in dealing with companies or individuals as mentioned in the bill. There is something quite interesting which I should like to bring to his attention; I refer to what was said by the right hon. leader of the opposition (Mr. Bennett) when he was a witness before the committee on banking and commerce in 1934. According to an answer given by the Prime Minister (Mr. Mackenzie King) on June 4, the leader of the opposition was not sworn as a witness. He said, at page 194 of the report:

> ... and thereupon Mr. Beatty presented me a memorandum which was marked "confidential," the substance of which was communicated to me verbally and which, in fact, if my memory serves me, I read to my colleagues.

[Mr. Barber.]

Evidently the memorandum was confidential, because this question was put:

> In the office of the Prime Minister or in any other department, is there a copy of the memorandum presented by Sir E. W. Beatty, president of the Canadian Pacific Railway Company, to the Right Hon. R. B. Bennett, then Prime Minister, about the dominion guarantee of the $60,000,000 loan to the Canadian Pacific Railway, and referred to by the latter in his evidence before the select standing committee of banking and commerce during the year 1934, at page 194 of the report.

The answer of the department, 171G, was threefold: No, nil, no information. It is not surprising that it is impossible to get a copy of the memorandum. Now we have the letter of May 31, 1933.

Some hon. MEMBERS: Order.

Mr. POULIOT: I submit that I am in order because I am discussing action taken by the then Prime Minister under relief measures, and this is a continuation of those relief measures. I submit, therefore, that I am perfectly in order in discussing the whole matter.

The CHAIRMAN: The hon. gentleman has been in order so far.

Mr. BENNETT: It has nothing to do with this bill.

The CHAIRMAN: I would point out, with all due respect to the leader of the opposition, that the bill provides that the governor in council may enter into agreements with corporations, partnerships or individuals engaged in industry respecting the expansion of industrial employment.

Mr. STEWART: So far as future agreements are concerned.

Mr. POULIOT: I just want to warn the minister so that history may not repeat itself. The Secretary of State (Mr. Rinfret) said on June 9 that it was impossible to find the carbon copy of the letter of guarantee of May 31, 1933, which was signed by the then Prime Minister on behalf of the Dominion of Canada. In return No. 171E from the Department of Finance this information is given:

> Nothing on record in the Department of Finance within the scope of the above mentioned order.

The Department of Railways and Canals is not concerned. So far as the Prime Minister's office is concerned, there is no information on the files of the office relating to this

matter. So far as the privy council is concerned, there is no information. It was a letter which we may call of the vanishing kind. On May 31, 1933, the then Prime Minister was not Minister of Finance; the Minister of Finance was Hon. E. N. Rhodes, and the Minister of Railways and Canals was Hon. R. J. Manion, according to Hansard of May 27, 1936, page 3130. On June 3 I asked the following question:

1. From May 31, 1933, inclusive, until February 13, 1934, was a copy of the letter of guarantee, dated May 31, 1933, signed by the Right Hon. R. B. Bennett, then Prime Minister, and addressed to Sir Charles Gordon, president of the Bank of Montreal, about the $60,000,000 loan to the Canadian Pacific Railway Company, forwarded (a) to the Department of Finance; (b) to the Department of Railways and Canals, and (c) to any other department of the government.
2. If so, by whom, to whom, and on what date or dates?

The answer from all departments is also threefold: No, nil, no information. The question was also asked whether the then Prime Minister had asked for a ruling of the Department of Justice about the matter, and the answer from the Minister of Justice was that there was no record of the Department of Justice being asked to furnish such a ruling.

The CHAIRMAN: Order. I must inform the hon. member that he has been out of order for the last two or three minutes, because he is trying to connect with this last paragraph in the section something which in my judgment is not relevant. I would ask him to keep within the rules.

Mr. POULIOT: This bill is an act to amend The Unemployment Relief and Assistance Act, 1936, and you will find that it is an embodiment of all previous acts on relief. This guarantee was given in virtue of the relief act and therefore it forms part of the whole subject, so that I am perfectly in order in discussing what was done under the previous acts, in view of the fact that the main legislation which we are now amending is a continuation of the legislation in virtue of which that guarantee was given. I hope that explanation is satisfactory.

The CHAIRMAN: No; it is not quite satisfactory. All I ask my hon. friend to do is to confine his remarks to the bill now before the committee and not to introduce anything that is irrelevant.

Mr. POULIOT: According to this legislation the Minister of Labour (Mr. Rogers) will be bound to give a certain guarantee. I ask him one thing on behalf of the country; it is, not to practise any illegal operation on the east block for the removal of the viscera of the office of the Prime Minister into another building. It is not possible, according to the numerous returns which have been tabled at the very table before which the minister sits, to get any information about the matter. I will not insist on it any more at this time, but I have a lot to say, and I will say it elsewhere.

I have one thing to say in conclusion. It is, that all that has been done has not been done in vain, because that loan was mentioned in this committee on April 27 of this year, and the Canadian Pacific Railway Company, which prior to that time had paid only $12,000,000 on the capital of the loan, decided to pay, three days after that speech, on May 1, the total amount, both capital and interest, which was due. If what has been said did not serve any other purpose, it served at least to force the refunding of that loan. I hope that one document which is a state paper just as much as any paper can be, the guarantee of $60,000,000 on behalf of the dominion government, will, either as an exact copy or a carbon copy, remain on file. Why do we not have it now? It is because the then Prime Minister did not mind his own business, and was acting on behalf of all his ministers. In fact the few letters that were signed by the then Minister of Finance are still there, but they were signed after the order in council was passed, late in the fall. Therefore, sir, to be practical, I am sure that every minister will make a distinction between confidential and state papers. I had so much trouble, during the five years when the late government was in power, in getting some correspondence. I was told always that it was confidential. Here we have state papers which are therefore official and public, and they have vanished; it is impossible to get any trace of them. In England the thing would be decided by a court. In Canada we are more lenient. I cannot understand how such papers could have disappeared. It is impossible to find a trace of this document to which I refer, and the only copy which is on record in the Prime Minister's office is not a carbon copy of that famous and unforgettable letter; it is a copy of a return which has been tabled in this house.

Sir, the soil has been scratched. I attribute motives to no one, but I find it shameful to think that state papers which belong to this country have vanished. I cannot explain that, but the returns say so; the returns are official, and they will not disappear, because they will be locked in a room set apart for that purpose in the House of Commons. But the other papers belong just as much to the country. That is why I protest so strongly against their disappearance.

The CHAIRMAN: Is section 1 carried?

Mr. BENNETT: No, Mr. Chairman. In view of the observations that have been made by the hon. member (Mr. Pouliot) who has just taken his seat, I think it is very desirable to refer briefly to the matters to which he has alluded. It will be within the memory of this committee that the House of Commons standing committee heard witnesses with respect to this guarantee of $60,000,000 by the government of Canada. Departing from the general rule, I attended that committee, and I offered to be sworn, telling Colonel Ralston that if he desired to swear me I would be sworn. I gave my evidence, as did all witnesses before that committee, without being sworn, and on that occasion there were produced all the documents which had to do with this transaction. The letter to which reference has been made would naturally be in the hands of the addressee; that is where one would expect to find it. A copy of it was printed in the report which I have in my hands. Together with all the communications that passed, it will be found in the report of the banking and commerce committee. The Canadian Pacific Railway company paid $12,000,000 of the obligations, and this year retired the balance of it, $36,000,000, and the arrangement, that is the underwriting, was made, obviously, long before the matter was mentioned in this house. The guarantee was for a period of five years. I believe three of the years had expired when the payments were made in full. It was explained before the committee, not only by myself but by the president of the company, that the reason the order in council was not passed until the fall was because the president went to England hoping that he would be able to secure consent from the British authorities to sell his debenture stock upon the markets there. That permission was not forthcoming. On my return the order in council was prepared, and it has been frequently presented, in answer to a return of this house, and in the report of the committee on banking and commerce. I may add that the various letters which passed between Mr. Dodds and Sir George Perley are set out in this report of the committee on banking and commerce, from March 6, 1934 to June 14, 1934. In view of what has been said, since the member has made charges of illegality and wrongdoing and matters of that kind, I desire, in fairness to my colleagues as well as myself, to make a few observations, which I shall do at a later time, when we have again convened.

Mr. POULIOT: Mr. Chairman, the original letters from Mr. Dodds, Mr. Bog and Sir Charles Gordon are not there. Everything has vanished.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Tuesday, June 16, 1936

The house met at three o'clock.

ELECTIONS AND FRANCHISE

Mr. C. E. BOTHWELL (Swift Current) moved that the fourth and final report of the special committee on the elections and franchise acts, presented on June 11, be concurred in.

Motion agreed to.

GOLDFIELDS, SASKATCHEWAN

UNEMPLOYMENT RESULTING FROM INFLUX INTO MINING AREA

On the orders of the day:

Mr. CAMERON R. McINTOSH (Battleford North): Mr. Speaker, I desire to ask a question of the Minister of Labour (Mr. Rogers) in connection with Canada's youngest mining centre, Goldfields, on the eastern shore of Athabasca lake, which is in the North Battleford federal riding. The information received is to the effect that there is an influx of men into this young mining area, and the unemployment situation is serious. The report I have goes on to say that new arrivals are coming in daily, by boat and aeroplane, and already many are dependent on the charity of residents of the town and are eating and sleeping wherever they can. May I ask the Minister of Labour whether the government have been made aware of the unemployment situation there, either, indirectly through the medium of the province of Saskatchewan, or directly from the mining area of Goldfields; and if so, what action if any is contemplated.

Hon. NORMAN McL. ROGERS (Minister of Labour): Until I received this afternoon an intimation that this question was to be asked I had not been made aware of the situation referred to by my hon. friend. I am not certain what measures could be taken to arrest the movement into Goldfields, if the prospects are as attractive as suggested by my hon. friend, but I assure him that I shall look into the matter and take whatever measures may be possible.

BRITISH NORTH AMERICA ACT

INQUIRY WITH RESPECT TO SECURING OF AMENDMENTS

On the orders of the day:

Mr. J. S. WOODSWORTH (Winnipeg North Centre): May I ask the Minister of Justice (Mr. Lapointe) whether the government propose to take any steps in the near future to secure amendments to the British North America Act, or some method by which the the British North America Act may be amended?

Hon. ERNEST LAPOINTE (Minister of Justice): I am afraid this matter will have to stand until another session.

COPYRIGHT CONFERENCE

On the orders of the day:

Mr. E. R. E. CHEVRIER (Ottawa East): I should like to ask the Secretary of State (Mr. Rinfret) whether the convention on copyright scheduled to meet in Brussels this fall will meet, and if not, when it will meet and where.

Hon. FERNAND RINFRET (Secretary of State): I am glad the hon. gentleman has put that question, because it gives me an opportunity to make a public statement on the matter for the information of the house and the country. We have received an official notice that the proposed international copyright conference, which was to be held on September 7 in Brussels, will not take place this year. The communication states that it will take place another year, but does not give further particulars.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

Hon. CHARLES A. DUNNING (Minister of Finance) moved the third reading of Bill No. 82, to amend the Bank of Canada Act.

Mr. H. J. BARBER (Fraser Valley): Mr. Speaker, this is such an important piece of legislation, perhaps one of the most important that has come before any parliament, that on this, the third reading, those of us who did not speak on it previously should I think take advantage of this last opportunity to express our views. I say it is important because, as has already been pointed out, it was an issue in the last election, and the people have looked to this piece of legislation, the new set-up of this bank, the change that was promised with some hope of relief from present economic conditions. During the election Liberal speakers throughout the ridings of this country told the people that if the Liberal party was returned to power the Bank of Canada would be nationalized, taken over by the government and operated in the interests of the people. I think one member, the present Minister of National Defence (Mr. Mackenzie), went so far as to say in a speech in Vancouver, that, in addition, the Liberal party if returned to power would proceed to issue new money, and he mentioned an amount something like $50,000,000. The provinces, the municipalities and the cities naturally looked upon this proposed change as affording relief from the financial conditions from which they were suffering. They expected that money would circulate more freely. I think that impression was general throughout the country, and that is the reason, Mr. Speaker, I consider this one of the most important pieces of legislation that has come before the house. My reply to these gentlemen who advocated government ownership was this: that to do so was very simple, that the Bank of Canada was set up following the recommendations of a royal commission, and that if any government found that it did not work in the best interests of the people, the set-up of the bank could easily be changed. If that change was to be nationalization of the bank by the government taking it over, that could be accomplished very simply by taking over the stock of the private shareholders.

I think we all agree that what we need is not new money in this country but a greater velocity in the circulation of money. But so far the policy of this government, which has been in office now for six months, has been to adopt measures which tend to block rather than to stimulate the circulation of money. For instance, the Minister of Finance the other day announced that a large loan had been floated, and we all know that a very fine return was offered to investors to come forward and invest in that loan, an interest rate of 3½ per cent.

Mr. DUNNING: No.

Mr. BARBER: I believe it was close to that; at all events it was a greater return than could be received from investments in industry to-day. That was one action that was taken by the government that tended to slow up industry. Then we have the eight per cent sales tax, the highest sales tax known in any country, and all you have to do to learn its effects, is to inquire in business circles, where you will find that it has tended to slow up the circulation of the dollar.

I wish to refer now to one particular section of the bill, section 15. I approach this with a full knowledge that it is a subject upon which harsh words have been spoken and one which has caused bitter feeling in different parts of this country, but I believe this is the place to discuss it, not in the little red schoolhouse or on the back lines. I shall say what I have to say with the greatest moderation because I do not think anyone can accuse me of being intolerant in such matters.

I have the greatest respect and the greatest regard for our friends the French speaking Canadians of this country. I do not think anyone has a greater respect for them. I have made many friends amongst them since being here, and I hope they will take the remarks I make to-day in the spirit in which they are made, with the greatest of moderation. I was pleased to hear an hon. member from a town in the province of Quebec tell us the other evening how splendidly the French speaking and English speaking people of his town get along together; how for a long time they elected alternately a French speaking and then an English speaking mayor. That is a wonderful spirit; it is the spirit we must have between the two great races in Canada if we are to make this country what it should be. But I could not figure out just what that had to do with the question of bilingual currency in the year 1936. I say to the members of this house, and I say it in all earnestness, knowing this country pretty well, that I see great danger in this particular section at this time, a time when our people are suffering perhaps as they have never suffered before from economic conditions. I believe that this section is the sowing of seed that is bound to grow into an issue in this country which will be perhaps more serious than anything that has happened since confederation, something that will not be in the interests of harmony between the two great races and that will not be in the best interests of the minority in this country.

Just look at the picture, for instance, of western Canada. In the province from which I come, British Columbia, the French speaking population is less than three per cent; in Alberta the French speaking population is less than six per cent; in Saskatchewan it is less than six per cent, and in Manitoba it is less than seven per cent. I think I will put this table of figures on Hansard. It is based on the 1931 census and comes from the bureau of statistics:

Province	Total population	French population	Per cent
Manitoba	700,139	47,039	6.7
Saskatchewan	921,785	50,700	5.5
Alberta	731,605	38,377	5.2
British Columbia	694,263	15,028	2.1

Total population of the four western provinces, 3,047,792; French-speaking population of the four western provinces, 151,144; French-speaking population of the four western provinces 4.9 per cent of the total.

That shows quite a different picture from the one given the other evening by an hon. member from one of the ridings in the province of Quebec, and I think it is something that should be taken into consideration very seriously by this house.

I want to make this one statement. I do not believe that in this whole world there is a more tolerant people than the English speaking people of Canada. They have tolerated, in the past—I am going to put it that way—bilingual postage stamps, issued without any authority of parliament. They have tolerated the forms that were referred to by the Minister of Finance the other night, issued without the authority of parliament. As some hon. gentlemen know, they have in many sections protested strenuously against French announcements over the radio, with the result that they have been moderated. No English speaking member has stood on his feet in this house and said that as this is not according to the constitution, it should be removed. No; it was tolerated. Now with the authority of parliament we are going to provide that this is a bilingual country, that we are to have bilingual currency in circulation throughout the country. I warn the government and hon. members of this house that that will not create the harmony and cooperation that we

want to see between the two great races in Canada. I hope and trust it will never become a political issue, although it may be forced as an issue by the people.

I should like to quote from Hansard of 1905 in order to give a clear picture of how the Liberal party stood on this question. I refer to page 6026 of Hansard of May 21, 1905. The following questions were asked of Mr. Fielding, then Minister of Finance

1. Do any grave reasons of state exist that might prevent the Minister of Finance from having the dominion one dollar and two dollar notes or all other bank notes printed simultaneously in English and French?
2. Are they unaware in the finance department that the two languages are official in Canada?
3. Is it the intention of the Minister of Finance to rectify in the future this state of things by ordering that those bank notes be printed in both languages, English and French?

Mr. Fielding answered as follows:

There is nothing in the British North America Act or in any act of the parliament of Canada, which requires or contemplates the printing of dominion notes in two languages. The finance department has not contemplated the advisability of any departure from the practice which has existed under all governments from the beginning of confederation down to the present time.

That was the official statement of the Liberal party in 1905. When the present act was framed consideration was given by parliament to our French speaking Canadians for the first time in the history of this country. This act provides that notes of the Bank of Canada be printed in the French language as well as English. A large number of French speaking people live in the constituency which I have had the honour to represent for a number of years and I have never heard any objection on their part to receiving money printed in their own language. I do not think there has been any protest from the great masses of French speaking Canadians against money being printed in the French language. The provision in the present act has been working only about a year and it has not been given a chance.

The main argument of the minister is that it cost about $29,000 to print these bills in the French language. I have not heard any protest from any English speaking member of this house against the cost. Further, there has never been a protest from any English speaking member or from anyone else in Canada that I have heard of against the expenditure of hundreds of thousands of dollars spent in printing the proceedings of this house and the publications of the different departments in the French language. That was provided for and there has been no complaint. There has been no objection to that from the English speaking people. Is this action going to return to us the $29,000? No, it means that we are going to spend at least another $29,000 to print the new money. I think even some hon. members to my left will agree that that money could be spent to greater advantage these days.

The people of the two great races are not demanding a new dollar; they are demanding that they be given the opportunity to earn a dollar. They are not particular whether that dollar is new; they are prepared to accept the dollars that have been provided. What they want is an opportunity to earn a dollar. The great army of the unemployed want work in order that they may earn a dollar. Merchants, business men, farmers and citizens generally throughout this country are in dire need of purchasing power through the circulation of more dollars. I say to hon. members of this house: Instead of bringing up an issue like this at the present time, the spending of money which the Minister of Finance has complained about, let us, as the representatives of the people of Canada unite in an effort to try to improve conditions by assisting Canadians from one end of this great country to the other. I say to the house that the bringing up of an issue of this kind and the forcing of bilingual currency upon the great majority of English speaking people is not in the best interests of Canada as a whole.

I want to make one last appeal to the individual members of the house because it is the individual members who should decide these matters. I hope it will never become a party question, but this is a question that is put up to every individual member. It is not a question of the rights of the minority or the rights of the majority; it is a matter which should be considered in the light of present day conditions. It has been stated that the printing of the French bills cost $29,000, therefore it stands to reason that we shall have to spend at least $29,000 more. Is that wise? That money might better be spent in some other way. There has been no protest from the great masses of French speaking Canadians against the issue of bills printed in French. This has come from a group or organization of which we have heard during the last five years. A determined effort has been made, irrespective of the wishes of Canadians as a whole, to force bilingualism on this country. The thin end of the wedge has been driven in. As I have stated already, we have the bilingual postage stamp, which has been tolerated, but I fear the great masses of English speaking people will not

tolerate this. When people are in distress throughout the country we should direct our efforts to the improving of general conditions. I do not consider it too late to remedy this condition, therefore I move, seconded by the hon. member for Qu'Appelle (Mr. Perley):

That the said bill be not now read a third time but that it be referred back to the committee of the whole for the purpose of amending it by deleting therefrom section 15 thereof.

Right Hon. W. L. MACKENZIE KING (Prime Minister): This matter was debated so fully on the second reading of the bill and the Liberal point of view was so ably presented by the Minister of Justice (Mr. Lapointe) that I hesitate to attempt to add anything to what has already been said. But the remarks of the hon. member who has just taken his seat (Mr. Barber) have been such as, it seems to me, to require some further word in reply.

May I say at once that I take very strong exception to the view that because there is an English speaking majority in this country, that English majority lacks a sense of fair play towards the French minority, and that the English speaking majority—

Mr. BARBER: I said they always had.

Mr. MACKENZIE KING: My honourable friend may say they have always had, but he assumes that because there is an English speaking majority in this country the greater part of that majority wishes to have the bank notes of the country printed in English only and not in French.

Mr. BARBER: I said they should receive consideration.

Mr. MACKENZIE KING: I say to my hon. friend that there is as much justification for saying that the English speaking majority in Canada wish to have all the bank notes in this country printed in English only as there is for saying that the French minority wish to have all the bank notes printed in French only.

Some hon. MEMBERS: Oh, oh.

Mr. MACKENZIE KING: There is just as much justification for the one view as for the other. My own view as a citizen of Canada is that there is no more chivalrous element of the population than the French Canadian, and as one of British descent I hesitate for my part to be less chivalrous towards that section of the population simply because it happens to be in the minority and I am one of the majority. The leader of the opposition (Mr. Bennett), speaking the other day, said that the majority of the people of this country wished to have money printed in the one language only.

Mr. BENNETT: No, he did not.

Mr. MACKENZIE KING: Yes, I think he did. At any rate my right hon. friend said that the will of the majority was to have bank notes—

Mr. BENNETT: He did not.

Mr. MACKENZIE KING: I have not finished the sentence yet.

Mr. BENNETT: He did not say that at all.

Mr. MACKENZIE KING: My right hon. friend says he did not say what I am about to say before I have completed the statement.

Mr. BENNETT: The right hon. gentleman made enough of the statement.

Mr. MACKENZIE KING: My right hon. friend said that the will of the majority of the people of this country was not to have bilingual bank notes.

Mr. BENNETT: He did not say that.

Mr. MACKENZIE KING: He did say that the will of the majority was—

Mr. BENNETT: No.

Mr. MACKENZIE KING: —to have Bank of Canada notes printed in English to a certain extent and to a certain extent in French, and—

Mr. BENNETT: He did not say that; Hansard will speak for itself.

Mr. MACKENZIE KING: At any rate the impression I received and, I believe, the impression that every member of the house, and the country received—

Mr. BENNETT: No.

Mr. MACKENZIE KING: —was that my right hon. friend meant that the will of the majority in Canada was the will of the English speaking portion of the population,—

Mr. BENNETT: He did say quite the opposite.

Mr. MACKENZIE KING: —and that the will of the English speaking majority was that there should not be bilingual notes.

Mr. BENNETT: I said no such thing, Mr. Speaker.

Mr. MACKENZIE KING: My right hon. friend made his denial both before and after I spoke; I think that ought to be sufficient.

Mr. BENNETT: If I am to be quoted, the language of Hansard governs with respect to what I said. If the Prime Minister will be good enough to refer to what I said there will be no difficulty, but to have him place his interpretation on my words, that I cannot tolerate.

Mr. MACKENZIE KING: That assumed appeal to Hansard, as my right hon. friend knows, is a device in debate. He knows I do not happen to have before me at the moment the actual page of the debate. However, possibly some hon. member may be able to locate the reference before the debate is over. I do repeat that any assertion that the will of the majority of the people in this country is to be interpreted by my right hon. friend and those who sit behind him rather than by those who sit on this side of the house requires no refutation.

Mr. BENNETT: I distinctly said that I spoke for myself and not for those associated with me.

Mr. MACKENZIE KING: In speaking for himself, my right hon. friend referred to the will of the majority.

Mr. BENNETT: He did not.

Mr. MACKENZIE KING: He used those words.

Mr. BENNETT: He was speaking about something else entirely, and he did not say that he was speaking for the majority.

Mr. MACKENZIE KING: I shall find his words before the discussion is over. At any rate, the point I wish to make is this. If this matter is to be decided by the will of the majority, then the government of the day has the right to express that will and is so expressing it in the legislation before the house. More than that, I will say that the will of the English speaking majority as expressed in this House of Commons, constituted as it is to-day, fresh from the people of Canada, will support bilingual notes.

Some hon. MEMBERS: No.

Mr. MACKENZIE KING: Let me tell my hon. friends that we will settle the matter by having a division on this motion, and we shall see whether the English speaking majority in this house favour bilingual notes or not. I think I may leave the matter at that.

An hon. MEMBER: Go to the people and see what they will do.

Mr. MACKENZIE KING: I think the leader of the opposition, in speaking the other day, was right in laying a certain stress on freedom of choice. He mentioned two circumstances which should govern in the matter of a decision. One was that there should be freedom of choice with respect to the question whether a citizen wished to accept a document or bill in English or in French, and he said that the course which should be adopted was the one which would further, to the greatest extent, harmony and good will among the different elements in the country. He referred to the documents on the table of the House of Commons and said, "They are here, some in French and some in English. Hon. members may come and take whichever they please." Certainly they have real freedom of choice in that regard and can take which they please. But what freedom of choice has a citizen who is being paid a debt or wishes to settle an account or is receiving payment of an account—what freedom of choice has he as regards the acceptance of money that may be offered him if it happens to be in French or English as the case may be and he prefers the other denomination? The only freedom of choice is to see, whether he be English speaking or French speaking, that he be given a bill which is acceptable to him because of its clearness in reference to the denomination and other essential details. If the intention were to obliterate from the face of a bill the descriptive wording where in English or, on the other hand, to obliterate the descriptive wording where in French, there might be objection to a course of that kind. But where those of the English speaking part of the population are given the opportunity to obtain a bill with all essential details printed entirely in English, I cannot see what possible objection there can be to permitting on that same bill similar information in French for those who happen to be of French origin.

As to harmony and good will, surely an attitude of the kind which recognizes natural desires and needs is likely to promote a better feeling than an attitude of intolerance which will not permit anything of the sort. And here may I take very strong exception to what the hon. member for Fraser Valley has said with respect to toleration and his interpretation of it. My hon. friend said that the English speaking population of Canada had "tolerated" the issue of bilingual postage stamps and the use of postal notes in both languages. Why did he not go on and say that the English speaking members of the House of Commons "tolerate" their French speaking colleagues in this house?

Some hon. MEMBERS: Oh.

Mr. MACKENZIE KING: It is the same thing.

An hon. MEMBER: You are trying to make it up.

An hon. MEMBER: Yes, work it up.

Mr. MACKENZIE KING: My hon. friends should see where their argument leads.

Some hon. MEMBERS: Hear, hear.

Mr. MACKENZIE KING: Every member of parliament of French descent has the same rights in this House of Commons as a member of parliament of English descent.

An hon. MEMBER: Whoever said he had not?

An hon. MEMBER: Who has disputed that?

Mr. MACKENZIE KING: I say he has. If he has, then he has the same rights with respect to everything over which this parliament has control in the matter of legislation. It is not a question of tolerating the presence of French Canadian members in the parliament of a country which has an English speaking majority, nor of tolerating bilingual stamps in a country which has an English speaking majority, nor of tolerating bilingual postal notes in a country which has an English speaking majority; it is a matter of fair play and justice by all who believe in justice and fair play. I believe the attitude of the people of Canada is one of tolerance, and not one of intolerance and bigotry, which is the attitude being exemplified by members on the other side.

Mr. LAPOINTE (Quebec East): Hear, hear.

Mr. MACKENZIE KING: The house has heard what the leader of the opposition has said as to the wrongful interpretation put upon his words. May I quote the following from a speech made by him in this house on June 11. It is to be found at page 3624 of Hansard:

> I point out, however, to my fellow countrymen who are of French origin and speak the French language that those who will take the evidence of history for what it may be worth —and it is fairly important—will find that wherever the granting of a privilege or a concession by a majority has by the minority been crystallized into a right, resulting in a pushing of the demand beyond those moderate and reasonable boundaries that have marked the maintenance of harmonious relations between majorities and minorities, the consequence has been harmful to the minority.

That is the first paragraph I desire to quote. I do so for the reason that it speaks about the granting of a privilege or a concession by a majority to a minority. I wish to say that any right which the French speaking portion of our country enjoy with respect to bilingual postal notes or to bilingual postage or anything else of the kind has not been in the nature of a concession or of a privilege conferred by parliament. It has been in the nature of a recognition of the full rights of Canadian citizenship.

My right hon. friend goes on to say:

> Why not let the demand for a change come about by that gradual process which would ensure that those who are most affected, namely, the majority, who are of British descent and speak the English language, will feel, as they do not now feel, the desire to do something further in a spirit of amity and good will?

Mr. BENNETT: Hear, hear.

Mr. MACKENZIE KING: May I ask my right hon. friend by what right he claims to assert what is the will of the majority of the people of this country? I say my right hon. friend is mistaken in believing that he at any time represented in this matter the will of the majority—the English speaking majority—of the people of this country.

Going a step further, my right hon. friend says:

> Now, to say that the will of the minority shall prevail over the will of the majority of the people of Canada is to create as dangerous a condition as it is possible to create.

Some hon. MEMBERS: Hear, hear.

Mr. MACKENZIE KING: Is that not exactly what I said when my right hon. friend interrupted me—?

Mr. BENNETT: As far from it as possible.

Mr. MACKENZIE KING: —both before and after my endeavour not to quote but to give the substance of his remarks and of his argument?

Mr. BENNETT: Entirely different.

Mr. MACKENZIE KING: Let me repeat:

> To say that the will of the minority shall prevail over the will of the majority of the people of Canada is to create as dangerous a condition as it is possible to create.

As to what is the will of the majority—the English speaking majority—I venture to say to the house that if every member of parliament who is of French descent should refrain from voting on this particular question, and the vote should be left entirely to those of British descent, the majority of those of British descent would favour the printing of bilingual notes rather than the adoption of the policy which hon. gentlemen opposite wish to have adopted. The vote when it is taken will show whether what I am now saying is true or not.

I conclude, Mr. Speaker, by affirming that in this matter the government is following the true tradition, so far as government in Canada is concerned, of fair play and the furtherance of good will and harmony among all races in this country, and in addition is furthering the Liberal tradition of due regard for the rights of minorities and tolerance in all matters pertaining to the state.

Mr. E. E. PERLEY (Qu'Appelle): In speaking to the amendment proposed by the hon. member for Fraser Valley (Mr. Barber), which I second, I trust that I shall be considered moderate in my arguments; and I shall appeal to the house, not from the standpoint of partyism or of race or creed, but in a broadminded way, as any true Canadian citizen should.

When in 1935 the Bank of Canada came into being, certain definite functions were assigned to it. It is not necessary for me to review these at the present time; the matter was well debated on the resolution and when the bill was in committee. Suffice it to say that I think the act as constituted should have had a fair and reasonable trial, to ascertain whether the bank could perform the functions that were delegated to it. One of its powers was that of issuing separate notes, that is, notes in English and notes in French. I believe that last Friday the leader of the opposition (Mr. Bennett) and to-day the hon. member for Fraser Valley, have made appeals for this system of issuing the currency as constituted under the act, and that it should have a fair chance to be tried out, to see what value it has, as it was no doubt a gesture of good will to the French speaking people. I think that suggestion was worthy of consideration. All hon. members who sat in the last parliament well remember the debate that took place when the bill was introduced last session. We recall the definite statement that was made by the present Prime Minister (Mr. Mackenzie King), then the leader of the opposition. We also all remember the discussions that took place during the campaign in September and October last, when the Liberal party, and in particular its leader, made definite promises to the people of Canada that if they were returned to power they would make certain changes in the act. These are the amendments that they now propose. Hon. members on the government side must surely have expected criticism of those amendments from this side, and especially from the extreme left hand corner. Some of them also may well have expected criticism from among their own members; and recently they have listened to very stinging criticism and condemnation from one of their own supporters, the hon. member for Vancouver-Burrard (Mr. McGeer). I do not think any better language could have been used than was employed by him to describe the betrayal by the government of the people of Canada. I state what is known to all members of this house, that during the last campaign bilingual notes was not an issue; the matter was never discussed, even last session when the bill was before the house. In my opinion the government, by this amendment, is betraying the people of Canada just as much as it did by not going the full limit in some other respects as stated by the hon. member for Vancouver-Burrard.

It was stated when the bill was in committee that nothing should be done to raise the racial question, and that statement has been made to-day also. I do not believe any member of this house really wants to say anything that will raise any racial question at this time; far from it, but I think the interpretation the people of Canada will place on the speech delivered by the Minister of Justice (Mr. Lapointe) last week and the speech delivered to-day by the right hon. Prime Minister (Mr. Mackenzie King) will be that those two addresses will go a long way towards raising that racial question. We are all proud of this great confederation. Each province has made its contribution; both the English speaking and the French speaking Canadians have done their share, and the special consideration that was shown the French speaking people in having bills printed in English and French certainly was a gesture of good will designed to further consolidate our confederation. In his speech the Minister of Justice quoted from an address delivered by the great Conservative Prime Minister, the late Sir John A. Macdonald, in 1890 with regard to the use of the two languages. If I cared to take time to read that quotation I think hon. members would see that it had no reference at all to bilingual currency or for that matter currency of any kind. My reply to the Minister of Justice would be to quote from a speech delivered by one who, I think the Liberals will agree, was the greatest Liberal prime minister Canada has ever had, Sir Wilfrid Laurier. I refer to a speech made seventeen years after the address by Sir John A. Macdonald to which reference has been made. In replying to an appeal made by Mr. Lavergne, Sir Wilfrid Laurier said, according to Hansard for February 25, 1907, at page 3655:

But to affirm, as he does—

That is, Mr. Lavergne.

—that the French language should be used upon every occasion, and that every public document should be printed on one side in French and the other side in English, is, I think, going a little too far. For instance, I understand that my hon. friend wants bank notes to be printed either in French or in English. For my part I never yet saw an occasion when a bank note printed in English was not properly understood by the French people; and I am quite sure that a bank note printed in French would be understood by the English people to be exactly what it means.

That is exactly the condition we have at present under this act.

Mr. LAPOINTE (Quebec East): Would my hon. friend continue the quotation?

Mr. PERLEY (Qu'Appelle): I am sorry I have not the volume of Hansard here. I could also quote from a speech delivered by the hon. gentleman himself a little later.

Mr. LAPOINTE (Quebec East): Will my hon. friend allow me one minute to insert what Sir Wilfrid Laurier said?

Mr. PERLEY (Qu'Appelle): The hon. gentleman will have an opportunity after I have finished. I would direct the attention of the house to the fact that this statement by Sir Wilfrid Laurier opposed the printing of notes in English and notes in French, and surely my hon. friend should follow the advice of his leader of that time. I have before me several quotations from Hansard from the speeches of Sir Wilfrid Laurier and other great leaders, including Sir Edward Blake, Sir Robert Borden and others, indicating that there never was any need for a bilingual bank note. But my hon. friend the Minister of Justice made a speech on May 10, 1916, appearing in Hansard for that year at page 3681. At that time he was supporting his leader, Sir Wilfrid Laurier, and he established the fact that the use of the French language in Canada was not official anywhere prior to 1841. So I would suggest to my hon. friend that he look up some of the speeches he delivered in support of his great chieftain, in which he established that Canada was not bilingual and that there was nothing in our constitution establishing that situation.

Mr. LAPOINTE (Quebec East): I wish my hon. friend would read some of those speeches.

Mr. PERLEY (Qu'Appelle): I have referred to one. Then the Minister of Justice referred to the situation in Switzerland and other foreign countries in reference to their use of bilingual currency. The hon. member for Sherbrooke (Mr. Howard) made an appeal for fair play irrespective of race and creed, and the Minister of Finance (Mr. Dunning) referred to the fact that postal money orders were printed in both the official languages. I should like to use one argument to reply briefly to those three statements. I should like to direct the attention of the house to the situation we have in Saskatchewan. The hon. member for Fraser Valley (Mr. Barber) has already referred to the percentage of French speaking people in the western provinces, but I should like to speak more particularly with regard to the situation in Saskatchewan.

In our province we have a foreign-born population naturalized Canadian citizens, foreign born and the children of foreign born parents. Our total population is about 992,000, of whom approximately 600,000 are included in the class of foreign born and the children of foreign born parents. These figures are taken from the last census returns, and can be found also in the Canada Year Book. I would remind the house also that in the provinces of Manitoba and Alberta we have large numbers of people of this class, which would bring the total in the three prairie provinces to the neighbourhood of one million people, or about one-tenth the total population of this dominion. These people are fine types of Canadian citizens, and right here I should like to pay my respects to them. I should say ninety-nine per cent of them are endeavouring to be fine, loyal Canadians. In my constituency there are some twelve languages spoken; there are towns in Qu'Appelle where the majority of the people are foreign born or in the class to which I am referring. I could take you to one town where most of the people are of German descent. There I could gather five hundred people of this class who can sing O Canada or God Save the King as well as any similar number that could be gathered in any part of Canada.

Mr. DUNNING: Why not?

Mr. PERLEY (Qu'Appelle): Of course; that is just what we expect.

Mr. DUNNING: They were all born here.

Mr. PERLEY (Qu'Appelle): Nearly half of them were foreign born.

Mr. LAPOINTE (Quebec East): They are permitted to sing the national anthem.

Mr. PERLEY (Qu'Appelle): These people naturally cannot understand the special considerations or gestures, call them what you will, that we are extending to the French speaking people from time to time, when our

constitution does not provide for Canada to be a bilingual country. It was with difficulty last year that we explained the special privilege or gesture of good will that we extended by having the notes printed in English and French. There is no doubt that if this amendment passes we may before many years have a protest from this class of people, and a demand that they have some consideration for their native tongue. The debate that took place in the last parliament on the resolution introduced by the hon. member for Bellechasse (Mr. Boulanger) will be within the memory of many hon. members. Also we can well remember the debates that took place in 1935. Hon. members who were members of the banking and commerce committee that considered the bill in 1935 will remember the discussion that took place in that committee. It was purely as a gesture of good will that it was provided that the bank notes should be available in one or other of the two languages where required. This surely places French and English on an equality, as the Minister of Justice appealed for. There never has been a question in respect to equality. I am sure no hon. member can point to any debate that ever took place in this house and I cannot think of any since I have been in it that raised the question of equality. We have always been proud of the contribution made by the French speaking people to confederation. The wording of this bill however will do much to raise the racial question, of which we are all fearful. It presents more evidence of the possibility of raising the racial question than any other measure that has ever passed in this house.

In conclusion I plead with the Minister of Finance to endeavour to persuade the government not to press this amendment providing for bilingual notes. I hope I have dealt with the question in a spirit of fair play and in the manner of a true Canadian citizen. Certainly I am not one who wants to raise any racial question in Canada at the present time. I therefore second the amendment moved by the hon. member for Fraser Valley, that the bill be not now read a third time but that it be referred back to the committee of the whole for the purpose of striking out section 15.

Mr. T. L. CHURCH (Broadview): I do not intend to give a silent vote on the third reading of this bill. When the order was called I had intended to oppose the Bank of Canada bill on general grounds, and if after this amendment is voted down anyone moves a six months' hoist of the whole bill I shall vote for that.

I was very much surprised to hear the Prime Minister (Mr. Mackenzie King) in the name of the Liberal party make the speech he did after the address he made in this house on the same legislation on June 22, 1934. In connection with the rights of minorities and majorities in this country we have reached this state of affairs, that a militant minority can coerce the majority. That is what we have come to under confederation to-day. The Prime Minister said in the House Commons a week ago last Thursday in connection with another bill:

> The principle I am laying down is that there is no minority which is superior to the majority, and that majority is the people of the country as a whole; and the people of the country as a whole have sent this present House of Commons to legislate.

Well, may I say in answer to the right hon. gentleman that this House of Commons was not sent by the people of this country to vote for this Bank of Canada bill, or for section 15 of it. The government had no mandate from Ontario for this bill. We are now in the sixty-ninth year of confederation. During that time successive governments, Liberal and Conservative, have presided over the affairs of Canada; various parliaments have been elected; there have been various prime ministers and ministers of finance, yet we in all that long time had to wait until 1936 for the first minister of finance to rise in this house and say that the bank bills of the dominion, namely dominion notes of one and two dollars, are to be printed in English and French and that French is to be placed on an equality with English throughout the dominion—something that the fathers of confederation never intended; a thing against the spirit and letter of confederation; something on which the people of this country have never had a chance to express an opinion.

As I have said, the history of the world is the history of minorities. The history of this country is the history of compromises. Confederation was a compromise. One compromise was regarding bilingualism, the use of French and English. These rights are set out in section 133 of the British North America Act, as follows:

> Either the English or the French language may be used by any person in the debates of the houses of the parliament of Canada and of the houses of the legislature of Quebec; and both those languages shall be used in the respective records and journals of those houses; and either of those languages may be used by any person or in any pleading or process in or issuing from any court of Canada established under this act, and in or from all or any of the courts of Quebec.
>
> The acts of the parliament of Canada and of the legislature of Quebec shall be printed and published in both those languages.

That was a compromise and was to be a finality without any extensions. It was intended at that time that there should be no extension of the rights and privileges granted under section 133. Whether or not the Minister of Justice (Mr. Lapointe) or the Prime Minister thinks this is a political question, there is no doubt it is a political question, and whether they like it or not it is going to be a political question until it is settled right. No question is settled in this country until it is settled according to justice and according to the terms of confederation, and this thing is going to be open until it is settled, and the door is not closed yet by any means.

It is not my purpose to speak at length at this time, but I wish to register my protest. I do not speak for the Conservative party; I speak as a private member of parliament sent here to do his duty. Representing the constituency I do, I deem it my duty to oppose the third reading of this bill. I should not be doing my duty if I failed to oppose this two-faced Doctor Jekyll and Mr. Hyde bill. This bill is not public ownership at all, it is something in the election which the Prime Minister and other members of the Liberal party promised the country if elected. There can be no control without ownership. The pledge given by the government for a publicly owned bank has not been fulfilled. It is a political bill much more than a banking or economic bill. It is called a bill to amend the Bank of Canada Act, but it might better be called a Barnum and Bailey bill; it is neither public ownership nor public control, for there is no control without total ownership. It does not amend the Bank of Canada act, but it makes a scrap of paper out of the Bank of Canada Act of 1934, and violates the principle of section 133 of the British North America Act, which I quoted.

Sir Wilfrid Laurier never would have sanctioned this bill. He always acted on this question with great prudence and diplomacy, but where is there evidence of prudence or diplomacy here? Was it ever discussed in the election campaign? No, not one word. My friends cannot show any such discussion from February 25, 1907, when the former member for Labelle (Mr. Bourassa) proposed a motion in this house for equality of treatment of the two languages, on which occasion Sir Wilfrid Laurier did express certain opinions. Sir Wilfrid Laurier stood here as Prime Minister. Mr. Fielding took the same stand for many years. Neither would ever propose such a bill as this or support it, or ever bring it up on the decennial revision of the Bank Act.

This bill offers no help in solving the social and economic problems of this country. There is no proposal in it to have a limited amount of controlled inflation up to fifty or a hundred million dollars to take care of the unemployed, to take care of a reconstruction, housing and slum clearance program, and dear knows it was badly needed this spring in the large cities so as to get people off the dole and back to work. There is nothing in this bill about that. It will make no improvement over the past in our economic conditions. A partly privately owned and partly publicly owned institution will get Canada nowhere if there is no control.

Regarding the inspection clause, we had a case the other day of a government official taking the interest on deposits and putting it in his pockets in spite of all the inspection.

This bank is a political bank; that is all it is and all it will become in time; nothing but a glorified Home bank. Wait till you see what happens. Wait till you see it next year. If it does not end up by being that, it will be no fault of the framers of the bill. The bill is a victory, no doubt, for the bankers' association and for St. James street and for the chartered banks. I can see the fine hand of these great interests in this bill, whether others can see it or not. I have studied this question and I can see it. These people have at last been successful in their efforts to cripple any effective central bank and to undo the good work already done.

Section 15 enables the letter and spirit of confederation to be made a scrap of paper; that is all it is. If the government want to give the minority these rights under confederation, let them do it in the proper legal way. Let them come in at the front door, not at the side door. Let them open and amend section 133 of the British North America Act, regarding the use of the French language instead of sliding this thing through in a minor bank act. Let them come in by the front door of the House of Commons and bring in a bill to amend the British North America Act, section 133, to extend the rights and privileges and prerogatives of the French language in this country.

The Minister of Justice says that the bilingual notes are necessary because they will be deposited in the courts of Quebec, and that these bank notes are legal tender. But, Mr. Speaker, the practice of the courts with reference to deposits is changing to marked cheques and certificates from trust companies; certified cheques are being used, and there are many other ways of depositing legal tender in the various official judicial offices of this country. For the Minister of Justice to use that as a leading argument, therefore, is only begging the question.

Section 15 is a victory for a militant minority, coercing a passive majority that is too proud to fight, too proud to stand up for its rights either in this house or out of it. We have a press, pulpit and legislature that is too proud to fight along the line of defending the rights and prerogatives of majorities. The recent investigation at Washington showed how the banks and big interests have been coercing the press of that country. Why do you see so little in the press, in the English speaking papers of this country, about section 15? Twenty-five years ago what a rebellion there would have been if a minority was going to saddle a majority along the lines that this bill does? The evidence at Washington that was given in the press showed how the banks and big interests and departmental stores in the United States had trammelled a free press, and had warned them that they would cut out their advertisements. We heard something about that even in Canada happening in the first days of this parliament. But for an able press, things would have been ten times worse than they are in this country, and I am here to endeavour to support and protect a free press from such attacks. It is all right to drive a coach and four through the British North America Act, as section 15 of this bill does, to please some people, but we cannot get a section of the British North America Act amended for the purpose of getting progress in this country, and getting the working class out of the strait-jacket which the British North America Act has put around them, and which the courts help to keep them in at times.

It is said that those who oppose section 15 are bringing this thing into politics. Did you ever hear anything like that in your life? Of course it is bound to be in politics and to stay in politics until it is repealed, and those who brought it into politics are hon. gentlemen opposite. They are the first ones in sixty-nine years who have proposed that these dominion notes—for that is all they are, these ones and twos and so forth under the old legislation—shall be printed in the two languages.

There was a provision made by section 24, subsection 4, of chapter 43 of the statutes of 1934, the Bank of Canada Act:

> The form and material of the notes shall be subject to approval by the minister: Provided that notes in either the English or the French language shall be available as required.

That worked out all right in practice. I was not a member of the house in 1934 when the Bank of Canada Act was passed, but at the same time it worked out all right in practice, and those who wanted notes in English or in French could get them at the different branches, but if I had been in the house at the time as a member I would have opposed even this concession.

As to what the Minister of Justice says about the notes being legal tender in the law courts, I was making inquiries of a number of people connected with the law courts and I find that there are many other ways of making deposits than by depositing actual five-dollar bills in the courts. The trust companies and banks and law societies have made a change.

This bill, Mr. Speaker, is unworthy of Liberalism. This is not a bilingual country. Sir Wilfrid Laurier admitted it was not, and there have been decisions of the courts to the same effect. It is a country in which by section 133 of the British North America Act two languages are official. I want to congratulate the right hon. leader of the opposition upon rising in his place and speaking in the face of great opposition as he did the other day, as a statesman. I believe the words he spoke will prove in the years to come to have been proven prophecy. What he said will come true, and application made will be, session after session, to repeal section 15.

In my opinion we should never have had any provincial legislatures at all. They were the creation of the fathers of confederation for political and not economic purposes, and have been at the root of all the race and religious jealousies in Canada. They do not have them in Great Britain; their powers are limited in the United States, and the result is that in these countries they are one people without the racial and religious jealousies which this country has had. The leader of the opposition has been consistent. I have read his speech of June 22, 1934. The leader of this government sat in parliament as Prime Minister for nine years, from 1921 to 1930, and did he ever propose a section like this? No. It is only when he has a majority behind him of about 170 that he is ready to go over the heads of the electors. Did he tell them anything about this in the election? If he had said it in the election he would not have had five seats in the province of Ontario, because majorities, while they are sleepy and slow to assert their rights and privileges, once they are aroused are going to have something to say. Canada is not and never was a bilingual country. It is a country where the two languages are official languages, but the law courts have set out the length and depth and breadth of the two languages as defined in section 133 of the British North America Act. It is all very well to say that those

who oppose this bill are doing so for political purposes. I say it is no use for the representatives of the majority to sit here and enact the part of a scarecrow, and allow a false face to be put on them by this bill. A false face is being put upon the majority of the people of this country with an inscription in one language on one side of our bills and an inscription in another language on the other side. It will be just like a patent medicine advertisement which is printed in both languages, or a racing tip or other things of this sort. Those who vote for this bill vote for bilingualism for posterity, to-day and forever.

This particular legislation will be here forever. Those who vote for this bill are voting that this country is to be a bilingual country by order of a militant minority. The people of Ontario are opposed to this, and I am opposed to it. Hon. members should act like men. They should stand by their principles and acquit themselves like men and be strong, say to certain of those hon. members who come from Ontario that they would not be here to-day if in the last election they had proposed a bill like this. Some hon. gentlemen come from western Ontario, some from northern Ontario and others from central Ontario, and I ask them to acquit themselves like men, to be free citizens and free members of parliament, to assert their rights and privileges as private members instead of sitting in their seats and allowing a coach and four to be driven through the principles of confederation by a militant minority for the first time in sixty-nine years.

May I say to hon. gentlemen that I would rather be defeated because of my principles, as I was in 1930 than to sit in this house and force bilingualism on the people of the province of Ontario over their heads and without their knowledge or consent. That is my answer to hon. gentlemen who are opposing what I have to say. There is no such thing as compromise in connection with a great principle; this thing permits of no compromise. The question cannot be settled until it is settled in the right way.

I see the hon. member for Parkdale (Mr. Spence) in his seat. On many occasions his utterances are filled with common sense, and I refer hon. members to his remarks about the British North America Act, made the other night in connection with another bill. At that time he said he would go to another place and use his influence, and I hope he will go to another place immediately and use a little extra influence in connection with this matter. This bill is a credit to Ottawa, the headquarters of pacifism and pussyfooting. Ottawa never knows what the rest of the country is thinking. The only things militant I can see about Ottawa are the mosquitoes which infest this building.

I do not care whether I am here for a long time or a short time; I am ready always to stand by my principles. As long as I am here I intend to speak what I believe to be the truth, honestly, fairly and moderately. I am opposed to this legislation. I have always been opposed to the extension of this principle in this country. While I wear the party uniform—I will never be able to wear its plush—I will do my duty in the ranks, but it will be as a volunteer and not as a conscript. In conclusion, I want to congratulate that very able statesman, the leader of the opposition (Mr. Bennett) for the manner in which he opposed this bill the other night and for the words of wisdom which he uttered on that occasion. I believe that in the future those words will prove to be a force in this country and become proven prophecy.

Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, I do not rise for the purpose of presenting new arguments in favour of this bill, nor do I intend to reply to the hon. member for Broadview (Mr. Church). I take this opportunity of congratulating the electors of that constituency upon the name of their constituency, and I sincerely hope that that name will have a future effect upon my hon. friend. In justice to my late revered leader, Sir Wilfrid Laurier, I should like to finish the quotation started by the hon. member for Qu'Appelle (Mr. Perley). It is quite possible that the hon. member's eyes did not go further along in the book in which the speech of Sir Wilfrid is reported. I should like anyone who reads the speech of my hon. friend to insert the following words, which follow immediately after those which he quoted:

> But I see no reason why a bank note should not be printed in French. Since we have been in office we have not had occasion to issue a new form of bank notes, we have taken the old form as we found it, we have continued the form of the old bank notes. I do not see any reason why, if we were to issue a new form, we should issue it in one language rather than another. But I would say to my hon. friend that it is far better that we should be conservative in these matters and not to change our forms every now and then. We should keep the old form when it contributes towards security and public convenience, and when it is well understood. I do not think there has been any change in the form of the English bank note for over a hundred years.

Some hon. MEMBERS: Hear, hear.

Mr. LAPOINTE (Quebec East): My hon. friends say, "hear, hear," but they seem to

forget that new circumstances have arisen. We are going to issue a new form of bank note. A new sovereign is now upon the throne and a new form of bank note will be issued by the Bank of Canada and not by the private banks, as formerly, when some were issued in English and some in French and English. The hon. member for Broadview also quoted Sir Wilfrid Laurier, and I should like to give the amendment moved at that time by Sir Wilfrid, which amendment embodies the policy of the Liberal party in 1907 and in 1936. This amendment reads:

That all the words after "that" be struck out and the following be substituted in place thereof: "the French language is, in fact, as well as by the constitution, on a footing of equality with the English language."

I have said that I do not want to repeat the arguments I presented the other day, but there is one thing I forgot to mention. The bank notes of Canada go to other countries—to the United States, to France and to continental countries. Do you think that a bank note all in French, as it is at the present time, circulated in France or Belgium or elsewhere, gives to the people of those countries a true picture of Canada? They would believe that Canada was altogether a French country. On the other hand if the bank note were all in English they would believe that it came from an entirely English country.

I have only this to say in conclusion. We have the privilege of speaking the two greatest languages in the world. When you go to Geneva you find in the League of Nations these two official languages spoken, and the Canadian delegates are proud to be there representing the only country in the world where the two official languages of that body, representing all the nations on the globe, are spoken. We are proud of our country. I tell you, Mr. Speaker, when these bank notes circulate throughout the world they will represent what Canada is, a country that was founded by French pioneers and later ceded to the British, a country where the descendants of these two great races succeeded in burying their differences and their difficulties and in uniting for the purpose of building a truly great nation. The people of this country are not afraid to let the world know that these two languages are spoken in Canada, languages of which anyone might well be proud; they are not afraid to let it be known that this condition exists in this dominion. As far as I am concerned, I cannot believe that any member of parliament or anybody in Canada could feel humiliated or would resent the fact that there were some French words on a Bank of Canada note.

Mr. A. A. HEAPS (Winnipeg North): After listening to the discussion this afternoon and to the very eloquent address made in this chamber the other evening by the Minister of Justice (Mr. Lapointe) I cannot help rising in my place to say a few words on this very important question. I do believe, however, that on this occasion the issues have been exaggerated beyond their true proportions. As a Canadian I should like to see every citizen able to speak both official languages. It is one of my own regrets that I am not able to speak French, but I trust that the generation that will follow me will not suffer from that deficiency. Anyone who listened to the speech delivered by the Prime Minister (Mr. Mackenzie King) this afternoon and listened particularly to the eloquent address of the Minister of Justice the other evening must have been moved by the fervent plea made for racial unity in Canada. With that sentiment of the Minister of Justice and those associated with him, I wish to join one hundred per cent. This country is made up of a great many racial minorities, and in my opinion if we treat those minorities even in a generous spirit, Canada as a whole will be more than amply repaid for making that gesture towards those who may be of foreign origin in the dominion. I think it would be a gross mistake if the house were to accept the suggestion which the amendment puts forward and delete from the bill the clause it now contains. For my part I intend to vote against the amendment.

May I say a word in another direction. Perhaps it is not necessary for me to remind the house that I belong to a very ancient race, a race whose history has been through the centuries a most painful one and who even at the present time are suffering intense persecution in different parts of the world. Those who belong to the same race as myself appreciate more than they can express in words the measure of justice and tolerance they have received under British rule. In regard to the matter now before us I do wish to express a sentiment that is rather different. There is at this time, unfortunately, particularly in the province of Quebec, a sentiment that is being expressed openly, both by word and in the newspapers, that has not merely the semblance of intolerance but also the idea of inflaming one race against the other, and I do feel, in view of the discussion that has taken place on the floor of the house this afternoon, and the eloquent plea made by the Minister of Justice the other evening on behalf of his French speaking compatriots, that perhaps that wave of anti-Semitism which to-day seems to be showing itself in certain quarters of Quebec will diminish if not entirely

subside. An effort should be made to carry out the very ideas and principles enunciated here this afternoon by the Prime Minister and so feelingly discussed the other evening by the Minister of Justice. I do not think a condition of this kind ought to be tolerated in Canada. I feel somehow that if the leaders of public thought, both in the province of Quebec and in the dominion at large, would raise their voices in and out of parliament, as the Minister of Justice and the Prime Minister have done, there might be established in Canada a better and more harmonious feeling among the component parts of the population.

These are about the only remarks I wish to make at the present time. I simply wish to make a plea for racial unity in Canada, so that all sections of the population may go forward and try to make Canada a country worthy not only of the present but also of future generations.

Mr. J. H. BLACKMORE (Lethbridge): I believe the French Canadian people of Canada have by the British North America Act the right to use the French language. That right was recognized when the notes were printed, some in French and some in English, and each race was then free to use its own language. If the bank note is in both English and French then it may with some appearance of justice be argued that French is being forced upon the English. This might not be found in the best interests of Canada, and therefore, while I have all sympathy with my French Canadian fellows, I personally propose to vote for the amendment.

Mr. J. R. MacNICOL (Davenport): I listened with very great interest the other day not only to the remarks of the leader of the opposition (Mr. Bennett) but also to those of the Minister of Justice (Mr. Lapointe). In my judgment the remarks of the leader of the opposition were much more moderate than those of the Minister of Justice, who began his speech with this sentence:

> I shall try to make my few remarks in answer to the speech of my right hon. friend this afternoon as moderate as I can.

An hon. MEMBER: They were.

Mr. MacNICOL: I cannot see any reason why the Minister of Justice had so to qualify his remarks. In a discussion of this kind there is no other word that should be used than "moderation." All our remarks have been made in a spirit of moderation; such observations as I have to make will be, I hope, in the same spirit.

I have as high a regard for Canadians who speak another language than English as I have for those who speak English only. As a Canadian I am proud that people from all nations of the earth come to this country and make good. Some of the second generation are able to carry off prizes for excellence in English over those whose ancestry is altogether British. I remember attending a few years ago a meeting held in Massey Hall, Toronto, where there attended those who had won their laurels in various provinces of Canada for making good speeches. The winner of the contest in Massey Hall was a child whose parents were Russian and could speak very little English. I congratulate all those of other races who are able to speak both English and their own tongue. I myself read French fairly well, and I can make a brief speech in French, although I have never tried to do so in the House of Commons.

An hon. MEMBER: Go to it.

Mr. MacNICOL: I give our French Canadian members credit for being able to stand on the floor of the house and speak in both languages.

When the Minister of Justice was speaking the other day he used rather provocative language. I cannot understand how some of the words he used can be regarded as words of moderation. He charged the right hon. leader of the opposition with the expression of "desperate" and "dangerous" sentiments. I will read his words:

> I shall even say that I believe my right hon. friend to be sincere, but he is desperately and dangerously wrong in the sentiments he has expressed.

Neither of these words is moderate. Then, proceeding with his argument, he used other words that I cannot term moderate, when he characterized anyone who might express sentiments opposed to section 15 of this bill as "absurd," "stupid," and "narrow." The words "dangerous" and "desperate" as applied to the right hon. leader of the opposition, and the words "stupid" or "absurd" or "narrow" if applied to myself or anyone else, are not moderate words.

Mr. LAPOINTE (Quebec East): They were not used in that sense.

Mr. MacNICOL: The Minister of Justice, in my humble opinion, did not make—

Mr. LAPOINTE (Quebec East): My hon. friend knows I did not use the words in that sense. I said it was an absurd way of issuing the bank notes.

Mr. MacNICOL: I will quote the Minister of Justice again:

> I repeat that I cannot find any ground for the objections which are being set forth against this proposal. They are absurd.

Mr. LAPOINTE (Quebec East): Yes.

Mr. MacNICOL: That is very strong language with which to qualify an honest statement of any other member. I am not at the moment defending or attacking the clause as printed; I am criticizing the speech of the Minister of Justice. A little further down he says:

Why should we have this stupid thing?

Further on he says:

I cannot believe that there are people in my country who are so narrow.

Again I say that the words "dangerous," "desperate," "absurd," "stupid," and "narrow," are not the right kind of words to describe the opinions of another hon. member.

Mr. ROWE (Dufferin): Not with moderation.

Mr. MacNICOL: If these are moderate words, then if the Minister of Justice had really cut loose, the air in this chamber would have been blue.

I am not going to enter into a discussion of what was said by Sir John A. Macdonald or Sir Wilfrid Laurier, but I will go one step further than the Minister of Justice: I recommend that all hon. members read what both those gentlemen said. Both were great Canadians, and I believe also they were extremely moderate in their language and had the highest respect for Canadians of all other nationalities. I hope I may qualify in that same category.

I was interested in what the minister said about his people having been here for some nine generations. According to the history of my family, I have been told, two of my ancestors were here about eight generations ago and laid down their lives at Ticonderoga, defended by that very brilliant and gallant French commander, the Marquis of Montcalm; and the following year three of them were with Highland regiments at Quebec; Ticonderoga in 1758; Quebec in 1759—so that as a Canadian of long lineage I feel I can afford to be proud of my Canadianism.

Mr. LAPOINTE (Quebec East): Hear, hear.

Mr. MacNICOL: In advancing his argument the Minister of Justice referred to three other countries in which there is bilingual money. Of course I always feel that other countries can do as they please. In developing his argument the minister said, as I understood him, that the conditions in those countries were approximately or largely the same as they are in Canada. I propose to give some particulars about each one of those countries, namely, Belgium, Switzerland, and South Africa. There are something over eight million people in Belgium, and they are all packed into a little over eleven thousand square miles. Rather more than three million speak German and somewhat less than three million speak French. A million speak both languages. Belgium could be packed into the small portion of Ontario extending from Toronto to Brockville, east and west, and from Toronto to the Severn river, north and south. The area is small, and the conditions in Belgium are not really comparable, as I shall endeavour to show a little later, with those of Canada.

Switzerland has an area of less than sixteen thousand square miles. Twenty-one per cent of its population is French, seventy-one per cent German, and seven per cent Italian. The government of their cantons is entirely different from our conditions in Canada; they are loosely held together, although they have been confederated a long time, and, as the minister said, they do print their bills in three languages. But the country is less than two hundred and fifty miles long and less than one hundred and thirty-five miles wide. In South Africa there are seven million coloured people, natives of Africa, and 1,400,000 whites, of whom, that is the whites, fifty-one per cent speak both languages—that is the Afrikander and the English. Twenty-five per cent are British who speak English only, and twenty-four per cent—plus the fraction in each case—speak only the Afrikander language. Conditions in these countries do not at all compare, along the lines to which I have alluded, with those that obtain in Canada, where we have a country 3,500 miles from east to west and 1,500 miles from north to south, part of it, of course, very sparsely settled; where people who speak English almost exclusively, reside in the main in eight of the provinces, and those who speak the French language are very largely in one province. Therefore conditions here are not the same as in the countries to which the minister has referred. For my part, I can read the bills whether they are printed in French or in both languages. I appreciate, too, some of the arguments that have been advanced by the Minister of Justice in this regard, but on the other hand I believe it would have been better to leave this matter where it was until it had received a fair trial.

Mr. THORSON: May I ask the hon. member whether he favours the present system of printing some of the bills in French and others in English?

Mr. MacNICOL: Well, that was passed by the government that brought in the bill; it became the law of the land, and I am in accord with the law of the land. If I were to recommend a change in that system I might go back to the method recommended by Sir Wilfrid Laurier, but always having been actuated by the spirit of fair play I cannot answer that question in any other way. I repeat, however, that it would have been much better to leave the matter where it was. The previous government had to face this issue just as the present government are attempting to face it, and that issue having been settled it should not have been brought up again, at least not so soon. I doubt very much whether the government have had resolutions asking a change from the chambers of commerce or boards of trade of Vancouver, Halifax, Edmonton, Regina, Winnipeg, Fort William, Windsor, London, Sarnia—where the distinguished whip comes from—Hamilton, Toronto, Belleville, Brockville, Kingston, Saint John, Charlottetown and such cities. If the government have had resolutions from these chambers of commerce or boards of trade asking that the act be amended, that might account for this action having been taken, but I do not believe that is the reason for it. I am convinced that the Minister of Justice is very largely, if not altogether, responsible for persuading, in his pleasant way, the other members of the cabinet to agree to this amendment, because it was the Minister of Justice who in 1934 moved an amendment to the Bank of Canada Act in terms similar to those now contained in this amending bill. So I believe the minister must take all the credit, or whatever else may be due, for any heat that may develop as a result of this amendment.

The other evening the hon. member for Sherbrooke (Mr. Howard) said something about Japan and China having bilingual bills. The hon. member knows full well that the bills printed in two languages in China apply to Shanghai and Hongkong, that the bill circulated in the provinces of China, away from the coast, are printed entirely in Chinese. I cannot picture bills circulating in the city of Chengtu in the province of Szechwan, 2,800 miles up the Yangtze-Kiang river being in two languages, when there is only one race of people. Furthermore, according to my understanding on the Japanese bill there is just the word "yen." That is not an English word; it is an international word, and it appears on Japanese bills for the convenience of people of all nations. The word could be claimed as French, German or Czechoslovakian as easily as it could be claimed to be English. They do not have bilingual bills in the United States, where they have more Germans than anywhere else in the world outside of Germany. They do not have bilingual bills in France, where there are more Italians than anywhere else in the world except the United States and Italy. There are no bilingual bills in Great Britain, where there are many hundreds of thousands of people of many races. So I do not see just how that can be used as an argument.

In conclusion, Mr. Speaker, I come back to where I began: In my opinion it would have been much better if the government had let this matter rest for a while and left the act as it was passed by the late government. In my humble opinion the previous government met the problem in a satisfactory way. Certainly if bills are to be printed in both languages for circulation in the other eight provinces the government will have to take the responsibility. I cannot say what will be the result, or whether there will be any result, but with others who have spoken I feel that, with the distress which prevails in the country and the difficulties that all of us are up against, as Canadians, it would have been much better to leave the provision as it was, and for that reason I shall vote against section 15 of the bill.

Mr. A. H. MITCHELL (Medicine Hat): Mr. Speaker, before the vote is taken I should like to say that there seems to be a great deal of excitement in the house this afternoon in regard to the language that is to appear on the currency of the Bank of Canada. It is very plain to me that on the face of the bill appears the words "The Bank of Canada will pay to the bearer on demand One Dollar." It does not matter to me whether that is written in French or in English, as long as the Bank of Canada is able to pay that one dollar. The concern, then, that I have about the matter is this: Has anyone attempted to receive payment of one dollar from the Bank of Canada and, if so, what does he get, whether the language on the bill says the dollar will be paid in English or in French? What does he get for his dollar?

I do not wish to add to what was said when the bill was in the committee stage, but I do think it is a sad commentary on the House of Commons that half a day has been spent on an argument as to what language is to appear on the money of the country, when the real point we should be considering is what this money really means, where it comes from, whether or not the Dominion of Canada is

able to deliver goods and services to the value of one dollar, and matters of that kind. This appears to me very much like the blowing up of a political tempest, and I am not very much concerned about it. I can see the utility, however, of having both languages on our bills, therefore I will vote against the amendment.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, it is with some trepidation that I rise this afternoon to speak on this question. We have been sitting here for some five months, and during that period we have debated a number of very important issues. With the exception of one or two other occasions, however, not until to-day have I felt such a tense atmosphere as exists in the house this afternoon, and in my opinion that is a reflection upon the parliament of Canada.

I come from the province of Saskatchewan. My mind goes back to 1930 and a few years prior to that. The Minister of Finance (Mr. Dunning), when he introduced this measure into the house, referred feelingly to the campaign of 1930. I have every sympathy with him in such feelings. I took no part in the particular controversy at that time. But I want to point out that we in western Canada, fortunately, have emerged from the division upon racial and religious lines which existed then, a division fostered and kept alive, I believe, for political purposes. I regret exceedingly that this matter should have been injected into this new parliament at a time when what we need in Canada is unity of all our people, regardless of race or religion. To-day once again we are in danger of having the same kind of thing said and done throughout Canada as was said and done in the years to which I have referred. It is so easy to divert public attention from issues that are real and fundamental by dividing it upon lines that are unreal and not fundamental. The people of Canada are now facing tremendous problems. In this bill we have discussed only one phase of one important problem, namely the national ownership of the Bank of Canada. This house does not yet know, nor has it decided upon the policy to be followed by that bank in relation to currency and credit; but this afternoon, on the motion for third reading of this bill, instead of discussing that important matter we are spending our time in dividing the people on an issue which in my opinion is unreal. I would suggest this, that people in Canada who speak French are entitled to have a bank note which they understand, printed in their own language, and the people of the rest of Canada are entitled to demand a bill printed in their common tongue, the English language. If we are going to extend this principle indefinitely then I point out that in the province from which I come, as was stated by the hon. member for Qu'Appelle (Mr. Perley), we have many nationalities. We have a very large percentage of Germans, some Poles, many Ukrainians, and in that province those people may possibly ask for the same privilege that is now being proposed in relation to another language. I know, of course, there is a difference.

Mr. BOUCHARD: They knew the position as to language when they came.

Mr. COLDWELL: The difference is that, written into our constitution, and quite properly so, there is a provision that the use of the two languages in certain documents and in certain matters and places is established in this country. But I point out that in this present matter we are simply placing in the hands of people who will not scruple to use it, a document that will be shown on many a public platform in Saskatchewan, and possibly in Manitoba and Alberta, with the probable result of very much the same sort of campaign as was conducted in western Canada in 1930. From my place in this house I say to the government and to the opposition that divisions along these lines are not only regrettable but reprehensible. I make this suggestion to the government; if we cannot agree, why not drop the language from the bill altogether? Why not print on the face of these bills the word "Canada" which is the name of our country in both languages, and with that word simply the numerals 1, 2, 5, or 10 and so on, and distinguish the bills by variation in colour and design? Then we end this controversy, a controversy which in my opinion is kept alive purely for political purposes. I am not accusing any member of the government or of the opposition of doing that at this time, but at least there is a strong suspicion among some hon. members in this corner of the house that there may be motives of that sort. Whether there be such motives or not, this division will be carried throughout the length and breadth of Canada. I am urging the house to face the real problems of the country, problems that are stupendous, problems of youth, problems of the aged, problems of western agriculture. Instead of spending our time in permitting the stirring up of race prejudice we should get down to a thorough consideration of the real problems that confront us.

Hon. J. E. LAWSON (York South): Mr. Speaker, I realize that the subject of discussion lends itself very readily to acrimony in debate. Even the Minister of Justice (Mr. Lapointe) ordinarily so genial, in his speech upon this subject on Thursday last in this chamber, contributed as much heat as light to the consideration of the problem. I doubt very much whether it would have been possible for the Prime Minister (Mr. Mackenzie King), in the length of time which he occupied in this chamber this afternoon, to choose words tending more to arouse emotion or more provocative of political and party division. The Prime Minister intimated, if I correctly interpreted his observations, that those who would oppose a bilingual bank bill were lacking in a sense of fair play. I cannot agree with that. In my youth I played games occasionally. I have always considered that one who played a game according to the rules was not lacking in a sense of fair play. But when someone proposes that the rules of the game should be amended I cannot appreciate the view that anyone who does not agree with such a proposal, and so opposes it, is lacking in a sense of fair play. I ask of him only that when the rule is amended he observe the rule.

Mr. BERTRAND (Prescott): We shall see what the hon. member will do after this.

Mr. LAWSON: I may say to my hon. friend that I could answer him if I so desired, but I am going to ignore such interruptions because I am very anxious to express my thoughts on this matter without heat and without emotion. I think when the Prime Minister suggested that because some one used the word "toleration" or the expression "tolerating certain things which existed," that one might as well make it applicable to the French speaking members of the House of Commons, he indulged in the most specious sophistry. Any man in this country, no matter what his language or his native tongue may be, has a right, a constitutional right by law, to be a member of this House of Commons provided he is a British subject and complies with the other requirements of the law, and on that basis we all here accept all our fellow-members, not in toleration, but in welcome, even when they may disagree with us in our opinions.

I am anxious to place on record my thoughts on this subject, and I shall be sorry if, having done so, I should find myself classified in that category which the right hon. the Prime Minister described as those having an attitude of intolerance and bigotry. With much of what the hon. member for Winnipeg North (Mr. Heaps) said to-day I agree. I am one of those who, coming from a part of Ontario in which we rarely if ever hear the French language spoken, have gone to considerable trouble and effort to acquire some knowledge of that language. I, too, like the hon. member for Rosthern (Mr. Tucker) could write out and read in this chamber a speech in French, but by doing so, Mr. Speaker, I should lend neither wisdom to my thoughts nor eloquence to my tongue. Therefore I am going to endeavour to express my thoughts in my native tongue as dispassionately as I may.

The Minister of Justice took occasion to extend the quotation from Sir Wilfrid Laurier which had been quoted by some other member of the house. I possibly could also extend both by prefix and affix a quotation which was given by the Minister of Justice of the words of the great, revered leader of the Conservative party. The subject matter under discussion in 1890 was the question whether or not a provision which had been made allowing the use of the French language in the Northwest Territories should be repealed, and Mr. McCarthy of that day had moved for its repeal. Then Mr. Laurier made a strong political attack upon the government of the day, alleging in effect —I am not quoting him but I am giving the substance—that the Tories had always been opposed to the French people and the interests of the French people in this country, and it was on that occasion and replying to that speech that Sir John A. Macdonald said:

> I go a great way with my hon. friend in his remarks concerning the principle of this bill.

That is the bill which was before the house.

> I sympathize with his very natural feelings of indignation at much of the language that has been used in support of this measure now before the house.

Then he used the words quoted by my hon. friend the Minister of Justice, and after using them said:

> But while I say so much, Mr. Speaker, I must regret that my hon. friend, perhaps yielding to the necessity of his position as a party leader, should have commenced his speech with some party attacks against the Tories.

Sir John A. Macdonald then went on to outline that there should be given to the people of the Northwest Territories the right of free choice, and ultimately there was proposed by Sir John Thompson, and voted on and supported and carried by the government of that day the following resolution in amendment of

the proposal of Mr. McCarthy which I previously outlined:

That, on the contrary, this house declares its adherence to the said covenants, and its determination to resist any attempt to impair the same. That, at the same time, this house deems it expedient and proper, and not inconsistent with those covenants, that the legislative assembly of the Northwest Territories should receive from the parliament of Canada power to regulate—

Note this, Mr. Speaker:

—after the next general elections of the assembly the proceedings of the assembly and the manner of recording and publishing such proceedings.

To that principle of free choice if that is inherently a principle of the Conservative party as it was enunciated by its great leader, I subscribe.

In the course of this debate the statement was made that we have in this country two official languages but that Canada was not a bilingual country, and to that statement the Minister of Justice, and I think one other hon. member, took exception. I submit to you, sir, and this house, that the statement is absolutely accurate. When Canada was ceded to England in 1763 by the Treaty of Paris, Canada became a crown colony of England, and by virtue thereof English inherently for all purposes was an official language in this country. I shall not stop to outline the changes which came about by the Constitutional Act of 1791 and the Act of Union of 1840, but shall content myself with pointing out that by the constitution of this country, the British North America Act, by section 133 French was made an official language, an official language for all purposes prescribed by section 133 of that act, and with the limitations therein set out. Therefore, sir, I say to you that because the French language is limited and prescribed by section 133 of the British North America Act, Canada is not a bilingual country in the sense that both languages are official on exactly the same basis, and therefore there should be no room for objection to the statement which was made.

Another word was used, I think quite properly, to which apparently great exception was taken, namely the word "concession." When for any reason this parliament should see fit, either by its own substantive legislation or by request for amendment of the British North America Act, to extend the official use of the French language in this country, then I say that is a concession. Anything which confers a new right or an extended right upon the use of the French language in this country is a concession, and I submit that the word is a perfectly proper one to use and is not in the least offensive.

The minister, referring to this section 15, said that the matter was a very simple one, and he went on to outline the reason why. To me, in a way, the matter is a very simple one, and yet fortunately or unfortunately we seem to approach it from a quite different viewpoint, and our convictions in some respects seem to be diametrically opposed. The Minister of Justice proceeded to argue that prior to the enactment of the Bank of Canada Act the commercial banks had the right to issue notes or bills in the French language, the English language, or in French and English, and because by a process under the provisions of the Bank of Canada Act, the issuing authority becomes in time solely the Bank of Canada, therefore a right was being taken away from the French people.

I should like to point out that for many years the Dominion of Canada issued bills which were legal tender. The Minister of Justice gave an instance of a French-speaking man desiring to make legal tender, or to place money in court, and he could not obtain a bill in French which was legal tender with which to make that deposit. May I point out to my hon. friend that from confederation down to the date of the passing of the Bank of Canada Act in 1934, Canada printed one and two dollar bills, five hundred dollar bills and one thousand dollar bills, and one or two other denominations, which were the only legal tender in this country. Those bills were printed solely and only in the English language.

Speaking in regard to the same matter, my hon. friend said: We—and I assume he meant by that the French people of this country—are not conceded the right to live or to breathe the air of this country. I realize that that sentence was a metaphorical one, but it implied that this parliament or the English-speaking people of this country were attempting to take away from their French-speaking fellow-citizens some right which they now have. I want to point out that no attempt is being made to take away any right to the use of the French language as guaranteed by the British North America Act or any other act upon our statute books. We who resist merely say to you who are represented by the words of the minister, that the minority in this country shall not prescribe by law the kind of air which the majority are to breathe. I do not claim any right or privilege to speak for the majority of people in this country, but I do claim the right or privilege to speak for hundreds of thousands of people who have a viewpoint which I am going to endeavour to outline.

May I come back again for a moment to the word "concessions"? In 1934 when the central bank was formed there was—I hope this word will not be offensive but I use it for want of a better one—an agitation for bilingual currency. The arguments advanced at that time were that the French people in this dominion had been able to get notes in their own language from the commercial banks and, therefore, the bills of the new central bank should be printed in French. The same argument is advanced to-day by the Minister of Justice. The government of that day, in a spirit of compromise and out of consideration for our French-speaking fellow-Canadians, enacted that the central bank bills should be printed both in French and in English so that the citizens of this country could have a choice. To-day the very fact that that concession was granted is used as one of the strongest arguments why this parliament should provide for bilingual bills.

Nothing more clearly illustrates or justifies the viewpoint of so many English-speaking people in this country than the illustration I have just given, that the French speaking people are constantly on the aggressive to force on the English-speaking people the French language.

Mr. DUPUIS: I do not think the hon. gentleman should make that statement; he is too broad-minded.

Mr. LAWSON: I think it is fair enough. If my hon. friend will read my statement in Hansard I think he will find it is a very moderate and mild one. I am endeavouring to express the viewpoint of some of the English-speaking people in this country.

Mr. DUPUIS: All the prejudices, and they are sponsored by you.

Mr. LAWSON: I am not impressed by the economy argument advanced by the Minister of Finance (Mr. Dunning). If economy in connection with this matter is a logical argument then it cuts both ways. If the Minister of Finance wants to effect some economies, I ask him to turn his eyes upon the Post Office Department. There he will find forms printed in both languages, just what it is proposed to do in connection with our bills. He will find bilingual forms and he will find identically the same forms printed exclusively in the French language. I am extremely doubtful if he will find the identical forms printed solely in the English language. I once tried to secure such a form. I am merely relating what I found out. If economy is a factor, why not effect economy in matters already existing?

[Mr. Lawson.]

Mr. LAPOINTE (Quebec East): Does my hon. friend not know that under an international convention postal notes are printed in both languages? The same situation exists in the United States and other countries.

Mr. LAWSON: May I say to the Minister of Justice that I was not referring to a post office order or a postal note. I cannot remember the number of the form at the moment, but I could give it to my hon. friend. This matter came to my attention because a returned soldier—I am not sure whether he lived in my constituency or in an adjoining one—had written to the Post Office Department at Ottawa for a particular form for some purpose, which at the moment will not come to my mind. He received a form printed exclusively in French and when he sent this back to the Post Office Department, he received a form printed in English and French. He complained about this and perhaps hon. members will say that he was bigoted or narrow-minded.

Mr. LAPOINTE (Quebec East): That happens every day in the province of Quebec.

Mr. LAWSON: I do not doubt it. At the moment I am not objecting to it; I am merely directing the attention of the Minister of Finance to a matter where he might apply his economy argument. In this house to-day, speaking on this very subject matter, some hon. member asked this question: By what right or law or sanction of this parliament are any of these forms bilingual? When that question is raised some may claim that one is asking for a Shylock's pound of flesh because one asks adherence to the terms of the British North America Act. But may I point out that I am not asking that there be taken away from the French people any right of language guaranteed them by our constitution. I stand here asking on behalf of my race that our rights under the constitution be not taken from us until such time as the French people of this country have, not forced by legislation, but persuaded, the English-speaking people of Canada that further changes should be made in connection with the right of user of the French language in this country.

In matters affecting race or creed I try to see the viewpoint of the other fellow. I fully realize the desire of all the French people in Canada to cling tenaciously to their language, and at the same time I know it is the aspiration of some of them to extend the use of their language throughout this dominion. I want the French people to realize that there are in Canada thousands of English-

speaking people who resent the attempt to extend the use of the French language into their territory and to have it forced upon them by law—

Mr. DUPUIS: How many in the hon. member's constituency?

Mr. LAWSON: Judging by the last election, I should say about twelve thousand and some hundred of the total number of voters. Between these two extremes which I have outlined I believe there is in this country a large body of public opinion, the viewpoint of which I am trying to express to-day when I advocate adherence to the rights conferred upon majorities as well as minorities, as defined by the British North America Act, until such time as my fellow French-Canadian citizens have persuaded the English majority that further use of the French language would be beneficial. I am confident that only by such a course will ultimate harmony, good will and unity be promoted among all our people in Canada.

Mr. DAVID SPENCE (Parkdale): I wish to say just a few words. I shall not take up much of the time of the house because it is getting near the end of the session and I have never yet been guilty of taking up more time than necessary. I wish to congratulate the hon. member who has just sat down (Mr. Lawson) upon his well reasoned argument against bilingual money. His speech was moderate and he handled the subject very capably. I endorse his views and am behind them. I am sorry I did not hear the address of my right hon. leader (Mr. Bennett) the other night, which I am told was a very good one, nor did I hear the speech, in supposedly moderate tones, of the Minister of Justice (Mr. Lapointe) on that occasion. I was not in the house at the time. I did, however, note his tone this afternoon, and it was not as moderate as I should have expected from a man of his type. He talks about racial unity but what he preaches in this regard he does not practise very much, especially at election time in the province of Quebec. I do not believe that hon. gentlemen from Quebec are expressing the views of the innocent, good-thinking people of that province, any more than the Progressives in this house, when there were sixty-five of them, expressed the views of the people when they talked secession and advocated getting out of confederation. They were not at that time expressing the views of the west any more than the French-speaking members in this house express the views of the good French people of the province of Quebec. The trouble is that a few of the more educated people of Quebec, like the Minister of Justice and others, poison the minds of the innocent people of that province against our party, and there is always a war somewhere to create trouble and friction.

No one appreciates more than I do the hospitality of the French people; I have been among them and have been entertained by them in Montreal. Anything that I say now is rather more in their interests than in those of my own race in Ontario. I hate an argument of this kind, and while I do not know very much English and still less French I do know, from my experience in the business world and in this house, that a debate of this sort will create friction and result in lack of harmony in the country. I remember that on one occasion an hon. gentleman from the province of Quebec moved a resolution which I knew at the time would cause friction, and I appealed to him to withdraw it. I believe it was the hon. member for Bellechasse (Mr. Boulanger) who offered a resolution to the effect that no one but a bilinguist should hold a position in the civil service. What would that mean? It would mean that only someone who could speak French as well as English could get a job in the civil service. As far as I am concerned, there are two classes of people I shall not grant concessions to; the French are one, unless they make some concessions to us, because we want to be fair to them.

I do not want to take up the time of the house but I am utterly opposed to the change proposed in this bill. I do not see any reason why this government should attempt to change everything that a sane and sensible government put through in the last five years. They have attempted to change the British North America Act, the railway trustees, and now they are changing the Bank of Canada Act, making a mess of the whole thing. I am speaking not from a political point of view but from long training in the business world, and along that line I know as much as the ministers do. I honestly believe that it would be well to withdraw the proposal contained in this bill and, as my hon. friend, the member for Davenport (Mr. MacNicol) who sits behind me has suggested, to take it out of the house and forget it. It is simply creating friction and bad racial feeling in the country, and that will be the result of the whole matter. Let me say further that if this goes on much longer I can warn the people in Quebec that they will probably suffer more than the other provinces, because I assume they do not want to be isolated, and that is

just what they are talking themselves into. I would not have said a word but for the stream of abuse of those on this side which flowed from the Prime Minister. While I respect him as Prime Minister, I do not like the attempt he made this afternoon to play politics. He is trying to control the country by the French vote, but I say to him: You will not control the French vote very much longer because we will attempt to educate the French people to your tactics.

Some hon. MEMBERS: Oh, oh.

Mr. SPENCE: Never mind your laughing. The time will come when you will not be able to pull the wool over the eyes of the French people of Quebec with a lot of politics as you have been doing in the last few years. See what has happened to your friend Taschereau; you will all get into the same difficulty. You have been doing this sort of thing too long. See what they did to the Right Hon. Arthur Meighen, talking about blood dripping from his hands, and all that sort of stuff.

Some hon. MEMBERS: Oh!

Mr. SPENCE: There is no "oh" about it; it was done every year I was in the house. Every time there was an election in the province of Quebec there was talk of a war somewhere, and men of a higher type and education polluted the minds of the French people to make them believe that the Conservative party was a warring party and that if they wanted their sons to go to war they should vote for the Conservative party. Do hon. members mean to tell me that is fair tactics; that it will create harmony and unity? I say no. We are having difficulties in Ontario and my hon. friends will create more difficulty between Ontario and Quebec. I say to them: If I were you I would change my tactics and play the game fairly so as to have unity in this country instead of disruption.

Let the hon. member over here who is laughing say just what he thinks. I do not believe I am saying anything out of the way. Everything I have stated is true, and I believe it absolutely. What the government is doing to-day is creating a lack of harmony which will never be suppressed, although the hon. minister put his case to the house in a very clever way. I am sorry I am not able to equal his performance. The hon. member for York South (Mr. Lawson) has also this afternoon delivered his address in a quiet and commendable way, entirely without bad feeling. He appealed for harmony, and I believe that is what we want. The same attitude was taken by the hon. member for Davenport and the hon. member for Broadview (Mr. Church). I have no ill feeling whatever against the French language; all I wish to say is: Please do not continue to ask concession after concession and never be satisfied.

Mr. J. S. TAYLOR (Nanaimo): I want for a few minutes to strike a new note—

Mr. EULER: A new bank note?

Mr. TAYLOR (Nanaimo): —and it will not be a bilingual note. I inveighed against the government when the Bank of Canada Act was first brought up. I did so, not on the question of bilingualism but because of the action of the government as to taking control of the shares of the bank, involving an expenditure of $5,100,000 to secure 51 per cent of the shares, when the same amount of money should have controlled the whole of the shares. The days that have passed have made me none the easier in my mind about the activity of the government in this respect. I find that practically all the provinces in their companies' acts permit the shareholder, when an enlargement of the capital is brought about, to have the first opportunity of obtaining pro rata of their share holdings in the new capital. The Dominion Bank Act, section 32 reads thus:

> The capital stock of the bank may be increased from time to time, by such percentage, or by such amount, as is determined upon by by-law passed by the shareholders at the annual general meeting, or at any special general meeting called for the purpose.

Section 33 contains the following:

> Any of the original unsubscribed capital stock, or of the increased stock of the bank, shall, at such time as the directors determine, be allotted to the then shareholders of the bank pro rata, at such price, not less than par, and on such terms as are fixed by the directors.

The Dominion Companies Act states:

> The directors of the company may, at any time after fifty per centum of the authorized capital stock of the company has been subscribed and ten per centum of such subscribed stock has been paid in, make a by-law for increasing the capital stock of the company to any amount which they consider requisite for the due carrying out of the objects of the company.
>
> No by-law for increasing the capital stock of the company, or for subdividing the shares, shall have any force or effect whatsoever, until it is sanctioned by at least two-thirds of the votes cast at a special general meeting of the shareholders of the company duly called for considering the same, and afterwards confirmed by supplementary letters patent.

So that, throughout the whole of the procedure of the government in these matters as it allows companies and individuals to express themselves, it has been conceded that

existing shareholders have a right to take their pro rata holdings in any increase of capital. And again I inveigh against the government for their attitude in this regard. There is neither excuse nor reason for what they have done, and for that reason I was entirely prepared to vote against the bill.

But, Mr. Speaker, a much larger issue has been raised, and I find myself thrown high and dry, having been tossed about by the progress of this debate. I have tried to see this matter reasonably and broadly, and I have come to the conclusion that the only view to take is not necessarily the broad view but the long view. We are a country in progress. We are a country with two languages. We have two sets of ideas. We have two hopes; we are attempting to merge them. I can quite understand the desire of the French people to begin this merger by infusing themselves into the general purpose of our progress. The hon. member for Davenport (Mr. MacNicol) spoke of the progress in South Africa, where, he said, approximately 51 per cent of the people spoke the two languages. He is talking of to-day, but he is not talking of the period after the Boer war. The situation has been entirely reversed, although in certain sections of the country I have heard the youth talking together very freely and using words, from both languages, so intermixed that one was puzzled to know whether the individuals talking were Dutchmen or Englishmen. The same thing will obtain in Canada if we can permit the proper fusion of the two races. But as long as we are kept apart by racial distinctions and racial ideas, and by little differences developed and engendered, we shall never produce in this dominion a true homogeneous nation.

For that reason I am in direct sympathy with this bill and, taking the two questions together, the one on which I feel very strongly the government has done wrong, and the other one on which I feel very strongly the government is unconsciously moving in the right direction, I feel compelled to say that I shall vote with the government on the question of this bill.

Right Hon. R. B. BENNETT (Leader of the Opposition): I had hoped to be spared further participation in this debate, but in view of the observations this afternoon of the right hon. the Prime Minister (Mr. Mackenzie King) and the use of the word "bigotry" and other words equally offensive, I am compelled to make a few remarks. I indicated a few days ago that I speak only my own opinion and my own mind. I have not suggested to those associated with me that they should follow my course, but, holding certain convictions and believing as I do that the course taken by the previous administration is the one best calculated to advance the cause of amity and good will in Canada, knowing something as I do of the history of this country with respect to these matters, I urged as strongly, as dispassionately and as moderately as I could that the government give a longer period of time within which to ascertain whether the measures which were adopted in 1934, and which did not become effective for some months thereafter, were not those which in practice would be found satisfactory. I agree with what has been said by many members who have spoken in this house that we have a common purpose, a desire to create a homogeneous country, a desire out of diverse elements to produce a common nationality, a desire to make the name Canadian on this northern half of the north American continent representative of a personality, a nationality, a people. That can be done only by the union in spirit and in deed, in act and in purpose, of men and women of all nationalities.

When a few days ago the Minister of Justice (Mr. Lapointe) referred to the words of the late Sir John A. Macdonald, dealing with a matter to which I shall have to refer before I take my seat, the hon. gentleman quoted Sir John as saying that in this country there was no conquered people. Why, certainly that is true, Mr. Speaker. We have had generations come and go since 1759 and it would indeed be strange if in 1890, when Sir John was speaking, there should be any people that would refer to any other people in this country as a conquered people. Sir John said that since 1867 we had been British people, living under the protecting aegis of the British flag, as one dominion, and in that sense and in that regard what he said then is true to-day.

But, sir, there is something that we cannot forget, and it is that the facts of history endure. Not heaven itself can change the past. What has been, has been. There was a Treaty of Paris in 1763. There was a union of upper and lower Canada in 1840. There was an act of confederation in 1867. These are facts of history. They are not the notions of individuals; they are not things that can disappear because we wish to forget them. For good or ill they are the facts of history, just as other matters are facts of history. And as from all events in history there follow results, which we sometimes speak of as the implications of the events but which in the end are perhaps the controlling influences and factors in national life, so from these events to which I have referred there have flowed

results which are embodied not only in the statutes of our country but in the very life of Canada itself.

Shortly after I accepted, at the hands of my party, its leadership, I went to Quebec. I travelled over large sections of that province. I addressed meetings in many parts of it, and no more kindly reception was ever given me than I received from my fellow-Canadian citizens in that province. And I told them, as frankly and as clearly as I could speak, that I realized the appeals which had been made to them. I realized, as the Minister of Justice so aptly said the other evening that in that province there was a class who believed that there had been some sacrifice of their rights and that within the confederation they could not work out the destiny they had contemplated for themselves and their people. I told them then, as I say here and now from my place as a member of this house, that their constitutional rights, the laws, customs and practices of the constitution, would be respected by me at whatever cost it might involve to me personally. I called upon them and appealed to them to respect the constitution as a document which was arrived at after much consideration, much toil and much travail by the great public men of that time, and as indicative of what might constitute a fair relationship between the two great races.

I never hesitated, sir, to make that as clear as, by language, I could convey it to those who heard me, and when the results of the election were known we had in that province at least a fair support. But no one could say that he had been elected by appeals made either to racial prejudices or to ancient animosities, to race or to religion, or upon other than the broad basis of those constitutional rights which are vouched for by a constitutional document and by that document guaranteed as the rights alike of minorities and majorities. And I have always regarded it as a matter of supreme satisfaction, Mr. Speaker, that the party to which I belong received from the electors of Quebec the measure of confidence which it did receive. I am not ignorant—because I do read the press of Quebec—of appeals that have been made looking toward, shall I say, the creation of another state, as the Minister of Justice said the other evening. I am not unmindful of that, but I agree with the hon. gentleman that it would be in the worst possible interests of those who would be affected that that should come about. And however much we may have cause to complain of the results of appeals that were made I have never complained, neither shall I to-day nor at any other time complain, of the result of the appeal to the electors in the province of Quebec in 1935. It was a significant circumstance that it should happen as it did. I have overlooked, as part of the incident of party warfare, the appeals that were made about the war in Egypt in 1930, or the war in Turkey. I do not think that represents the genius or thought of great leaders, but it does represent the action which may be taken, in the heat of an election, by those to whom victory is their chief duty and supreme concern, to appeal to those passions and prejudices which are found at times beneath the skin of any man and every man, whether he be Anglo-Saxon or French.

[Mr. Bennett.]

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

RAILWAYS AND CANALS

Sir EUGENE FISET: Mr. Speaker I would ask for leave of the house to revert to the presentation of reports of standing committees.

Mr. SPEAKER: By leave of the house we shall revert to the order for motions.

Sir EUGENE FISET: In the absence of the hon. member for Outremont (Mr. Vien), chairman of the committee, I beg to present the second report of the standing committee on railways, canals and telegraph lines.

PRIVATE BILLS

FIRST AND SECOND READINGS—SENATE BILLS

Bill No. 104, for the relief of Harry Candlish Coughtry.—Mr. McPhee.

Bill No. 105, for the relief of Jean Malkinson Goldenberg.—Mr. McKay.

Bill No. 106, for the relief of Edith Lillian Astroff Nevitt.—Mr. Jacobs.

Bill No. 107, for the relief of Lillian Gladys Cheney Perry.—Mr. Plaxton.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

The house resumed consideration of the motion of Hon. Mr. Dunning for the third reading of Bill No. 82, to amend the Bank of Canada Act, and the amendment thereto of Mr. Barber.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, whatever complaints may have been made with respect to the course which I followed in other parts of Canada with respect to other Canadians,

this at least will have to be admitted, that the position I took in the province of Quebec I took in every other province of confederation. At the outset of my leadership I made it clear that we would deal with all such problems on a national basis, because I realized that on more than one occasion the country had been torn asunder by what seemed to be small issues but which had most, shall I say, disastrous effects upon the efforts being made to build here a united Canada.

I wonder if hon. members of this chamber are aware of the fact that we have drawn our population in the western provinces from all quarters of the world. For instance, out of a total population, according to the last census, of 921,785 for the province of Saskatchewan, only 437,856 are of British origin. That in itself is reason why we should exercise the utmost care in dealing with problems of this kind. Aware of that fact, I fancy, as well as any other man in this country, and fully understanding the difficulty we were experiencing in welding into a harmonious whole the country west of the great lakes, to say nothing of the difficulties which obtained by reason of geographical conditions, I took the view that the constitution would be our guide. It has been the guide of the Conservative party since that date, and it was our guide during the days of Macdonald.

For instance, the other evening when the Minister of Justice was reading from the speech of Sir John A. Macdonald he might have gone further and read from that speech references Sir John made not only to conditions which then existed but to difficulties which he had experienced in his lifetime in dealing with this problem. Sir John had pointed out that he had met with opposition, and that to mould this country into a harmonious whole had been a most difficult task. After using the language to which the Minister of Justice referred the other evening Sir John A. Macdonald used these words:

> But while I say so much, Mr. Speaker, I must regret that my hon. friend, perhaps yielding to the necessity of his position as a party leader, should have commenced his speech with some party attacks against the Tories. My hon. friend felt constrained, I suppose, to make those allusions, which, in the circumstances of the case, I think were not altogether generous or altogether politic. The hon. gentleman spoke of the spirit of this bill being that of Toryism, utter Toryism, oppressive Toryism. Why, sir, if he looks at the history of England in modern days, I think he will find that most of the Liberal measures passed there have been passed, if not by Tories, by Conservatives. I think also, if he will look at the history of Canada, he will find at all events, that liberality towards the French-Canadian race was pretty much confined to the Conservative party. The hon. gentleman had to admit that while this bill was, as he affirmed, an evidence of utter Toryism, the exclusion of the Franch language, the injury done to the French people, the insult offered to them, came from a radical, the Earl of Durham. To be sure, my hon. friend said that Lord Durham was a radical who did not understand all about liberty. That is quite evident; and so great a radical was he that in order to get rid of him the English government sent him to this country to show us his Liberalism by attempting to deprive half the people of their right to use their own language. Ay, Mr. Speaker, and he succeeded in carrying out that effort; he succeeded in excluding the French language, and the measure was carried by a Liberal government in England. That was in 1840. The first government formed in Canada under that measure in 1841 was a confused government, where Liberals, and Tories, and officials were mixed up together. But, sir, in 1844 when there was a stand-up fight between Conservatives and Liberals, when the Conservatives ralied around Lord Metcalfe, and carried a majority; when the parliament met in Montreal in that year, with a Conservative majority, the whole of the French-Canadian race, with the exception, I think, of four, were in opposition to the government. I was then elected for the first time, and I sat in that parliament as a Tory, a supporter of Lord Metcalfe. In that parliament the French-Canadians were powerless; and yet, Mr. Speaker, what did that house do? Let me read to you a resolution that was passed, not by a Liberal or radical government, not by a parliament having sympathy with the French-Canadians exactly, but by a Conservative parliament elected, as was then alleged, in opposition to the interests of the province of Lower Canada; and yet passed, from a mere sense of justice, and without one single dissenting voice. Yes, from a mere sense of justice, the resolution was passed and the address was passed without one dissenting voice. I as a member of the young Tory party, was proud then to have the opportunity of pronouncing on that question. The yeas and nays were not taken because we were unanimous, but I was proud of having had a part, as a member of a great party, in the resolve to relieve our French-Canadian friends from the oppressive action of the Liberal government in England, at the instigation of the radical Earl Durham.

Then he quoted the address. From that day to this those who are familiar with the political history of Canada will have to admit that the position taken by the Conservative party has been consistent with the policy then outlined by Sir John A. Macdonald. It will be remembered that when confederation became an accomplished fact it followed two sets of resolutions, the London resolutions agreed to in 1866 and the Quebec resolutions agreed to in 1864. It is pertinent to keep in mind what those resolutions were, for when discussion took place as to what should be done with respect to language it will be remembered that that question was dealt with, and it will be with-

in the memory of every hon. member familiar with the subject that in the resolution finally arrived at in 1864 these words appear as the forty-sixth of the Quebec resolutions agreed to on October 10, 1864:

Both the English and French languages may be employed in the general parliament and in its proceedings, and in the local legislature of lower Canada, and also in the federal courts and in the courts of lower Canada.

When the London conference was held, resolution No. 45 was passed reading as follows:

Both the English and French languages may be employed in the general parliament and in its proceedings, and in the local legislature of lower Canada, and also in the federal courts and in the courts of lower Canada.

When the British North America Act was drafted, after these resolutions had been laid before the colonial secretary of the day, the first set of resolutions having been signed by E. P. Taché, and the London resolutions having been signed by Sir George Cartier, it will be recalled that section 133 crystallized into legislative form the purport of these resolutions, and that is important to keep in mind because it has a direct bearing on everything that thereafter happened. Section 133 reads:

Either the English or the French language may be used by any person in the debates of the houses of the parliament of Canada and of the houses of the legislature of Quebec; and both those languages shall be used in the respective records and journals of those houses; and either of those languages may be used by any person or in any pleading or process in or issuing from any court of Canada established under this act, and in or from all or any of the courts of Quebec.

The acts of the parliament of Canada and of the legislature of Quebec shall be printed and published in both those languages.

In order to understand the full significance of that, it is important to recall what the situation was in 1840. I have referred to the Treaty of Paris of 1763, and after that the provision made by the parliament at Westminster for the government of Quebec need not be dwelt upon except to say that there were two provinces, upper and lower Canada, and in lower Canada you had one set of considerations, in upper Canada another.

But in 1840 we find that an enactment was passed which prohibited the further use of the French language in the united provinces, and I shall, in order that the record may be complete, point out and read what that provision was:

And be it enacted that from and after the said reunion of the said two provinces, all writs, proclamations, instruments for summoning and calling together the legislative council and legislative assembly of the province of Canada and for proroguing and dissolving the same, and all writs of summons and election, and all writs and public instruments whatsoever relating to the said legislative council and legislative assembly or either of them, and all returns to such writs and instruments, and all journals, entries, and written or printed proceedings of what nature soever of the said legislative council and legislative assembly and each of them respectively, and all written or printed proceedings and reports of committees of the said legislative council and legislative assembly respectively, shall be in the English language only: Provided always, that this enactment shall not be construed to prevent translated copies of any such documents being made, but no such copy shall be kept among the records of the legislative council or legislative assembly, or be deemed in any case to have the force of an original record.

That was the statute passed by the parliament at Westminster in 1840, and the incident to which Sir John A. Macdonald referred was the passing of the resolution that brought about the end of that condition. That was not, however, until 1848, so that from 1840 to 1848 the united provinces of upper and lower Canada were prohibited by law from using any language other than English, and translated copies of the records of proceedings in that legislature were not allowed to be kept as part of the official records. But in 1848 there was passed the Union Act Amendment Act, which provided:

Whereas by an act passed in the session of parliament held in the third and fourth years of Her Present Majesty, intituled "An act to reunite the provinces of upper and lower Canada, and for the government of Canada," it is amongst other things enacted that from and after the said reunion of the said two provinces, all writs, proclamations, instruments for summoning and calling together the legislative council and legislative assembly of the province of Canada, and for proroguing and dissolving the same, and all writs of summons and elections, and all writs and public instruments whatsoever relating to the said legislative council and legislative assembly, or either of them, and all returns to such writs and instruments, and all journals, entries, and written or printed proceedings, of what nature soever, of the said legislative council and legislative assembly, and of each of them respectively, and all written or printed proceedings and reports of committees of the said legislative council and legislative assembly respectively, shall be in the English language only: Provided always that the said enactment shall not be construed to prevent translated copies of any such documents being made, but no such copy should be kept among the records of the legislative council or legislative assembly, or be deemed in any case to have the force of an original record:

And whereas it is expedient to alter the law in this respect, in order that the legislature of the province of Canada, or the said legislative council and legislative assembly respectively, may have power to make such regulations herein as to them may seem advisable:

Be it therefore enacted by the Queen's most excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present parliament

assembled, and by the authority of the same, that from and after the passing of this act so much of the said recited act as is hereinbefore recited shall be repealed.

That was in 1848.

Mr. DUPUIS: Who was the mover?

Mr. BENNETT: It was an act of the imperial parliament. I have not the name of the member of that house who had the matter in hand, but it could easily be obtained from the library if the hon. gentleman wishes.

In 1848, which, as will be seen, was nineteen years before confederation, there was a repeal of the statute which provided that the English language only should be the language to be used in the legislature of upper and lower Canada. Then followed the conferences to bring about the union of Canada, the union of the provinces of Nova Scotia, New Brunswick, Quebec and Ontario, upper and lower Canada, and when they met together at Quebec in 1864 they passed the resolution to which I have referred embodying the views of the minority of that time as adequate for the defence of their rights. That was No. 46 of the Quebec resolutions passed in 1864. Then, when they went to London a few months later for the purpose of having the statute enacted or passed by the imperial parliament, the resolution which I have just read, No. 45, was arrived at, and that was regarded in the minds of Sir George Cartier and other great French-Canadians of that day as being adequate for the protection of their rights, their liberties, their language and other matters to which I shall presently refer.

Then we come to confederation, and the British North America Act, with section 133 embodying the provisions of resolution No. 45 of the London conference and resolution No. 46 of the Quebec conference, and any students of history who are interested and will look at the personnel of that distinguished gathering which met at Quebec and enacted these resolutions will have no difficulty in realizing that our French-Canadian citizens were ably represented there by men who reflected in every respect the genius of their race.

Then came the question of the consideration of this matter when Sir John A. Macdonald and those associated with him came back to Canada and asked the legislature to adopt confederation. At that time one of the very first questions suggested was one connected with language, and what do we find? We find that that question was raised by a distinguished Frenchman of his day who realized its importance and made no apology for having raised the issue. When section 133 was being referred to, the Hon. Mr. Evanturel —you will find this at page 943 of the Debates of Confederation—said:

I wish to put a question to the government. I acknowledge that if I confined myself to consulting my own ideas, I should not put this question; but I do so in order to meet the wishes of several of my friends, both within this house and beyond its precincts. Those friends have expressed alarm in relation to one of the causes of the resolutions, and have requested me to ask an explanation from the hon. attorney general for Upper Canada, as to the interpretation of that clause. I had therefore to ask him whether article 46 of the resolutions, which states that "both the English and French languages may be employed in the general parliament and in its proceedings, and in the local legislature of Lower Canada," is to be interpreted as placing the use of the two languages on an equal footing in the federal parliament? In stating the apprehensions entertained by certain persons on this subject —and I consider that it is a mark of patriotism on their part, and that their apprehensions may be legitimate—I hope the government will not impute to me any hostile intention, and will perceive that the course I adopt is in their interests, as it will give them an opportunity of dissipating the apprehensions in question.

That was approved by the house, for the words "hear, hear" appear after that statement. Sir John A. Macdonald then rose and said:

I have very great pleasure in answering the question put to me by my hon. friend from the county of Quebec. I may state that the meaning of one of the resolutions adopted by the conference is this, that the rights of the French Canadian members as to the status of their language in the federal legislature shall be precisely the same as they now are in the present legislature of Canada in every possible respect. I have still further pleasure in stating that the moment this was mentioned in conference, the members of the deputation from the lower provinces unanimously stated that it was right and just, and without one dissentient voice gave their adhesion to the reasonableness of the proposition that the status of the French language, as regards the procedure in parliament, the printing of measures, and everything of that kind, should be precisely the same as it is in this legislature.

After some further observation Mr. Dorion, later Sir Antoine, rose and said:

So that if, to-morrow, this legislature choose to vote that no other but the English language should be used in our proceedings, it might do so, and thereby forbid the use of the French language. There is, therefore, no guarantee for the continuance of the use of the language of the majority of the people of Lower Canada, but the will and the forbearance of the majority. And as the number of French members in the general legislature, under the proposed confederation, will be proportionately much smaller than it is in the present legislature, this ought to make hon. members consider what little chance there is for the continued use of their language in the federal legislature. This is the only observation I have to make on this subject, and it was suggested to me by the answer of the Hon. Attorney General West.

The attorney general, Sir John A. Macdonald, then rose and said:

I desire to say that I agree with my hon. friend that as it stands just now the majority governs; but in order to cure this, it was agreed at the conference to embody the provision in the Imperial Act. (Hear, hear.) This was proposed by the Canadian government, for fear an accident might arise subsequently, and it was assented to by the deputation from each province that the use of the French language should form one of the principles upon which the confederation should be established, and that its use, as at present, should be guaranteed by the Imperial Act. (Hear, hear.)

Thereupon, near the close of the debate, Sir George Cartier rose and said:

I will add to what has been stated by the hon. Attorney General for Upper Canada, in reply to the hon. member for the county of Quebec and the hon. member for Hochelaga, that it was also necessary to protect the English minorities in Lower Canada with respect to the use of their language, because in the local parliament of Lower Canada the majority will be composed of French Canadians. The members of the conference were desirous that it should not be in the power of that majority to decree the abolition of the use of the English language in the local legislature of Lower Canada, any more than it will be in the power of the federal legislature to do so with respect to the French language. I will also add that the use of both languages will be secured in the Imperial Act to be based on these resolutions. (Hear, hear.)

I said a moment ago that this discussion took place during the debates on confederation; I should have said that it took place after the resolutions had been submitted to the legislature and before the statute had in fact been passed. I think I have made clear what the conditions were that led up to the enactment of the British North America Act. I trust I have made clear to every hon. member of this house the circumstances under which section 133 became part of the constitution of Canada. It was enacted by the imperial parliament in furtherance of the resolutions arrived at both at Quebec and at London. The meaning to be attributed to that section is the meaning which was agreed upon in the legislature when the debates took place, as indicated, by Sir John A. Macdonald, the Hon. Mr. Evanturel, the late Sir Antoine Dorion and lastly by Sir George Cartier. These are the circumstances which led up to the enactment of this provision.

We inquire logically: How has that been interpreted by successive governments in Canada? It must be recalled that during the early days of this confederation Sir John A. Macdonald was Prime Minister until 1873; he and his government had control of the destinies of Canada until that year. From 1873 to 1878 we had Mr. Mackenzie and from 1878 to 1891 we had Sir John A. Macdonald, with successive Conservative administrations until 1896. From 1896 to 1911 we had a Liberal administration under the late Sir Wilfrid Laurier. It therefore becomes pertinent, nay, essential, that we should inquire as to the construction which parliament has placed upon that provision. If we can, by reference to the records or to the statements of public men of representative administrations, arrive at conclusions, they will be a help and a guide to assist us in discharging difficult and similar obligations and duties.

First of all, we find that we were admitting new provinces to the confederation. Only three years had elapsed until the Manitoba Act was passed. This is a very important act as it provided the conditions that would obtain in Manitoba with respect to the use of language. It will be remembered that in the statute creating that province special provision was made for the use of the French language. Some of my hon. friends seem to be unaware of that fact. They do not seem to realize that the Manitoba Act as passed in 1870 contained this provision, which will be found in the constitutional documents of Canada at page 69, and which reads:

Either the English or the French language may be used by any person in the debates of the houses of the legislature, and both those languages shall be used in the respective records and journals of those houses; and either of those languages may be used by any person or in any pleading or process, in or issuing from any court of Canada established under the British North America Act, 1867, or in or from all or any of the courts of the province. The acts of the legislature shall be printed and published in both those languages.

This was the constitutional legislation under which the Conservative government of that day brought the province of Manitoba into being. Bear in mind that that was in 1870, only three years after confederation became an actuality. This act was continued until circumstances to which I shall presently allude came into being.

The province of British Columbia was admitted into confederation in 1871, but no provision of a similar kind was included in its constitution. On the contrary, the address merely provided that the provisions of the British North America Act should prevail. That is all that may be said with respect to that. But an agitation grew up in western Canada. Why? I shall not answer that question. In 1890 the legislature of Manitoba, under Liberal leadership, enacted a statute which reads as follows:

Her Majesty, by and with the advice and consent of the legislative assembly of the province of Manitoba, enacts as follows:

1. Any statute or law to the contrary notwithstanding, the English language only shall be used in the records and journals of the house of assembly for the province of Manitoba, and in any pleadings or process in or issuing from any court in the province of Manitoba. The acts of the legislature of the province of Manitoba need only be printed and published in the English language.

2. This act shall only apply so far as this legislature has jurisdiction so to enact, and shall come into force on the day it is assented to.

What followed?

Mr. THORSON: Have there not always been very grave doubts as to the validity of that statute?

Mr. BENNETT: I am not discussing that phase of the matter. I am merely giving the historical view of the exact facts. I desire to remove my observations as far as possible from political considerations and to recite the facts just as they are, leaving them to speak for themselves. That was in 1890. There grew up at once an agitation on behalf of the minority, who felt that they had been deprived of privileges and rights that had been taken from them, an agitation that this legislation should be disallowed. There were presented to the government of the day petitions signed by leading citizens and members of parliament, by the Archbishop of St. Boniface and others, but the laws were left to their operation, and that statute, for whatever it may be worth, is part of the law of Manitoba to-day. It is not my duty or my business to express any opinion as to its validity; I must content myself with merely saying that there it is as part of the statute law of that province. As I say, that was in 1890. I did not go west until 1897, but I still recall that even seven years after the passing of that statute there were agitations in various parts of the west with respect to that law. But it survived and it is still, for whatever it may be worth, a part of the statute law of the province of Manitoba.

I have already dealt with British Columbia. When the two new provinces came into being, with respect to the question of language it was merely provided that the provisions of the British North America Act should apply, and there it rested. But in the meantime it was, of course, to be expected that in this parliament there would be many questions raised and many debates promoted for the purpose of discussing the situation, and in 1890 a debate took place upon the introduction of a bill by the late Dalton McCarthy in which he provided that the grant of powers given the Northwest Territories in 1877, which made provision for the use of both languages, should be maintained. Mr. McCarthy moved the first reading of a bill for the purpose of terminating those rights and privileges as defined in the act of 1877. It was at that time that there took place the debate to which the Minister of Justice referred the other evening, the debate in 1890. It was then that Sir John A. Macdonald made the observations to which the hon. gentleman referred, and those observations are as true and pertinent to-day as when Sir John Macdonald uttered them. There was no conquered race in 1890; there is none to-day. Successive generations have taken the place of the first generation that lived and had its being in the province of Quebec in 1763. But here we had, precipitated into the chamber in the old building, at the instance of Mr. McCarthy, a discussion with respect to language in the Northwest Territories. Finally, on the motion of Sir John Thompson, seconded by Sir Adolphe Chapleau, then Secretary of State, the matter was left to the choice of the people, the choice of the legislature, the choice of those who should take the place of the representatives of the people after the general election, freedom of choice, the right of self-determination. That was left, at the instance of Sir John Thompson, in his amendment, seconded by Sir Adolphe Chapleau, to the motion of Mr. McCarthy, as the proper determination of that issue; and those of us familiar with the history of Sir Adolphe Chapleau will not for a moment say that he had not a burning zeal for his countrymen and as great a desire to promote their fortunes and their interest as any man within the sound of my voice, no matter where he may come from. I repeat, that was in 1890.

We are all familiar with the difficulties that arose out of the so-called Manitoba school question; we all remember the passing by a Liberal administration of the school laws of Manitoba; we all recall the judgment of the privy council, and none of us can fail to remember that that court decided that the rights of minorities had been prejudicially affected. Nor will any deny that the Conservative party of that day staked its existence and lost upon fidelity to the constitution. What is more, so fair were the Canadian people in their attitude to that question that when the votes were counted it was found that ouside the province of Quebec the Conservative government had been maintained in its position. The majority of Sir Wilfrid Laurier, for a reason which need not now be discussed and which has never been explained, was a majority that depended upon the votes he

succeeded in obtaining at that time in the province of Quebec. That was the position in 1896.

Now let us see what interpretation was placed upon the provisions of this law by others after that. We have, for instance, what was referred to this afternoon, and which seems to me to be fairly important. We have a question asked by Mr. Paquet on May 31, 1905, of the government of the day, presided over by Sir Wilfrid Laurier, the Minister of Finance of which was William Stevens Fielding, one of his most trusted lieutenants. I direct the attention of this chamber carefully to the words of the questions and answers given. Remember, I am giving a chronological record, and this was in 1905. The questions put to the government were these:

1. Do any grave reasons of state exist that might prevent the Minister of Finance from having the dominion one and two dollar notes or all other bank notes printed simultaneously in English and French?
2. Are they unaware in the Finance department that the two languages are official in Canada
3. Is it the intention of the Minister of Finance to rectify in the future this state of things by ordering that those bank notes be printed in the both languages, English and French?

To that the Hon. W. S. Fielding, Minister of Finance, replied:

There is nothing in the British North America Act or in any act of the parliament of Canada which requires or contemplates the printing of dominion notes in two languages. The Finance department has not contemplated the advisability of any departure from the practice which has existed under all governments from the beginning of confederation down to the present time.

Those questions and those answers will be found at page 6826 of Hansard of May 31, 1905. May I pause for a moment to direct the attention of my fellow-members of this chamber to the significance of that language. It was not necessary for Mr. Fielding to use, speaking as he was for the administration, the exact words he did; he could have answered the question very simply. But instead of that he said:

There is nothing in the British North America Act or in any act of the parliament of Canada which requires or contemplates the printing of dominion notes in two languages.

That is a complete answer by Sir Wilfrid Laurier and his government to the position which has been taken in this chamber and elsewhere with respect to this matter. There is nothing under the constitution; there is nothing in any act of parliament that either contemplates or provides for the printing of bank notes in the two languages.

[Mr. Bennett.]

Mr. LAPOINTE (Quebec East): Is there anything that prevents it?

Mr. BENNETT: The answer to that is simple; in the absence of a provision for its authorization it is not authorized.

Mr. LAPOINTE (Quebec East): That is very generous.

Mr. BENNETT: That is the answer made by Mr. Fielding. Mark you, Mr. Speaker, I am not for a moment putting my interpretation on anything; I am merely reading the record as it is chronologically. I am merely placing on Hansard my answer to the charge of bigotry hurled at me this afternoon by the Prime Minister of Canada. There are the questions and there are the answers. There is the interpretation of the constitution given directly in answer to questions which, as I say, need not have been answered in these terms but which were answered in the terms I have indicated.

But the matter did not end there. Obviously it would not. Those of us who knew the late Armand LaVergne and know Mr. Bourassa realized that in 1905 and years following, when they were members of this parliament, such a question would ultimately be raised. So a few years later the question was raised in this parliament. It was in 1905 that Mr. Fielding dealt with it as I have indicated. In 1907 the matter was again brought to the attention of parliament, and members of this house have referred to the matter on more than one occasion. In Hansard of that session, volume 2, there is a record of the discussion. The then hon. member for Nicolet, Mr. Devlin, had formerly been a member of the imperial House of Commons. Many of us in this chamber remember him; he was here when I came to the house in 1911. He referred to the fact that outside the British House of Commons speeches were not infrequently made in Welsh. He did not say so, but the fact is that speeches north of the Tweed are sometimes made in Gaelic.

Mr. MACKENZIE (Vancouver): Why not?

Mr. BENNETT: Certainly, why not? And Mr. Devlin was referring to that fact.

Mr. McINTOSH: A sign of universal culture.

Mr. BENNETT: He then said, speaking of Canada—and I quote his words because he was a very precise gentleman:

Here the French language is official and recognized by all; consequently there is no occasion to fight in order to ensure its recognition.

That is on page 3653 of Hansard of 1907. It became essential, of course, that the leader of the government, Sir Wilfrid Laurier, should speak upon the question. Sir Wilfrid did not deliver a lengthy speech, but he dealt with this very issue, and in language that indicates clearly the interpretation which he placed upon the constitutional powers which had been conferred upon his fellow-citizens and upon the parliament of Canada. On February 25, as reported at page 3655 of Hansard of 1907, he used these words:

But to affirm, as he does, that the French language should be used upon every occasion, and that every public document should be printed on one side in French and the other side in English, is, I think, going a little too far. For instance, I understand that my hon. friend wants bank notes to be printed either in French or in English. For my part I never yet saw an occasion where a bank note printed in English was not properly understood by the French people; and I am quite sure that a bank note printed in French would be understood by the English people to be exactly what it means. But I see no reason why a bank note should not be printed in French. Since we have been in office we have not had occasion to issue a new form of bank notes, we have taken the old form as we found it, we have continued the form of the old bank notes. I do not see any reason why, if we were to issue a new form, we should issue it in one language rather than another. But I would say to my hon. friend that it is far better that we should be conservative in these matters and not to change our forms every now and then. We should keep the old form when it contributes towards security and public convenience, and when it is well understood. I do not think there has been any change in the form of the English bank note for over a hundred years.

At the close of his speech, when he moved the amendment to which reference was made this afternoon, he used these words:

But to come back to what I have already said, I do not insist for my part that the French language should be written and spoken everywhere. It is not necessary to use French where every one understands English. But obviously the French should be used when it is more convenient for the people. So far I am disposed to agree with my hon. friend. But I must protest against the idea that because bank notes are not printed in French as well as English, the French language is not on a footing of equality with the English.

That was in 1907, only four years before Sir Wilfrid Laurier went out of office. In the meantime the discussions had assumed a far wider range than was originally intended, and had spread to many parts of the country. I do not think for a moment that as a result of those discussions there was, outside of Quebec, any manifestation of a desire that the bank notes should be printed in French as well as in English. But as far as I can understand the matter, at that time there was no discussion in parliament at any great length, although the issue was raised incidentally on two or three other occasions.

There was an administrative matter that had to be dealt with, and the other day the Minister of Finance (Mr. Dunning) referred to the election of 1930 and left the impression that he had heard his opponent make the statement that certain changes would take place in connection with the issue of money orders and postal notes. I have not received full details, but I am advised that the hon. gentleman and his opponent were never in a joint meeting during the campaign, and Mr. Turnbull says that no such language was used by him. What is more, he has written the Minister of Finance to that effect.

Mr. DUNNING: He has. And I have replied to him, too.

Mr. BENNETT: I should think so. I should think the hon. gentleman would be courteous enough to do that.

Mr. DUNNING: That was one of the major points in the campaign.

Mr. BENNETT: Well, it was not. I shall now deal with the question of administration.

Mr. LAPOINTE (Quebec East): What about the Regina Star campaign?

Mr. BENNETT: Well, if it was raised in Saskatchewan it certainly did not equal the attempt that was made to carry on the war in Quebec.

Mr. LAPOINTE (Quebec East): Thank you for saying that.

Mr. BENNETT: It certainly did not. For I recall the dispatch that was sent to the newspaper La Presse; I spent much time and effort to find out who wrote it, from London, and I can tell the hon. gentleman, if he desires to know, who wrote that vicious dispatch.

Mr. LAPOINTE (Quebec East): The people of Quebec know about it. They will decide on what my right hon. friend says.

Mr. BENNETT: I am glad to hear that, because I am to be deterred neither by threats nor by any other effort that may be made to prevent me from doing what I conceive to be my duty, and I am not in any sense influenced by the threats of the Minister of Justice. But I say to him that that dispatch about the "Nile voyageurs" and the efforts that were being made to utilize French-Canadians in an impending war—

Mr. LAPOINTE (Quebec East): What has that to do with this issue?

Mr. BENNETT: —which appeared in the newspaper La Presse from London was something that was disgraceful alike to the author and to those who circulated it.

Mr. LAPOINTE (Quebec East): What has that to do with this question?

Mr. BENNETT: I have mentioned it because the minister interjected something with respect to the campaign.

I now deal with the administrative side of the post office, for I had occasion carefully to consider it during my term of office. The word "postes" first appeared upon Canadian postal stamps in 1927. It was on the historical and pictorial issues, and did not at that time have on it the engraving of the king's head. There were various engraved scenes. One was the fathers of confederation; another was the parliament buildings; there was one of Macdonald, one of Laurier, and one with a map of Canada. I took the trouble to satisfy myself as to when that first appeared upon a postage stamp. My information was that it was about the twenty-ninth day of June, 1927. Then came the question of the word appearing upon a postage stamp that carried the king's head. That first appeared on October 17, 1928. It was a green two cent stamp. The remainder were issued at a subsequent date. Then we had the great tercentenary stamps of 1908, which as a matter of courtesy were issued entirely in French. Now we come to the question of postal cards, post-cards so-called. The first bilingual post-cards were issued in January, 1912. It was a general issue. Protests came into the department of the Postmaster General from English provinces, and on December 16, 1917, Mr. Lemaire, who was then superintendent of the postal branch, on the authority of the Postmaster General, then Doctor Coulter, instructed that from December 17, 1917, bilingual cards were to be issued to Quebec and well known French communities elsewhere, and the others were to be in English. Then in the office at Ottawa bilingual post-cards were sold. Certain protests were made in 1919 and as a result we had a change by which, following the general practice, from 1923 on offices were divided into three classes, English, French and bilingual. To the English offices only English supplies were supposed to be sent; to the French offices French supplies were to be sent, and where there was a mixed population of English and French supplies in each language were sent in such proportions as were regarded as necessary to meet the requirements which might arise.

I am bound to say, Mr. Speaker, that I believe that system worked out satisfactorily, because it is still in effect. My inquiries a few months ago led me to believe—and I take it to be so yet—that as new offices came into being they were classified either as English, French or bilingual, and the supplies were dealt with accordingly. That is hardly true, however, with respect to money orders. Money orders are in international use, which obviates the necessity of having them printed separately in the two languages. Bilingual money orders have been in use and are in use at present; they have been bilingual in Quebec since 1881 and generally since the first day of July, 1882. Postal notes for domestic circulation have been bilingual since 1906, when they were introduced. As far as forms are concerned, they have been dealt with in the manner I have indicated, English for the English, French for the French, bilingual for communities where there were both French and English. Unfortunately, however—and at one time I was not sure that it was not done with purpose—sometimes French forms were circulated in English offices, and there was much trouble. Sometimes English forms were sent to French offices, and there was trouble; sometimes only English or French forms were circulated to offices listed as bilingual. Great difficulties were experienced, which caused much trouble. Letters were written to the newspapers, and matters of that sort.

That is the sort of thing which creates more disharmony than almost anything else of which I have knowledge. That sounds like a very small thing, yet in my mail to-day I received a letter from Toronto complaining of the fact that the notices enclosed, both in French, had been sent from Montreal to a Toronto merchant with respect to a communication which had been dealt with by the district office. That is a plain blunder, but that is one of the difficulties which make for disharmony. That is one of the things which have brought about a great deal of this unfortunate discussion. Someone has blundered. On more than one occasion while I was in office in this country I took the opportunity to impress upon our friends who were responsible for distribution that they should try to see that no such mistake occurred. I recall vividly a protest from a Scotsman residing in an outlying section who went to his office, one in which there were no French-speaking people, and received a communication in French. He was very much annoyed about it, and he made a great deal of noise about it. That is the sort of thing

which should be prevented. That is that sort of thing which brings about the very difficulties to which I have alluded. Take the question of signs on post offices. They never have been welded together as one sign. There has been one sign "Post Office" and another "Bureau de Poste." The two signs have been used in bilingual offices, the French sign only in French offices and the English sign only in English offices. One of the difficulties that has arisen has been brought about by some officious person trying to see what could be done, I sometimes think, to make trouble, taking one of the French signs into an English community and putting it up on the post office. That has created difficulty; that has brought about trouble. I say, Mr. Speaker, that at times I almost felt that this was done purposely, but of course I could not say it was because there was no evidence to that effect. Undoubtedly, however, it is these small things that have been conducive to preventing the harmony, shall I say, that otherwise should and would exist. The general effort of the Post Office Department has been to regulate as far as possible the distribution of supplies in order to prevent such occurrences, and I think it behooves every member of this house to use his or her influence to the uttermost to ensure, if possible, that accidents such as these will not happen. They look small, I repeat; they seem insignificant, but, as has been pointed out in parliament on more than one occasion, such accidents have been the cause of much difficulty.

That was the condition with respect to administration in connection with the post office. There was an effort made to maintain the principle which was the foundation of the whole position, that there should be freedom of choice. That is, in the communities which were entirely French, on the basis of equality with their English-speaking fellow-Canadians they should have in their offices these forms and documents in their own tongue; the English should have their documents in their tongue, and in communities where there were both French and English they should have bilingual forms or documents. That, at least, has been the aim on the part of the post office authorities. Other branches of the public service were dealt with in the same way.

When Sir Wilfrid Laurier was speaking in 1907 he referred to the fact that we had bills printed in English and in French. He did not think it desirable or necessary that they should be printed in English on one side and in French on the other. I pointed out previously, as I do again, that the orders of the day, the bills and the proceedings of this house are open to the choice of the members of this chamber. A member can select whatever form he or she desires, an English form, a French form, a bill in the French language, a bill in the English language, the orders of the day in one language or the other. That is freedom of choice, of selection. That is the right that both Prime Ministers in days gone by, Sir John A. Macdonald, and Sir Wilfrid Laurier, felt to be the proper way to deal with these problems so far as these conditions were concerned.

In 1934 we introduced into this parliament a bill dealing with a central bank, the Bank of Canada. That bill contemplated the creation of a bank which ultimately would be the only bank of issue. That is, by 1940, I think it is, the major part of the notes circulating in this country will be notes of the Bank of Canada. There will still be notes of the chartered banks circulating in Canada, but the bill provided, as the Minister of Justice pointed out, that these Bank of Canada notes should be legal tender, and there were other considerations which induced the then government to apply the principle that had been applied since 1867 and to afford to our fellow-citizens of French-Canadian origin an opportunity to obtain from the Bank of Canada notes printed and engraved in the French language. The statute provided that the Bank of Canada was always to have in stock, on hand, bills in both English and French so that they might be available as required. The vital words were "as required"; they should be there as required. They might not be required west of the lakes; they might be required only in small quantities or in small numbers. They might not be required to any great extent in the maritime provinces. They might be required in large numbers in New Brunswick, and very few might be required in Nova Scotia. They might be required in limited numbers in Prince Edward Island. But every branch of the Bank of Canada was in a position to meet the demands which would be made upon that bank for notes either in English or in French, as might be required. I repeat: The vital words were "as required."

I say that nothing could have been a fairer approximation to even-handed justice, as we proceeded with the interpretation of section 133 and other sections, bearing in mind what was said by Mr. Fielding, than to accord—and I use the word "accord" out of deference to the statement of my hon. friend—to our fellow-citizens of French origin the right to

require notes of the Bank of Canada printed or engraved in the French language.

The Minister of Justice did not like my use of the word "concession." I did not use the word in any offensive sense; I used it in the sense in which one says, "I concede that point" or "I concede a point." And the parliament of Canada conceded the request that there should be afforded to fellow-Canadian citizens of French origin the right to obtain notes of the Bank of Canada engraved in the French language. That was conceding a point, and it was not using the word "concession" in any different sense from that of the word "forbearance" was used by Sir Antoine Dorion when he was discussing a question as to what might happen. The word was used not for the purpose of giving offence to the hon. member, but rather for the purpose of indicating that the government of the day was prepared to ask the parliament of Canada to concede the point. The point was the request that our fellow-Canadian citizens of French origin should be able, as required, to obtain notes printed or engraved in the French language.

The government of to-day takes the view that that should be ended. It has had but a short time in which to be tried. It was a distinct advance over the attitude taken by Mr. Fielding and it went even beyond the contemplations of Sir Wilfrid Laurier. Certainly it was the greatest advance, so far as my hon. friends of French-Canadian origin are concerned, that had been made in Canada. For, as required, it gave them the right to receive from the Bank of Canada, or through the banks to receive from the Bank of Canada bills of that bank engraved in the French language.

The government of to-day through its Prime Minister and Minister of Justice says, "We have here a great majority; we represent a majority of the people of Canada; representing a majority of the people of Canada we propose to change all this and make a bilingual bill." I endeavoured to indicate what happened in western Canada in 1890, and in view of what has happened in this parliament the date is significant. I indicated what had happened with relation to the constitutional provision of the Manitoba Act of 1870, and I indicated, without repeating to-night what I said a few days ago, the protests that were made against the postal cards when they were made bilingual, and the action taken to try to placate, if you will, that position, and to bring about improved and harmonious relations between the two great peoples in this dominion. Although Mr. Fielding took the view that we should still cling to our English notes; although the notes of the Dominion of Canada were legal tender, and had always been legal tender, and although the ones, twos, hundreds, fifties, and thousand dollar bills were legal tender and the medium of exchange and settlement between bank clearing houses—although all this was so, the government of 1934 took the view that we would meet the requirements of our fellow-Canadian citizens of French origin by providing them, through every branch of the Bank of Canada, with bills engraved and printed in the French language. We took the view that to bring about the change to which I have directed attention we would not arouse the resentment which had arisen, out of the use of bilingual post cards, from the English speaking provinces.

We took the view that we would take every step possible to prevent that, by making it possible for the English-speaking provinces and those of English-speaking origin, and others, to receive English notes or notes engraved or printed in English, on the one hand, as against the requirements of their neighbours who have their notes printed or engraved in French. I wonder whether hon. members realize that that was not an easy step for a government to take? There were those who were opposed to that action. Notwithstanding the answer given by Mr. Fielding, the government of the day believed that it was desirable, in the interests of national solidarity and harmony between peoples, that we should provide those who were of French origin and extraction, if they so required and so desired, with notes printed or engraved in their language. It was the language of their childhood, the language they learned at their mothers' knees, and to meet their wishes we took this step.

At this point I must make it clear that the Prime Minister and the Minister of Justice were not quite fair when they suggested what they did with respect to majorities and minorities. They know perfectly well that what I was dealing with was the question of the majority of the population of this country being of British descent and the minority being of French descent, and that it is an axiom that where the will of the minority is imposed upon the majority, except by invitation, acquiescence or the assistance of that majority, the result has always been disharmony. There has been no exception to that. The evidence of history, whether we take that of Europe or other parts of the world, has indicated the truth of that statement, and when there is the evidence that we have as to the resentment of the majority in the English provinces against bilingual post-cards in the manner

I have indicated, it gives some true illustration of just why the action I have indicated was taken.

Mr. MACKENZIE KING: I was taking exception not to the will of the majority as contrasted with the will of the minority, but to the right hon. gentleman saying that the will of the majority necessarily represented the point of view that he is putting forward.

Mr. BENNETT: I am not for a single minute so foolish as to say that I represent the will of the majority. I never endeavoured to say any such thing, but I endeavoured to indicate what my own convictions were. I have tried to make it clear in this chamber why I hold this view, and if any power of mine could induce my French-Canadian friends to realize the soundness of their present position I would sacrifice almost anything for the purpose of doing so, because I believe the step that is being taken is one which is injurious to them. That is my personal belief. I do not put forward that as a belief which the Minister of Finance or the Minister of Justice must accept, far from it. But this I do say: The government that sits yonder represents less than thirty-five out of every one hundred names on the voters' lists, according to a report issued the other day in one of the political science journals.

Mr. MACKENZIE KING: Not thirty-five out of every hundred voting.

Mr. BENNETT: Less than thirty-five out of every hundred whose names are on the voters' lists.

Mr. MACKENZIE KING: But not thirty-five out of every hundred who voted.

Mr. BENNETT: It does not represent fifty per cent of the total vote. Let there be no confusion. I merely said that in a political science magazine there was a careful review of the situation and it showed that not thirty-five out of every hundred whose names are on the voters' lists of this country voted for the government of the day, but the government did obtain nearly half, not quite half, the votes that were cast. In 1930 the Liberal party polled 46·8 per cent of all the votes that were polled, and in 1935 it polled 46·2 per cent of all the votes that were polled.

Mr. MACKENZIE (Vancouver): That is pretty consistent.

Mr. BENNETT: Yes, consistent, but not with the results. I do not put the matter forward in that sense, nor would I have any of my fellow-members in this house for a moment think I ventured to assert that those who sit to the left of the Speaker represent the majority opinion of this country. I am only pointing out what my own conviction is with regard to this matter, and I do so without the slightest shade of ill will. I say that I yield in a sense of tolerance to no man in this house, but I arrive at conclusions from carefully analyzing the history of my country. When in 1934 we arrived at the conclusion that we should take the step we did, we believed that to impose the will of this parliament upon the majority of those who live west of the lakes would be fraught with the greatest danger to harmony and good will and to peaceful contacts between peoples in the development of Canada. I have tried to make that as clear as I can because it represents my considered personal opinion, but I have not endeavoured to press my opinion upon others. I have endeavoured in moderate terms, as contrasted with the words of abuse that were hurled at us to-day, to present the case historically as it is, chronologically as it is, and to ask the members of this house to vote accordingly. It is no good to ask because it is well foreseen what the result of the vote will be. But I place before them the position as it is, and each one in his own conscience must answer whether or not in a community that is overwhelmingly British the circulation of notes of that kind is not fraught with the gravest danger to harmony between races in other parts of Canada. In the very nature of things, as the agitation proceeds, it will grow as it did in 1890, and I wonder whether anyone would like to see again the conditions that were apparent in western Canada from 1896 to 1900. And remember, although the Conservative party risked its existence by remaining true to the constitution, it lost, but it has never had any regrets for having done so. I have never had any regrets for supporting the party in 1896 in the views which it took. I was a very young man then, and I supported the party because I believed that the best assurance of peaceful relations between the descendants of the two great races in this country is to be found in each giving to the other the least possible cause for offence. That is what I said. I use the word "offence" in no narrow sense. I could not help thinking, as I reviewed these matters in my own mind, as most other men have too, no doubt, of that great saying. "Wherefore, if meat make my brother to offend, I will eat no flesh while the world standeth." If by reason of imposing this bilingual bill upon the majority in the western provinces and in other parts of Canada you bring about the condition which, from

what I have seen followed in 1890, I am certain must follow, knowing these things, realizing these things, understanding them, I say, sir, that I would be derelict to myself and my own self-respect if I did not say to my fellow-members of this house: I cannot do this thing because it will militate against harmony; it will be a factor in destroying the friendly and peaceful relations that should exist in the development of this great country, and at a time when never before was there such necessity for good will being manifest. I agree with what was said by one hon. member to-day, that the problems which will confront this country for the next two years should not be overshadowed by internecine strife, by divisions based upon racial differences.

Mr. MACKENZIE (Vancouver): Where is it?

Mr. BENNETT: I say it should not be.

Mr. MACKENZIE (Vancouver): Where is it?

Mr. BENNETT: If the hon. gentleman goes home he will find it.

Mr. MACKENZIE (Vancouver): I am not afraid of British Columbia on this.

Mr. BENNETT: I say that we should not have our united strength lessened by internecine strife.

Mr. MACKENZIE (Vancouver): Who is creating it?

Mr. BENNETT: When the other day the Minister of Finance said that if there was any principle in this measure it was the one we adopted last year, he thereby says: We are adopting a principle which the late government embodied in its legislation.

Mr. DUNNING: I did not say that. Read what I said.

Mr. BENNETT: This is what the hon. gentleman said:

> Naturally, a number of considerations were in the mind of the government in dealing with this matter and in drafting this particular section. I take the view that the question of principle, in so far as there is a principle, was adopted in the year 1934 by the parliament which preceded this one, but the principle was applied in a manner calculated, as experience has proved, to produce rather than to allay the kind of friction to which reference has been made.

Therefore the minister says that the principle, if there is a principle—

Mr. DUNNING: Was settled in 1934.

[Mr. Bennett.]

Mr. BENNETT: —was the one which the late government put on the statute books in 1934. But to-day I am being held up in the province of Quebec as the enemy of the French-Canadian. I have already received communications. I know what the propaganda is; I know the political nature of it. Read your journals; read the reports.

Mr. DUNNING: And read the Regina Star.

Mr. BENNETT: Those who cheer so loudly have probably never seen the Regina Star.

Mr. MACKENZIE (Vancouver): Oh, yes, unfortunately.

Mr. BENNETT: If it says anything good of the Finance minister, that is probably the reason he wishes me to read it, but if it does it would be sadly lacking in discrimination to discern it.

At any rate, let me go further. The minister had one defence, the question of economy. A smaller argument could not be used in a great national issue. It was almost impossible to credit one's ears—

Mr. DUNNING: It was entirely subsidiary.

Mr. BENNETT: —when one heard that argument being put forward.

Mr. DUNNING: It was entirely subsidiary.

Mr. BENNETT: I find it difficult to understand why the minister does not know how to keep order. Perhaps you will inform him, Mr. Speaker, as to how it should be done. It is not the custom in this parliament for men to mutter under their breaths inaudible sayings when another hon. member has the floor.

Mr. DUNNING: My right hon. friend does not set a very good example in that regard.

Mr. BENNETT: It may be the minister has learned it from him. He says that he learns many things from the schoolmaster.

May I go further and say that that argument is unworthy of being dealt with except merely to say that the plates are there already prepared, and I think the magnified sorting of a few bills into $9,000 or $10,000 does not indicate very careful consideration by those who made the report. It is not such a tremendous task as one would be led to believe. However I realize that the Minister of Justice was right this afternoon when he said that in the very nature of things, with a new sovereign, new bills would have to be prepared.

Mr. MACKENZIE KING: Was it not the hon. member for York South (Mr. Lawson) who raised the question of cost?

Mr. BENNETT: No; that was raised by the minister; the hon. member was trying to answer him. The minister deals with the matter at some length at page 3632 of Hansard. The hon. member for York South was merely answering the question raised by the minister. I pass it by merely by saying that that argument is wholly unworthy of the importance of the question being considered.

I have nothing further to say except to remark that I greatly deprecate the effort made to create a political issue out of this matter. I deprecate greatly the language that was used in this house with respect to this question. Even though the language used at that time was strong, Sir Wilfrid Laurier took occasion to congratulate the house upon the character and type of the debate that had taken place. I have endeavoured not to consciously give offence to any man by anything I have said. I respect the opinions of others even more than I expect them to respect mine. I am not unmindful of the sentimental claims and arguments that influence so many of my fellow-Canadians, but it is sometimes desirable to consider problems of great importance, small though they may seem at the moment, in the light of what the experience of the past has taught us. Those familiar with the great events that have followed in English history, in French history or in the history of other nations on the continent realize that sometimes the start was very small but the result was devastating. Because I yield to no man in my anxiety to see this country grow and prosper and develop and knowing that I shall be made the target of much abuse, as has happened already, and misrepresentation, despite what has been said as to the principle having been adopted by the government last year, I would be recreant in my duty if I neglected the opportunity that devolves upon me in the position which I occupy to bring to the attention of my fellow-members the reasons that induced me to arrive at the conclusion which I have reached, free, I think, from bias and prejudice, and actuated only by the one earnest desire, the welfare, prosperity, peace and happiness of every citizen of Canada.

Hon. P. J. A. CARDIN (Minister of Public Works): Mr. Speaker, I feel that it is to be regretted profoundly that such an agitation has been created in this parliament on such a question. It leads one to believe that in reality we have not been making very much progress towards a better understanding among the nations of the world when we have such a discussion in the parliament of a nation of only nine million population. I find it strange that the distinguished gentleman who leads the opposition (Mr. Bennett) has found it necessary to make a second speech on this question. With all due respect to him and with all the profound consideration that I have for his personality, I do not believe he improved what he said the other day and I do not think he has said anything which would justify the position he has taken.

For an hour and a half he has entertained the House of Commons on the lack of authority that this government has to propose such legislation. He gave us a lecture on what was said by the framers of the constitution. He read extracts from the resolutions which preceded confederation. He did all this to establish the fact that we have no right to do what he himself did in 1934. If we are not entitled to French or bilingual notes, I ask my right hon. friend what his justification was for introducing the legislation he introduced in 1934 to provide for two issues of notes, one in French and one in English.

Reference has been made to the last election campaign. During that campaign we were told by supporters of the right hon. gentleman that what he had done for the French-Canadian was much greater than what had been done by the Minister of Justice (Mr. Lapointe) and the members of the Liberal government in general. Those who were candidates in the last election or who followed the campaign in the province of Quebec know that my right hon. friend and his ministers proclaimed all over that territory that he had gone to a much greater length than any Liberal government would have gone. We are now informed by the right hon. gentleman that he did less and that it was intended to be less than what was proposed by the Liberals in 1934.

I do not like hearing my right hon. friend say that upon such things as forms issued in French by the Post Office Department depend the harmony of Canada. If the harmony which exists to-day among all the citizens of our country is not strong enough to stand the issuing of French forms by the Post Office Department in place of an English form, then it is not worth while being preserved.

It may be true that under the strict letter of the law we cannot claim this right, but in all British countries and in all British institutions there has always been something besides the strict interpretation of the law. Usages and customs many times change the cold letter of the law. It is the history of British institutions that the dead letter of the law has been modified or been given some life

by usage and practices which have developed in parliaments as well as in other institutions in the British empire. It has been said that a concession has been made to the French people of Canada; the right hon. gentleman has said that he made a concession in 1934 when he authorized the printing of bills in French as well as in English. Even if it was a concession, even if it was a generous concession that he made at that time, are we not entitled to-day, by reason of our contribution to the life of Canada in what we have been trying to do to help to develop this country and to bring harmony, peace and good will among the Canadian people, to some recognition and to see occasionally the concessions granted us enlarged to some extent with a view to fostering a greater feeling of understanding among Canadian citizens? Even if it was a concession, I say that we were entitled to that concession; and when we speak here of such concessions I would only ask my English-speaking fellow-countrymen to pay a visit some time to the province of Quebec where they will see what the word "concession" means. They will see there how the minority of the province of Quebec has been treated by the French majority. There is no question such as this one being raised in Quebec on any issue; we are ready to co-operate with our English-speaking fellow-citizens of that province, and there is no question of limiting the rights of minorities, no question of trying to promote harmony through the curtailment of rights, no question of trying to promote harmony through the diminution of initiative. We are making concessions in that province and greater concessions than we are asking the parliament of Canada to grant in favour of the French in this country. One has only to read the history of Canada to be convinced of the concessions that we have been making and are still making. Forms printed in French may be sent accidentally to English sections of the country, but forms are printed in both languages. I may say that in Quebec we have had and still have high officers of the federal government who do not speak a word of French but who have to deal with the French population of that province. There is a greater limitation of our rights than is involved in the issue of a form in one language. We have stood for that condition for a number of years and we are still standing for it, not asking for the dismissal of English-speaking superior officers in all departments in the province of Quebec, officers who do not speak the French language. We are doing our part to bring about a better understanding among all the citizens of Canada, and I cannot believe that a bilingual note of the Bank of Canada is going to disturb the harmony which now exists. If we were to follow the law as it is at present and issue French notes, these notes would be legal tender and would have circulation in Ontario, and they would have to be accepted as legal tender by Ontario and by the provinces of the west. Is it a greater insult to have a bilingual bill presented to creditors in Ontario than to have entirely French bills given them, as might happen if we left the law as it stands now?

There is no danger of destroying the harmony that has existed among Canadian citizens. I had thought that our country was big enough to enable us to think of something else and to forget the small differences which have caused us so many difficulties in the past. I had thought that those difficulties had been removed and that there had grown up a better understanding of the points of view and the dispositions of the different sections of the country. Can we not in this year of grace 1936 look upon these problems in the British frame of mind instead of carrying into practice the old forgotten colonial spirit that existed long ago? I certainly thought the days of the colonial spirit had gone and we had reached a point where we could regard ourselves as all equal in this country without criticizing certain privileges, if you will, or certain concessions made to minorities. British institutions have been maintained throughout the world and England has kept its authority and power over the world not by restricting the liberties of people coming into the realm of the empire but by extending their liberties. The gospel of England has never been restriction, it has been the opposite, and it is by that bond of generosity and good will and the generous interpretation of statutes and treaties that England is to-day able to maintain its authority over so many countries in the civilized world. There are no races, no creeds, no colours in the British empire; there are human beings, whose well-being it has been the object of British institutions to further.

I hope that this little tempest will pass, and I sincerely regret that an amendment has been introduced at this stage of the legislation. The matter had been discussed very well in moderate terms by the leader of the opposition on the previous occasion. Why come forward on the third reading and raise a new issue, precipitating a full dress debate on this motion? As the leader of the opposition admitted, the bill is there and it is going to pass and become law because it is supported by the majority. It was supported on the

second reading; it was supported in committee and after the third reading it will become law. Why then raise this issue by an amendment on the third reading? I hesitate to answer that question; with my limited knowledge of English I might incur the Speaker's displeasure. We should not look upon this country from the point of view of figures and numbers, from the point of view of majorities or minorities. We should look upon it as a whole and in that spirit which we are trying to foster in order to develop this wonderful land that is ours, the land called Canada. We should forget as much as possible the small difficulties of 1890. Let us forget the past; let the difficulties of 1890 be forgotten in 1936, when we are living in a new world. Let us forget all these small things and unite to bring about a better condition of things in Canada. We are fortunate enough to have in this country descendants of the two greatest races of the civilized world, the French and the English-speaking people of Canada. Let us be proud of that situation in which we are, and instead of fighting one another, instead of depriving one part of any of its privileges, if you will, or, if you prefer, of the concessions that have been made to it, let us unite in order to evoke the best that is in every one of our citizens, so that we may face the problems of the day and provide a greater measure of happiness for the people of Canada.

I am not ashamed of being of French descent; I do not propose to excuse myself for that. It is an accident of nature, which accident, I consider, is a happy one. I am as good a citizen as anyone who has been born a British subject, another accident of nature, and a happy one also. I have no apology to offer; I am here because my ancestors were here first. They were the first ones to open this country to civilization, the first ones who started to build up a big country in this new land. I wish to respect the laws of my country and the laws of the British empire. As a French-Canadian I have always been respectful of the laws under which we have been called upon by Providence to live. In the province of Quebec we have a law-abiding population, and we have done our share, with the gifts we got from old France, a country with which we have no connection to-day except for the mind and possibly for the heart; nationally speaking we have no connections with them. But we have inherited from that race certain gifts of which we are proud, and we are ready to apply them to the benefit of our country, to join with all other Canadian citizens to build up a happy and prosperous Canada. Let me ask in the name of harmony—not harmony through reduction of privileges, of concessions, or of advantages —that we work together in a spirit which will associate the gifts of the two races for the upbuilding of a better Canada. Let us forget, in these difficult times through which we are passing, our small differences; let us not be divided by small things.

Mr. C. G. MacNEIL (Vancouver North): Mr. Speaker, with many other members of this house I regret the general trend of this debate. I deplore any discussion at this time that may tend to accentuate racial differences or arouse racial prejudices. I have no political axe to grind; I have only a very earnest desire to stand shoulder to shoulder with my fellow countrymen who speak and love the French language in the advancement of the common welfare of all the Canadian people. I have very clearly in mind the war efforts of our country in the years 1914 to 1918. In the Canadian corps there was no distinction in service or in sacrifice on the ground of racial origin. We were all Canadians; French-Canadians and English-Canadians alike gained a rare appreciation of each other's qualities, courage and loyalty, and there was achieved there a united effort in the service of the common cause which transcended other considerations and which in a large measure established in Canada a true national consciousness. I earnestly submit that at this time we should strive to attain that same spirit, that same tolerance, as we face our common problems in this dominion to-day.

An important suggestion was made this afternoon during the course of the debate in this house. The suggestion, which was made by the hon. member for Rosetown-Biggar (Mr. Coldwell), offers a satisfactory basis of compromise, and it conforms to the practice followed in other countries where they have bilingual difficulties. It enables the issue of a note which is in every sense of the word Canadian and which cannot by any manner or means offer offence to any citizen of this country. I propose to advance the suggestion by way of amendment. I feel that it offers members of this house an opportunity to evince the sincerity of their desire to maintain national harmony at this time. I move, therefore, Mr. Speaker, seconded by the hon. member for Weyburn (Mr. Douglas) an amendment to the amendment:

That there be added to the amendment the following words:

"and that there be substituted therefor a section to provide that the notes of the several denominations shall be in distinctive colours and designs and bear thereon no words other than 'Canada,' the appropriate numeral or numerals, the proper signatures, the serial number, and the year of issue."

I appeal to the government to accept this amendment that we may avoid any cause for racial dissension at this time.

Hon. J. G. GARDINER (Minister of Agriculture): As one of the new members of the house, I have had the privilege during this session of listening during the greater part of the time. I think I am probably in agreement with all those who have sat in the house for the first time in saying that many things during this present session have astonished us. Earlier in the session the leader of the opposition (Mr. Bennett) was pleased to refer to the legislature in which I and some other members of this house served before coming to the House of Commons, as a house in which some things happened which do not happen in the House of Commons. In reply to that I can only say that there are some things happening in the House of Commons that do not happen in the legislatures of the provinces, and one of the peculiar things that do happen in this house, and more particularly during this session, is that we have been compelled during fifty-two per cent of the time to sit and listen to the leader of the opposition in the House of Commons speaking to members of this house. I do not know just why the leader of the opposition thinks it is necessary for him to take so much of the time of this house. If anyone were to mention the name of one of the ships in the British navy, the leader of the opposition would proceed to recite the names of all the ships in the British navy. If anyone refers to any section in any act that has ever passed the House of Commons, then the leader of the opposition proceeds to read all the legislation on that point that has been passed since the House of Commons came into being. And if anyone suggests placing upon the bills that are issued by the Bank of Canada a few words of the French language, then the leader of the opposition finds it necessary to read us a lecture on the whole history of the Dominion of Canada. He might have gone back a little further, and have demonstrated to us why it is that people throughout the dominion feel as they do when members of his party raise the question which has been raised in the house this afternoon and this evening. If he were to go a little further back over the history of this country, he would find the reasons for the remarks that were made a few moments ago by the minister who spoke from this side of the house, with regard to the founding of the country in which we live. Anyone who has within his veins a drop of British blood is proud of the fact that following the disagreement between the British colonies and the British government it was the French-Canadians along the St. Lawrence who preserved this country for the empire. In building up the different dominions of the empire the spirit of British fair play has seen to it that those peoples who were there before the British came have been allowed to develop in their own way in order to enjoy the full benefit of the establishment of British institutions.

This afternoon and this evening we have listened to hon. gentlemen opposite deal with the situation as it has existed and as it exists at the present time in Canada. In their own way they have been attempting to place at the door of members on this side of the house responsibility for the issue they are attempting to raise in this country. This is not the first time members of the Conservative party in Canada have sought to raise the issue they are now attempting to create from one end of this country to the other. If I wanted to occupy the time the right hon. leader of the opposition occupies with this kind of thing I could take hon. members back over the whole history of the Dominion of Canada and show that every time the Conservatives have found themselves in opposition they have seen to it that within a very short time a cry has been raised similar to the one they are raising on the floor of this house to-day. I do not need to go back over the whole history of Canada in order to prove my point. I need go back only to 1919, when the Liberal convention was held. I would remind the house that at that time eight of the provinces of Canada had Liberal legislatures, which is the condition that exists in Canada at the present time. That was the situation that existed in Canada when we were meeting here in convention for the purpose of choosing a leader for the Liberal party. One has only to follow the activities of the Conservative party after they went into opposition in 1921, to realize that in this country to-day we have the same situation and are seeing the same tactics on the part of those who are opposing Liberals from one end of Canada to the other.

In 1922 our friends opposite set out to return themselves to power. That is the privilege of any party which finds itself in opposition, but they sought to do so by a method which has been followed by that party, when in opposition, ever since confederation. Every member of this house who comes from New Brunswick will recall the type of campaign that was put on there in order to drive my hon. friend, who now sits in this house representing a constituency in New Brunswick, from the premiership of that province. Every-

one knows the type of organization that was introduced into this country from the United States for the purpose of putting on that sort of campaign. Everyone in this house who has followed political history for the last few years recalls that following that experience in New Brunswick they carried on the same campaign in British Columbia. When the leader of the opposition was interrupted to-night by a remark made by a member on this side of the house coming from British Columbia, it will be recalled that the right hon. gentleman's reply was: "He will find out when he goes back home." Why will he find out? Because, as my right hon. friend knows, in every Conservative committee room in Canada to-day the same type of campaign is being prepared under his leadership. And then, not satisfied—

Mr. BENNETT: Mr. Speaker, that statement is absolutely false, and I want it withdrawn.

Mr. GARDINER: Then, Mr. Speaker, not satisfied with having introduced that type of campaign into the two provinces I mentioned, what did my right hon. friend do? After he had become leader of the Conservative party in 1927, he went into Saskatchewan and, if I am not wrongly informed, consulted men in that province in order to find out what could be done there. A few hours ago I noticed an hon. gentleman opposite shaking the tips of his fingers to picture a great Conservative leader with blood dripping from the ends of his fingers as a result of some things that were supposed to have been done to him by members on this side of the house. Well, I always thought the man who drove the Right Hon. Arthur Meighen from public life in this country at that time was the right hon. leader of the opposition in this house, and he did it in a convention in the city of Winnipeg in 1927.

Immediately after having committed that act—whether or not it was beneficial to the Conservative party or the country I do not know—what did he do next? He acquired a newspaper in Saskatchewan, importing the entire editorial staff from British Columbia and Alberta. He set up that paper in order to do the very thing he has started out to do to-day in this house.

Mr. BENNETT: Mr. Speaker, that statement is absolutely untrue. Mr. Campbell, who now manages the Edmonton Bulletin, established that newspaper—

Some hon. MEMBERS: Order.

Mr. GARDINER: Well, Mr. Speaker, I think Mr. Campbell has made the statement very clearly that while he set up that paper he left it at the end of five years because his term of employment had expired.

Mr. BENNETT: That is not true.

Mr. GARDINER: I think my right hon. friend knows who his employer was and where the money came from that employed him.

Mr. BENNETT: He was not my employee.

Mr. SPENCE: What has that to do with the Bank of Canada Act?

Mr. GARDINER: My hon. friend asks what that has to do with the Bank of Canada Act. Well, after having listened to his speech and to the speeches of others of his party it seems to me that when we are speaking on the Bank of Canada we have a great deal of leeway.

We now come to 1928, when this newspaper was acquired by my right hon. friend or the friends of my right hon. friend, if he does not wish to take the credit himself. A campaign was put on of the most scurrilous kind ever put on anywhere in the Dominion of Canada. When my right hon. friend says that there was nothing in the nature of religious and racial discussion in connection with the campaign waged by the Conservative candidate in the city of Regina in 1930 against the present Minister of Finance (Mr. Dunning), all I can say is that the right hon. gentleman could not have been in Regina during that campaign. But I happen to know that he was there, and I happen to know that the reaction to the type of campaign which was organized in that province swept his party in Saskatchewan entirely into oblivion in the year 1935. Not a single man of the group who introduced the campaign of his party in the province in 1929, and continued it in 1930, was returned to the legislature in 1934. Everyone was wiped out. I was just a little more successful in the province of Saskatchewan in dealing with the Conservative party, than was the leader of the opposition now in this house when he was leader of the opposition in the province of Alberta. I do not know whether or not he understands what that means. At one time the present leader of the opposition in this house was leader of the opposition in the province of Alberta, and I understand he led it down to a point where he had only one Conservative follower. Well, I was leader of the Liberal opposition in the province of Saskatchewan and I led it until there was not a Conservative left in the legislature.

An hon. MEMBER: Little wonder!

Mr. GARDINER: I think that justifies me in stating that the leader of the opposition has not been quite as successful in eliminating Conservatives as I.

That brings me back to the point of saying that when we deal with questions like this, these hon. gentlemen opposite are starting in again to build up the same kind of campaign in the Dominion of Canada as they started in to build up back in 1922, following the formation of the Liberal government of that day. They carried on that campaign from one province to another, throughout Canada, until they had established Conservative governments in a majority of the provinces.

But immediately after they had established those governments by the process I have indicated the people began to take stock, and they found from experience that the only reason the Conservative party had used that kind of tactics was for the purpose of dragging a red herring across the trail, and to take the attention of the people away from the real policies for the solution of difficulties in Canada.

Mr. SPENCE: You know how to do that.

Mr. GARDINER: I understand what the hon. member for Rosetown-Biggar (Mr. Coldwell) means when he says that we should get back to the discussion of the real issues before the people of Canada, and that we should get back to a discussion of the problems confronting our people. I think the quickest way back to a discussion of those problems is to deal with matters my right hon. friend brings before the house from time to time, to deal with them in a manner which shows up the practice he and his party have followed during times they have been in opposition before, and to call the attention of the house and the country to the fact that if we are going to allow these old issues of sectionalism, language, racial bigotry and racial misunderstanding to be dragged across the trail every time a real issue is before the people of Canada, we shall never solve our problems.

At all times in Canada the Liberal party has stood for the consideration of questions of this kind on a much higher level than that upon which they have been considered by hon. members opposite.

Some hon. MEMBERS: Oh, oh.

Mr. GARDINER: Something has been said to-night about the postage stamp. My right hon. friend has been telling us how post office orders were brought into being in bilingual form, but he did not tell us that prior to the election of 1930 every effort was being made by his followers throughout the length and breadth of Canada to win the election on the bilingual publication of the very documents of which he has been speaking. I remember in our province his followers used to come into the school, take postage stamps, show them to the children and point out to them that on one side of the stamp appeared the word "postes" and on the other the word "postage," the one word is in French and the other in English, and they pointed out that they meant exactly the same thing. They used to say, "If we are going to have harmony in Canada you will have to get that word off the postage stamp." Well, Mr. Speaker, for the time being the people of Canada saw to it that a Conservative government was placed in power. I would ask hon. members to look at any postage stamps which were issued after hon. members opposite were in power for five years. Take a look at them! What will you see? You will see that the word "postes" is still on one side and the word "postage" is on the other, but you will also see that there is a change in the postage stamp; there is a "three" on it, instead of a "two." Why is there a "three" on it, instead of a "two"? For the very good reason that the kind of talk to which we have been listening from hon. members opposite is the kind which brings people to think in terms that have nothing to do with the solution of our problem, and that invite in this country the same spirit which has divided the European continent into small nations, which has brought about misunderstanding, which has been responsible for the building of navies and the maintenance of armies, and which has brought about mistrust, misunderstanding, wars, suffering, high taxation and everything that go hand in hand with the reactionary policies of an organization such as that which sits opposite to us.

That, Mr. Speaker, is the history of the development of political propaganda of the kind we find to-day in Ontario, the kind we find beginning to work its way across the prairie provinces, the kind we find moving down towards the maritime provinces, the kind voiced by men sitting on the opposite side of the house. Men who sat through the discussion of the resolution preceding the bill, who sat through the discussion on the second reading of the bill and the discussion in committee, then, when the bill is presented for third reading, do the unusual thing of mov-

ing an amendment of such a kind as will draw the attention of all the people of Canada to the issue they want to raise across the country.

It is all very well for the leader of the opposition to stand up at the end of his speech and to attempt to bring the house back to a position where hon. members and the people throughout the dominion may think he is just a harmless dove spreading his wings over this country, and that he has no wrong intentions whatever. I remember that at an earlier stage in the development of this session he wanted to attribute some wrong desire, some wrong intention or some political motive to any person who mentioned his name. It is surprising to find that the leader of the opposition has political motives, at all. Yes, that is surprising. He raises his voice here on occasion after occasion; when we speak of judges, he talks. When we speak of anything, he talks. But those of us who come from western Canada know something about his past record. I heard him say a few minutes ago that he came to the west in 1897. I went there just four years later. I am not very big yet, but I was a smaller boy then. I remember that one of the first things I learned after reaching western Canada was that there was a gentleman named Mr. R. B. Bennett who represented a constituency in the territorial legislature which met at Regina. You know, we used to hear some remarkable things about him even then. And when I hear him talking about judges, and the ages of judges, there comes to my mind some of the men he must have in his mind, some of the men with whom he was associated in his earlier days in the western part of Canada. Now that I have an opportunity to do so, may I say to the right hon. gentleman that his discussion of that matter was on all fours with his discussion of this one. It is affected by some of the experiences he has had along his political road. The judges of whom he was speaking in certain terms yesterday, while they are a little older than he, can still meet any issue that is raised and still give proper consideration to questions, and, I might add, a consideration which will stand investigation on a question like this to better advantage than the consideration which is given by the leader of the opposition. Some of these men whom I have in mind have stood with us as we stand on this side of the house on the question we have been discussing in connection with this bill, a question which brings up in our minds the thought that we should treat all the people who come to our shores in that same spirit with which British governments everywhere have treated these people.

I have in my hand a copy of the Saskatchewan Journals and Sessional Papers, from which I should like to read one or two extracts for the benefit of those who have not been in the west as long as the leader of the opposition and myself. This is one. It is a statement that was made at the time when the present Prime Minister of Canada first contested a constituency in the province of Saskatchewan, and it is taken from a Conservative paper published in the city of Toronto:

> The only candidate who could carry a typical Saskatchewan Liberal constituency against the Liberal candidate, Hon. W. L. M. King, or other anti-Conservative candidate would be the Kaiser, the Crown Prince or Hindenburg. And not one of the three was nominated in Prince Albert.

That is one statement that was got out by our friends opposite.

Mr. DUNNING: To promote harmony.

Mr. GARDINER: That was to promote harmony. There are one or two other things here that would probably give one an idea of the type of campaign waged in Saskatchewan by our Conservative friends. This is another statement made by a gentleman who was appointed to the bench by the leader of the opposition just before the last federal election:

> An insidious program for French and Roman Catholic political control is going on quietly but surely in Saskatchewan and the people are kept in ignorance of the true situation by the government and the press.

I might say, Mr. Speaker, that I am quoting from a news item which appeared in the Regina Star. It goes on:

> For a temporary political advantage, the Saskatchewan government has sacrificed the future of this province and has sown seeds which will bear fruit in discord and strife in generations yet unborn.

That was in 1929. That was before we returned in the province of Saskatchewan a government which had the support of my right hon. friend the leader of the opposition in this house. That was before we had returned a government in this country in 1930 under the leadership of the present leader of the opposition. We have had five years since that time to think about this kind of thing. We have had five years to contemplate what position this country would be in under another five years of the rule either of the gentlemen who were returned under that kind of program in Saskatchewan or of the government which came into power in Canada in 1930 under the present leader of the opposition. And with what result? When the election came in Saskatche-

wan in 1934 his party was entirely wiped out, and as a result of the election for the federal house in 1935, we are sitting here on this side in such numbers that the group sitting opposite to the right of the Conservatives could take a vote with my friends who belong to the Conservative party and win. That it seems to me, is the answer to the kind of prophecy we had back in 1929 and 1930, and the people of Canada having had that experience, this generation is not very likely to fall for the kind of campaign which is now being supported by my right hon. friend the leader of the opposition in the hope that he may again be returned to power before he reaches the age of some of those judges he has been talking about who should be retired.

Mr. McINTOSH: That is a home run.

Mr. GARDINER: Mr. Speaker, I have spoken as I have to-night for the purpose of calling the attention of the house to the position into which this sort of discussion leads us, and to indicate to my hon. friends opposite that they are not doing a service to the Dominion of Canada by starting a discussion of the kind that has taken place in this house this afternoon. They may succeed in defeating an odd Liberal government in Canada, but, after all, that is only an incident in the history of the Dominion of Canada. We have found from experience that it is an incident which the people of Canada remember for a long time because they are reminded of it every time they look at their tax bills for the next five or ten years afterwards. While they do remember such an experience for a considerable length of time afterwards, the one thing that we as a House of Commons and that parliament as a whole should remember, is that we should try to follow the traditions of the British house and the traditions of the British empire in its relations to peoples in every part of the world.

Every time I look at the union jack I am reminded of the fact that the three crosses upon the flag signify one of the most important unions that has ever taken place among the peoples of the world, important not so much because of the numbers who were brought into the union through bringing together the people of England and Scotland and Ireland, but important because of the great influence which it has had upon nations throughout the world. That flag, Mr. Speaker, stands for a union of peoples whether or not their languages, customs and laws are the same.

I might be pardoned standing in this House of Commons of the Dominion of Canada for calling attention to this further fact, that we have a great country to the south of us. They, too, have a flag and that flag has thirteen stripes upon it. Each one of those stripes stands for one of the original British colonies on the north American continent that were the foundations upon which that nation has been built. But when you look into the field of blue in the corner of the flag you see forty-eight stars, where at first there were only thirteen. Every time a new state was formed a star was added to the corner until to-day those stars represent forty-eight states, all under one flag, with one literature, if you like, with one set of ideals, with one set of laws, with one common purpose inspiring their people. I could go on and indicate to you, sir, that there is a union of sentiments, a union of ideals, a union of peoples.

Someone said this afternoon that there are more Germans or people of German descent in the United States than anywhere else in the world except perhaps in Germany itself. Someone else might have said that the same is true of Italians; someone else might have said that the same is true of many other nationalities which have gathered under that flag. The very fact that it is true; that many peoples have gathered and been able to live together under one flag, with common customs, with one set of ideals, with one literature, and with a community of sentiment, makes it all the more important that we in building this great country on the northern half of this continent should unite our people with common ideals by exercising towards all people who were here before the British came that practice of British fair play which the British themselves have extended everywhere throughout the world.

Mr. T. C. DOUGLAS (Weyburn): Mr. Speaker, having seconded the subamendment proposed by the hon. member for Vancouver North (Mr. MacNeil), I wish to take just one or two moments to explain my stand on this question.

Some hon. MEMBERS: Question!

Mr. SPEAKER: I ask hon. members kindly to keep order.

Mr. DOUGLAS: I have no intention of taking up a great deal of time, but hon. members opposite make it very difficult to proceed. I think they should give me sufficient order so that I may say what I have to say and what I intend to say. I have listened so long and so patiently to emotional spasms about British fair play, I would appreciate a

little of it from hon. members opposite. I beg your pardon, Mr. Speaker; I have no wish to descend to that sort of thing.

Speaking to this subamendment, I wanted merely to say that I have been amazed, amused and, I am afraid a little pained to see this house spending a day and a half discussing what to many people in Canada is a very trivial aspect of this bill. There are hundreds of people across the prairies to-day who would be very glad to get money, no matter in what language it was printed. I cannot help feeling that if hon. members had used as much energy and as much heat in getting money into the pockets of the people as they have used in worrying about the language in which the money will be printed, we would be a great deal further ahead than we are at the closing days of this session. Personally, I do not care in what language our bills are printed. Being a Scotsman, I am glad to get a dollar whether it is printed in Siamese or Chinese, provided I can buy something with it.

I want to say to the government that there are people in this country, particularly in western Canada, who possess prejudices and antipathies which are very easy to arouse. We feel that this is a good time to let well enough alone, to let sleeping dogs lie. We have heard a great many recriminations to-night about the 1929 and 1930 elections. The Minister of Justice (Mr. Lapointe) hurled across the floor in some derision the name of the Regina Daily Star. I wonder if I could remind hon. gentlemen opposite of the fact that in 1929 the editor of the Regina Daily Star, Mr. J. S. Cowper, who wrote such bitter editorials against the use of the French language, was a former Liberal member of the British Columbia legislature. Last August this same gentleman ran as a Liberal candidate in Alberta, and I understand he is now editor of the Edmonton Bulletin. I do not cite these facts for any political reasons because I am not implicated; I cite them to show that this arousing of antipathies in western Canada on the basis of race and religion has not been confined to any one party.

Mr. TURGEON: What party was that paper supporting when those articles were written? Can you answer that question?

Mr. DOUGLAS: I have not a very high opinion of the manners or intelligence of hon. gentlemen who insist on interrupting while a speech is being made.

Mr. TURGEON: I am asking an honest question which the hon. member will not answer.

Mr. SPEAKER: Order.

Mr. DOUGLAS: The hon. gentleman knows without my saying that I had nothing to do with the party which was supported by that paper at that time. I point out that the man who edited the articles was a Liberal prior to that time and is a Liberal again to-day. I point out that antipathies can be aroused again. It is because we would like to see elections in western Canada fought on economic issues rather than on racial prejudices that I am making this plea at this time. Hon. members from western Canada who sit opposite know as well as I do that it would not be very difficult to arouse in western Canada the same issues that were aroused in 1929 and 1930. It is because we do not want to see them aroused that we are asking the government to reconsider very carefully the step they are taking.

Of what use is it for the Minister of Justice to speak very eloquently about unity when the government places before this house something that will cause disunity in certain parts of Canada? Of what use is it for the Prime Minister (Mr. Mackenzie King) to speak about good will and at the same time insert in this bill a clause that will cause ill will in certain corners of Canada? I believe in a homogeneous people. I want to see, as I believe every hon. member wants to see, amity and good will among the Canadian people. But we suggest that good will and homogeneity among the people of Canada can best be brought about at the present time by leaving well enough alone, by letting sleeping dogs lie.

Personally, I would favour carrying on as we are now doing, but as the government has refused to accept the amendment of the hon. member for Fraser Valley (Mr. Barber), the hon. member for Vancouver North and I are suggesting that the bills be printed to contain just the word "Canada" and the numeral, along with the signatures of the heads of the Bank of Canada. We believe that this would prevent much of the prejudice and antipathy that are bound to be aroused.

Some hon. MEMBERS: Oh, oh.

Mr. DOUGLAS: Hon. members say, "oh, oh," but they know perfectly well what happened in Saskatchewan. The venom and bitterness of the speech to-night of the Minister of Agriculture (Mr. Gardiner) are typical of what we have had in Saskatchewan for many days and what we hope will pass away as time goes by. We want to deal with matters according to their worth; we want to deal with these issues as they ought to be dealt with, and that is why we are asking the house to accept this subamendment.

Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, I crave the indulgence of the house for one or two minutes in order to show why we cannot accept the subamendment which has been moved. May I say, first, that I am surprised at the suggestion made by the hon. member for Vancouver North (Mr. MacNeil). The group of which he is a member has always charged the other political parties with a lack of courage, but surely the proposal made is one that would seem to avoid or to evade the straight issue. They want Canada to adopt bank bills which would be entirely emasculated. I do not think a virile country like Canada should adopt such a bank bill.

Mr. WOODSWORTH: Mr. Speaker, I wonder if the minister is in order in answering?

Mr. BENNETT: He can speak to the amendment to the amendment.

Mr. LAPOINTE (Quebec East): I am speaking on the subamendment just a minute or two. This bill would be emaciated and colourless and I wonder whether it would be accepted at par. There is another matter to be considered. The bill as suggested by my hon. friends would not be a promise to pay to the bearer. My hon. friends would first have to amend the first subsection of section 24, which provides that these notes shall be payable to bearer on demand, and so forth. The mere name of Canada, without mentioning the bank, and the figures and the signatures, could not be considered as a promise to pay anything to anybody. Apart from that, there are other considerations. Of course, these bank notes must be made in such a way that counterfeiters could not easily exercise their activities, and there would be nothing easier than to counterfeit a note such as is suggested by my hon. friends.

Mr. DOUGLAS: Could they counterfeit the signature of the officials?

Mr. LAPOINTE (Quebec East): No, I suppose not, but that is the only thing they could not do.

Mr. BENNETT: Obviously, the amendment to the amendment containing no promise to pay, it would be impossible to support it having regard to the other terms of the bill. However much one might desire some compromise of the difficulties, it is quite clear that this suggested amendment to the amendment would not result in a note of the bank being issued in accordance with the terms of the provisions of the act, there being no promise to pay.

The house divided on the amendment to the amendment (Mr. MacNeil) which was negatived on the following division:

YEAS

Messrs:

Blackmore
Coldwell
Douglas
Fair
Hansell
Hayhurst
Kuhl
MacInnis
MacNeil
Macphail, Miss
Marshall
Mitchell
Needham
Quelch
Woodsworth—15.

NAYS

Messrs:

Baker
Barber
Barry
Beaubien
Beaubier
Bennett
Bertrand (Prescott)
Bertrand (Laurier)
Betts
Black (Châteauguay-Huntingdon)
Black (Yukon)
Blair
Blais
Blanchette
Bothwell
Bouchard
Boulanger
Brasset
Brooks
Brunelle
Cahan
Cameron (Hastings South)
Cameron (Cape Breton North-Victoria)
Campbell
Cardin
Casselman
Chevrier (Ottawa East)
Chevrier (Stormont)
Church
Clark (Essex South)
Clark (York-Sunbury)
Clarke (Rosedale)
Cleaver
Cochrane
Crerar
Crète
Damude
Davidson
Deachman
Denis
Deslauriers
Dubois
Duffus
Dunning
Dupuis
Dussault
Edwards
Elliott (Kindersley)
Emmerson
Esling
Euler
Evans
Factor
Fafard
Farquhar
Ferguson
Ferland
Ferron
Fiset, Sir Eugène
Fleming
Fontaine
Fournier (Hull)
Fournier (Maisonneuve-Rosemount)
Fraser
Furniss
Gardiner
Gariépy
Gauthier
Girouard
Glen
Golding
Gosselin
Goulet
Grant
Gray
Graydon
Green
Hamilton
Hanson
Harris
Hartigan
Heaps
Hill
Howard
Howden
Howe
Hurtubise
Hushion
Hyndman
Ilsley
Isnor
Jacobs
Johnston (Lake Centre)
King, Mackenzie
Kirk
Lacombe
Lacroix (Quebec-Montmorency)
Lalonde

Landeryou
Lapointe (Matapédia-Matane)
Lapointe (Quebec East)
Lawson
Leader
Leclerc
Little
Lockhart
Macdonald (Brantford City)
MacKenzie (Neepawa)
Mackenzie (Vancouver Centre)
MacKinnon (Edmonton West)
MacLean (Prince)
MacLennan
MacMillan
MacNicol
MacRae
McCann
McCuaig
McCulloch
McDonald (Souris)
McDonald (Pontiac)
McGregor
McIntosh
McIvor
McKay
McKenzie (Lambton-Kent)
McKinnon (Kenora-Rainy River)
McLarty
McLean (Simcoe East)
McLean (Melfort)
McNevin (Victoria, Ont.)
McPhee
Mallette
Martin
Massey
Mercier
Michaud
Mills
Motherwell
Mullins
Mulock
Mutch
Neill
Parent (Terrebonne)
Patterson
Pelletier
Perley (Qu'Appelle)
Pouliot
Power
Purdy
Raymond
Reid
Rhéaume
Rickard
Rinfret
Roberge
Robichaud
Rogers
Ross (St. Paul's)
Ross (Middlesex East)
Rowe (Dufferin-Simcoe)
Ryan
Sanderson
Senn
Spence
Stewart
Stirling
Streight
Sylvestre
Taylor (Nanaimo)
Taylor (Norfolk)
Thauvette
Thompson
Thorson
Tomlinson
Tremblay
Tucker
Turgeon
Tustin
Verville
Ward
Weir
Wermenlinger
Wilton
Winkler
Young—184.

The house divided on the amendment (Mr. Barber) which was negatived on the following division:

YEAS

Messrs:

Baker
Barber
Beaubier
Bennett
Betts
Blackmore
Brooks
Casselman
Church
Clarke (Rosedale)
Coldwell
Douglas
Edwards
Esling
Fair
Graydon
Green
Hansell
Harris
Hyndman
Kuhl
Lawson
Lennard
Lockhart
MacInnis
MacNeil
MacNicol
Macphail, Miss
McGregor
Marshall
Massey
Needham
Perley (Qu'Appelle)
Quelch
Ross (St. Paul's)
Rowe (Dufferin-Simcoe)
Senn
Spence
Stewart
Stirling
Thompson
Tustin
Wilton—43.

NAYS

Messrs:

Barry
Beaubien
Bertrand (Prescott)
Bertrand (Laurier)
Black (Châteauguay-Huntingdon)
Black (Yukon)
Blair
Blais
Blanchette
Bothwell
Bouchard
Boulanger
Brasset
Brunelle
Cahan
Cameron (Hastings South)
Cameron (Cape Breton North-Victoria)
Campbell
Cardin
Chevrier (Ottawa East)
Chevrier (Stormont)
Clark (Essex South)
Clark (York-Sunbury)
Cleaver
Cochrane
Crerar
Crète
Damude
Davidson
Deachman
Denis
Deslauriers
Dubois
Duffus
Dunning
Dupuis
Dussault
Elliott (Kindersley)
Emmerson
Euler
Evans
Factor
Fafard
Farquhar
Ferguson
Ferland
Ferron
Fiset, Sir Eugène
Fleming
Fontaine
Fournier (Hull)
Fournier (Maisonneuve-Rosemount)
Fraser
Furniss
Gardiner
Gariépy
Gauthier
Girouard
Glen
Golding
Gosselin
Goulet
Grant
Gray
Hamilton
Hanson
Hartigan
Hayhurst
Heaps
Hill
Howard
Howden
Howe
Hurtubise
Hushion
Ilsley
Isnor
Jacobs
Jaques
Johnston (Lake Centre)
King, Mackenzie
Kirk
Lacombe
Lacroix (Quebec-Montmorency)
Lalonde
Landeryou
Lapointe (Matapédia-Matane)
Lapointe (Quebec East)
Leader
Leclerc
Little
Macdonald (Brantford City)
MacKenzie (Neepawa)
Mackenzie (Vancouver Centre)
MacKinnon (Edmonton West)
MacLean (Prince)
MacLennan
MacMillan
MacRae
McCann
McCuaig
McCulloch
McDonald (Souris)
McDonald (Pontiac)
McIntosh
McIvor
McKay
McKenzie (Lambton-Kent)
McKinnon (Kenora-Rainy River)
McLarty
McLean (Simcoe East)
McLean (Melfort)
McNevin (Victoria, Ont.)
McPhee
Mallette

Martin
Mercier
Michaud
Mills
Mitchell
Moore
Motherwell
Mullins
Mulock
Mutch
Neill
Parent
(Terrebonne)
Patterson
Pelletier
Pouliot
Power
Purdy
Raymond
Reid
Rhéaume
Rickard
Rinfret
Roberge
Robichaud
Rogers
Ross
(Middlesex East)
Ryan
Sanderson
Streight
Sylvestre
Taylor (Nanaimo)
Taylor (Norfolk)
Thauvette
Thorson
Tremblay
Tucker
Turgeon
Verville
Ward
Weir
Wermenlinger
White
Winkler
Woodsworth
Young—160.

Mr. SPEAKER: The question now is on the main motion.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, there are a few remarks I should like to make upon another aspect of this bill, and I desire to present an amendment, but as I see it is after eleven o'clock I assume I cannot go on to-night.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Wednesday, June 17, 1936

The house met at three o'clock.

REPORTS OF COMMITTEES

PRINTING OF PARLIAMENT

First report of the joint committee of both houses on the printing of parliament.—Mr. MacLean (Prince).

INDUSTRIAL AND INTERNATIONAL RELATIONS

Mr. CAMERON R. McINTOSH (North Battleford) moved that the recommendations contained in the third report of the standing committee on industrial and international relations, presented to the house on Monday, June 15, be concurred in.

Motion agreed to.

WHEAT AND OTHER GRAINS

Hon. W. D. EULER (Minister of Trade and Commerce) moved that the second and final report of the special committee on the marketing of wheat and other grains, presented on Thursday, June 11, be concurred in.

Mr. E. E. PERLEY (Qu'Appelle): Mr. Speaker, I should like to say a word before the report presented by the special committee is concurred in, because the producers of western Canada may regard it as very brief. I think it is only fair to say to the public and to hon. members of this house who were not members of the committee that the committee were of the unanimous opinion that nothing should be done to injure or jeopardize the sale of our wheat and that nothing should be done to handicap the board in its selling operations. The evidence was somewhat confusing, but once the majority of the committee had decided that a royal commission should be set up to review the evidence taken and to carry on further investigation, it was felt that no useful purpose could be served by further discussion or by going into more detail with respect to the evidence.

It is true the report is brief. One paragraph in particular might be termed a majority and minority opinion. It states that there was no conclusive evidence that the board had protected speculative shorts, and it states also that the committee found no conclusive evidence on that point. I think this brief explanation in due to the public and I do not believe any useful purpose can be served by further reviewing the evidence. With this explanation, I am prepared to concur in the report.

Mr. HARRY LEADER (Portage la Prairie): Mr. Speaker, I should like to say a word or two, having been a member of the committee appointed to investigate this particular question. I am glad that we brought in a unanimous report and that a further investigation is to be undertaken to find the best method of marketing our grain. May I take this opportunity to present a resolution passed by one of the farmer organizations in my constituency. It is typical of others that I have received. I received this particular one some months ago and have taken up the matter with the Minister of Trade and Commerce (Mr. Euler). The resolution reads:

> That whereas there being a guaranteed minimum price established for wheat, and no protection afforded coarse grains, we are of the opinion that unless there is a radical change in the coarse grain situation before seeding time 1936, there will be a very large increase in the acreage seeded to wheat.
>
> Therefore we the shareholders of this association strongly urge that the principles contained in section 14 of the Canadian Wheat Board Act be applied by which coarse grains may be brought under the operation of the Canadian wheat board.
>
> A. W. Hawker,
> Secretary,
> Oakville Elevator Association.

If I may be allowed a moment or two, I should like to say a word with regard to the

grain situation. The people in the district from which I come and throughout the province of Manitoba realize the danger of overproduction in wheat and have been switching gradually to the growing of barley. The barley crop in western Canada is becoming increasingly important. If we could produce more barley and less wheat, I think all hon. members will agree that it would be in the interests not only of the farmers but of the whole of Canada. We can produce a splendid quality of barley in western Canada; all we require is a market for this grain. There has been considerable investigation with regard to the finding of markets for our barley. During recent years the government of Manitoba has endeavoured to find better markets for barley. Doctor Grant was appointed in 1929 to investigate the possibilities in this regard.

The British brewers made a survey of Canada with regard to the quality of barley grown here. They found that our barley was of a superior grade and could be used for malting purposes, but they also found that the best grades were being used by the Canadian and American brewers. They were getting only the poorer grades. They complained that the malting barley they were getting from the terminal elevators in Canada was mixed and unsuitable for malting purposes. They found that the 3 C.W. barley contained many weed seeds and frosted grains and other foreign matter which made it useless as a malting barley. The eastern Canadian farmers have declared that our 3 C.W. barley contains too many weed seeds. They do not want to buy this barley even for the purpose of hog feed. I should like to read an extract from an editorial which appeared in the Manitoba Tribune, as follows:

> British maltsters are not the only ones to complain. Speaking to the national barley committee this week in Toronto, Professor R. G. Knox, of the Guelph agricultural college, said that if western growers wanted a better eastern market they would have to send out a product free from weed seeds. "The great prevalence of weed seeds in western barley," he said, "was a serious handicap to its sale to Ontario hog raisers as feed.

What we want is another grade of barley, suitable for malting purposes, which will be stored in special bins in the terminal elevators where it will be available to foreign buyers and be guaranteed as suitable for malting purposes.

I should like to place on record a resolution passed by the Portage local of the United Farmers of Manitoba. I shall hurry with this, sir, as I know you do not expect any extended remarks at this time. It reads:

> Be it resolved whereas the descriptions and definitions of "statutory grades" of barley are reproduced in accordance with schedule one of the new Canada Grain Act on grades of barley, whereas the act reads "number three extra six row barley shall weigh 48 pounds and equal in value for malting purposes to O.A.C. '21," we find that many samples of malting varieties going forward for inspection only grade three C.W. on account of being under the weight of 48 pounds and whereas many cars being inspected that weigh 46 pounds to 47 pounds are graded three C.W. barley or lower according to weight, it is resolved at this meeting that a new grade of six row barley be established for malting barley that weighs between 46 and 48 pounds. We suggest a grade of 4 extra six row barley. Due to the fact that the existing spreads between three C.W. barley of malting variety and three extra six row barley of malting variety have been too wide during the past two years, running from 2 to 35 cents per bushel, with only one pound difference in the weight, it is therefore apparent that the malting companies have derived considerable values on malting barley under the weight of 48 pounds.
>
> Respectfully submitted to your government.

It is a well known fact that barley weighing less than 48 pounds to the bushel is being used by Canadian maltsters. Barley weighing 47 pounds is fit for the maltsters and is being used by Canadian maltsters at the present time, but simply because our regulations do not allow barley weighing less than 48 pounds to the bushel to be classed as six-row, we are losing a special market which would be available. This resolution therefore asks the government to give us a new grade between six-row and 3 C.W., weighing less than 48 pounds and guaranteeing a purer quality for the buyers overseas. I suggest that this barley be special binned on reaching the terminal elevators and not mixed with foreign matter as I have indicated in my remarks. I have taken the question up with the Minister of Trade and Commerce and he in turn has taken it up with the head of the grain commission, who has pointed out that the grain act will be completely overhauled next year when this matter will be taken into consideration. There is nothing to prevent the grain board from giving us the benefit of this new grade in order to take care of the 1936 crop, and for that reason I am on my feet, urging the government to see that this is undertaken.

Mr. M. J. COLDWELL (Rosetown-Biggar): Representing as I do a large grain producing constituency in western Canada, I wish to concur in the remarks just made by the preceding speakers, the hon. member for Qu'Appelle (Mr. Perley) and the hon. member for Portage la Prairie (Mr. Leader),

but particularly would I impress upon the government the fact that in western Canada there is a desire that the government shall make an unqualified pronouncement in favour of continuing a wheat board, and setting an adequate price for wheat and other grains. That is the issue which is engaging the minds of the producers of western Canada at the present time, and I hope this will be done at no far distant date.

Motion agreed to.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

MISSION TO DISCUSS AND PROMOTE TRADE RELATIONS

Mr. BOULANGER:

1. Will the Department of Trade and Commerce shortly send a commercial mission abroad, as intimated to the house by the minister on June 8, instant?
2. What are the names and the duties of the individuals who will take part in this mission?
3. What countries will be visited?
4. On broad lines, what will be the objects of this mission?

Mr. EULER:

1. Yes.
2. The director of the commercial intelligence service and the Minister of Trade and Commerce.
3. Great Britain and continental countries which cannot yet be definitely named.
4. To discuss and promote trade relations.

QUESTIONS PASSED AS ORDERS FOR RETURNS

BROADVIEW, SASK., POST OFFICE

Mr. PERLEY (Qu'Appelle):

1. How much rental has the federal government paid for the post office building at Broadview, Saskatchewan, since the first of November last to date?
2. How much has been paid by the government for the caretaking and heating of the new post office at Broadview, since the first of November last to date?
3. Did the government call for tenders for the installing of equipment in connection with the said post office?
4. If so, on what date were tenders called?
5. Who received the contract and for what amount?

Mr. RINFRET: Return tabled herewith.

FOREST INDUSTRY

Mr. LECLERC:

1. What is the number of men employed in the forest industry in Canada?

[Mr. Coldwell.]

2. What is the number of men employed in the textile industry in Canada?

Mr. EULER: Return tabled herewith.

PENSION TRIBUNAL—NEW BRUNSWICK SITTINGS

Mr. PATTERSON:

1. What were the names of the pensions tribunal commissioners who conducted the soldiers' pensions tribunal in session at Fredericton, New Brunswick, on December 22, 1930?
2. What were the names of all pensions tribunal officials, employees, doctors, pension advocates, clerks, stenographers or any others serving in any capacity whatsoever or in any way connected with the proceedings of the above mentioned pensions tribunal in session at Fredericton in the month of December, 1930?
3. (a) At what other places did the pensions tribunal hold sessions in the province of New Brunswick, outside of the city of Fredericton, from 1930 to 1933 inclusive; (b) what was the complete personnel of each such sitting of the pensions tribunal in the province of New Brunswick from the year 1930 to 1933, both years inclusive?
4. What were the salaries and expenses, per annum, of each such person in any way connected with the pensions tribunal in the province of New Brunswick from 1930 to 1933, both years inclusive, whether employed full or part time; whether employed only at actual sittings of the pensions tribunal, or at any work in connection with the same, before, at, or after the actual sittings of the pensions tribunal, at or in any place in the province of New Brunswick in the above stated years?

MOTION FOR PAPERS

RADIO COMMISSION—BROADCASTS OF REV. HENRI LANCTIN

Mr. BROOKS:

For a copy of all letters, telegrams or any other correspondence or documents between the Canadian Radio Commission and the Moncton broadcasting station or any other party or parties relative to any complaint or complaints against Reverend Henri Lanctin, in connection with his broadcasting over the Moncton radio station and the subsequent investigation, if any, and the suspension of the said Reverend Henri Lanctin.

HAMILTON POSTAL SERVICE

DISMISSAL OF J. M. SEMMENS

On the orders of the day:

Mr. H. E. WILTON (Hamilton West): I should like to direct a question to the Postmaster General (Mr. Elliott) as to whether he can say why J. M. Semmens, who for the past twenty-four years has been in charge of a subpostal station located at

423 King street west, Hamilton, during which time there has never been a single complaint as to his efficiency—

Some hon. MEMBERS: Order.

Mr. WILTON: —was advised the day before yesterday—

Mr. SPEAKER: Order.

Mr. WILTON: I am asking a direct question, Mr. Speaker.

Mr. SPEAKER: The question is one that should be put on the order paper.

Mr. WILTON: It is a simple question and it is important that I should get an answer to it.

Some hon. MEMBERS: What is the question?

Mr. WILTON: I should like to know why this man was advised that he was dismissed from the service, the postal station having been transferred yesterday to Reynolds' drug store across the street, Mr. Reynolds having been appointed postmaster to replace Mr. Semmens.

Hon. J. C. ELLIOTT (Postmaster General): I think perhaps I can answer the question just as well now as ask that it stand as a notice. My hon. friend was good enough to give me notice that he would ask the question, and I may tell him that the change was made with a view to giving the patrons of that sub-post office improved service, including better accommodation and longer hours per day. The post office was formerly in a grocery store which closed at six o'clock in the evening and it has now been placed in a drug store that remains open until eleven.

SOCKEYE SALMON TREATY

On the orders of the day:

Mr. C. G. MacNEIL (Vancouver North): May I ask the Minister of Fisheries (Mr. Michaud) a question. What is the present status of the Fraser river sockeye salmon treaty, in view of the announcement in to-day's press of ratification in the United States senate?

Right Hon. W. L. MACKENZIE KING (Prime Minister): I regret that the Minister of Fisheries is not in the house at the moment. Perhaps my hon. friend will allow the question to stand, to be answered to-morrow.

REFERENCES TO SUPREME COURT

STATEMENT GIVING SUMMARY OF DECISIONS RENDERED

On the orders of the day:

Mr. MALCOLM McLEAN (Melfort): Has the Minister of Justice any idea when we may expect a report from the supreme court on certain legislation placed before it?

Hon. ERNEST LAPOINTE (Minister of Justice): I have just been handed a summary of the decisions that were given this afternoon in the supreme court. It is as follows:

1. Reference re section 498A of the criminal code.

The court is unanimously of the opinion that as to subsections (b) and (c) the enactment is not ultra vires.

As to subsection (a), in the opinion of the Chief Justice, Mr. Justice Rinfret, Mr. Justice Davis and Mr. Justice Kerwin, the enactment is not ultra vires; in the opinion of Mr. Justice Cannon and Mr. Justice Crocket that subsection is ultra vires.

2. Reference re the Dominion Trade and Industry Commission Act.

Our answer is directed only to those sections of the act upon which we had the benefit of argument.

As to section 14, that section, in the unanimous opinion of the court, is ultra vires.

As to sections 16 and 17, these sections are, in the unanimous opinion of the court, not ultra vires.

As to section 20, that section, in the unanimous opinion of the court, is not ultra vires in so far as the enactments enumerated in section 2(h) may be intra vires.

As to sections 18 and 19, these sections, in the unanimous opinion of the court, are ultra vires.

As to sections 21 and 22, these sections (as applicable to the criminal offences created by such of the enactments enumerated in section 2(h) as may be intra vires), in the unanimous opinion of the court, are not ultra vires.

3. Reference re the Employment and Social Insurance Act.

Mr. Justice Rinfret, Mr. Justice Cannon, Mr. Justice Crocket and Mr. Justice Kerwin are of the opinion that the statute is ultra vires; the Chief Justice and Mr. Justice Davis are of the opinion that the statute is intra vires.

4. Reference re the Weekly Rest in Industrial Undertakings Act; The Minimum Wages Act, and The Limitation of Hours of Work Act.

The Chief Justice, Mr. Justice Davis and Mr. Justice Kerwin are of the opinion that (except as to section 6 of The Minimum Wages Act) the statutes are intra vires; Mr. Justice Rinfret, Mr. Justice Cannon and Mr. Justice Crocket are of the opinion that the statutes are ultra vires.

5. Reference re Natural Products Marketing Act and Amendment.

The statute, in the unanimous opinion of the court, is ultra vires.

6. Reference re the Farmers' Creditors Arrangement Act.

The Chief Justice, Mr. Justice Rinfret, Mr. Justice Crocket, Mr. Justice Davis and Mr. Justice Kerwin are of the opinion that the statute is intra vires; Mr. Justice Cannon is of the opinion that the statute, except section 17, is ultra vires and that section 17 is intra vires.

Mr. A. A. HEAPS (Winnipeg North): Arising out of that question, will the Minister of Justice state before the house prorogues whether it is the intention of the government to appeal the decisions of the court?

Hon. ERNEST LAPOINTE (Minister of Justice): If my hon. friend will restrain his eagerness, I think the first thing to do will be to read the reasons which have been given.

Mr. HEAPS: What I said was, would the minister be prepared to make a statement before the house prorogues.

Mr. LAPOINTE (Quebec East): I cannot say until I have seen the reasons for the decision.

VIMY PILGRIMAGE

On the orders of the day.

Mr. T. L. CHURCH (Broadview): Two months ago I asked the government if they were prepared to consider sending all the returned soldier members of the House of Commons to the Vimy Ridge unveiling ceremony. The reply then given was that they would consider it. I should like to know whether they will favourably consider sending these returned men; there are not very many of them who could go. The Ontario legislature are sending all the soldiers in their house. We can afford to send a big delegation to the League of Nations; why not here?

Right Hon. W. L. MACKENZIE KING (Prime Minister): There are some further supplementary estimates to be introduced, which will include an item relative to the pilgrimage to Vimy. At that time the government may attempt to give an answer on this matter to my hon. friend.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

The house resumed, from Tuesday, June 16, consideration of the motion of Hon. Mr. Dunning for the third reading of Bill No. 82, to amend the Bank of Canada Act.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Yesterday the house spent the entire day in discussing what words should appear on the bank notes, or more properly speaking, what languages should appear on the bank notes. It seems to me there are other aspects of this legislation that are of immensely greater importance to the people of Canada, and which we are in danger of overlooking almost entirely. For some years we in our group have urged a government owned and controlled central bank; indeed we have gone so far as to urge the nationalization of our entire banking system. I admit frankly that unless the monetary policy is changed, government control of the central bank would not bring the desired results. I admit further that under this or any other government dominated by capitalist ideals no fundamental changes are likely. But I would urge that government control is a step at least in the right direction, and again, that a central bank controlled by the government would be necessary in order to carry out the policies which we in the Cooperative Commonwealth Federation advocate.

It is not my purpose to-day to make any extended speech. Our position has been stated on the resolution and in the committee. May I summarize what we have tried to say? We believe that this central bank as constituted cannot perform the functions which a central bank should perform. We believe that this legislation is a surrendering of sovereignty in the monetary field. Whether the parliament of Canada ever had that sovereignty is, perhaps, a matter to be discussed; but in any case we have in the central bank a more powerful instrument than we have ever had before, and as we see it, this instrument is being given over into private hands and Canada cannot be sovereign in that monetary field under the existing arrangement. Again, this legislation grants special privileges and powers to a group of shareholders who constituted a very small proportion of the citizens of Canada. Further, this legislation does not, as we see it, implement the promises made by the Liberals during the election. Yesterday some of the Liberal members claimed that they had a mandate with regard to what language should be placed on government bills. I cannot see that they had any mandate with regard to that matter, because it was not generally discussed at the election, but I think they did have a mandate to carry out certain financial or monetary reforms. Undoubtedly all over the country many Liberals said that if their party were returned to power we should have a national central bank. I do not want to go over the field again. I want just to put that on record. In my judgment the general belief was that if the Liberals were returned

to power we would have a nationally owned and controlled central bank. I do not believe this legislation gives us that.

So far there has not been an opportunity formally to place our position on record or to ascertain what support it has in this house. I attempted during the resolution stage to move an amendment, but it was ruled out of order. Possibly I could have moved on the second reading a resolution similar to that which I propose to move to-day. As a matter of fact the Speaker passed so quickly over the second reading that, although I was in the house and paying attention to the proceedings, I had not the opportunity to move my resolution. So I take this occasion to place our position on record.

As it has become almost the practice since the Liberals have been in power with such a large majority to challenge, as being out of order practically any motion that is made—

Some hon. MEMBERS: Order.

Mr. WOODSWORTH: —I take this opportunity of reading the rule in this regard. I quote from Beauchesne, page 217, section 755:

> It is also competent to a member who desires to place on record any special reasons for not agreeing to the second reading of a bill, to move as an amendment to the question, a resolution declaratory of some principle adverse to, or differing from, the principles, policy, or provisions of the bill, or expressing opinions as to any circumstances connected with its introduction, or prosecution; or otherwise opposed to its progress; or seeking further information in relation to the bill by committees, commissioners, the production of papers or other evidence or the opinion of judges.

In my resolution I propose to express an opinion declaratory of a principle adverse to or differing from the principles, policy or provisions of this bill. I know this rule refers to the second reading—

Mr. DUNNING: Hear, hear.

Mr. WOODSWORTH: The hon. gentleman says "hear, hear." I rather imagined that would be said, so I should like to give another citation, paragraph 814 at page 230 of Beauchesne:

> On the third reading of a bill such amendments as have already been described in reference to a second reading may be proposed to the question for now reading the bill the third time.

In order to make quite sure—

Mr. MACKENZIE (Vancouver): Would the hon. gentleman please complete that paragraph?

Mr. WOODSWORTH: Quite so.

> A member may then move that the third reading take place "this day six months." The question for the third reading may be negatived, but as previously stated (in reference to the second reading) such a vote is not fatal to the bill.

In order to make sure that the clerk of the house, who is our authority, is on safe ground I should like to give one more authority that will meet the incipient objection that is in the mind of the Minister of National Defence (Mr. Mackenzie).

Mr. MACKENZIE (Vancouver): We do not know what the amendment is as yet.

Mr. WOODSWORTH: Quite so; I am preparing the way.

Mr. DUNNING: I submit, Mr. Speaker, that my hon. friend is out of order right now, because he is not discussing the bill before the house.

Mr. WOODSWORTH: I am discussing the bill; I am presenting my reasons for moving my amendment at this time. I read from Bourinot at page 530, under the general heading Third Reading:

> Or the house may be asked, at this as at any other stage of a bill, to divide on a resolution relative to the principle of the whole measure.

My amendment has reference to the principle. The suggestion has been made that hon. members have not the amendment before them, so I shall be glad to read it at this stage:

> That the bill be not now read a third time, because it does not provide for complete government ownership of the Bank of Canada.

That is a clear statement of a principle adverse to or differing from the principle involved in the bill, and hon. members will now understand why I have given these citations from our recognized parliamentary authorities. I could have moved to refer this bill back to the committee of the whole, as we so frequently do, for further consideration or with instructions that the committee have power to do certain things, but I knew perfectly well that if we offered any fundamental changes in a bill affecting finance we would be confronted immediately with the old objection that no private member may move to alter the financial structure of a bill.

I suggest, Mr. Speaker, that the house should not be deprived of its right of expressing an opinion. I recognize clearly that no private member may introduce an amendment involving increased expenditure. The amendment which I introduced at the resolution stage did not involve increased expendi-

ture. That was conceded. It did involve taking over all the stock, and the Minister of Finance (Mr. Dunning) made a great play on the fact that the bill provided for only the majority of the stock being taken over, although taking over all the stock would involve a lesser expenditure than taking over a majority of the stock.

Mr. DUNNING: No.

Mr. WOODSWORTH: Yes. However, I will not discuss that now. To create a majority of the stock will involve the expenditure of $5,100,000; to take over all the stock would have involved an expenditure of only $5,000,000, at par.

Mr. DUNNING: I wonder if my hon. friend would permit a question. Is he aware of the fact that the new government in New Zealand, which he so frequently quotes and which has bought the stock of that bank, paid a great deal more than par for it?

Mr. WOODSWORTH: I know it paid more but I am speaking of the par value, and further I am speaking regarding a point of order. The minister did not rely upon that particular point of order but found refuge in another, that since this bill in its original form had been approved by the governor general we could not make any alterations in it. Well, that seems to me to be carrying the powers of the governor general to an altogether unwarranted degree. However, it was on such grounds that my amendment was ruled out of order. I suggest now that, thanks to the wisdom of our ancestors or our predecessors in parliament, we may still express our opinions, unless indeed accepted rules are to be entirely disregarded.

We believe that this bill is designed to somewhat improve the situation; it looks in the direction of greater government control, and for that reason we propose to vote for the bill. I should like that to be understood. On the other hand we do not believe the bill goes far enough. I should like to point out that my amendment, if carried, will not kill the bill. There are always some timorous souls in the house who are afraid of what might happen if the bill were to be killed. I do not think there is any danger that the amendment will pass while the government have such a large majority, but these members think they should vote as though the amendment might carry and they fear that then the bill might be killed. Let me reassure them. If the amendment carries the bill is not killed: its passage is simply delayed. On that point I should like to direct attention to a rule appearing in May at page 392. May is here speaking of the second reading of a bill, though as I have said our authorities, both Beauchesne and Bourinot, state that what is true of the second reading is also true of the third reading. May says:

> It must be borne in mind, however, that the resolution, if agreed to, does not arrest the progress of the bill, the second reading of which may be moved on another occasion.
>
> The effect of such an amendment is merely to supersede the question for now reading the bill a second time;—

Let me note that the "now" is in italics.

> And the bill is left in the same position as if the question for now reading the bill a second time had been simply negatived or superseded by the previous question. The house refuses, on that particular day, to read the bill a second time, and gives its reasons for such refusal: but the bill is not otherwise disposed of. Such being the technical effect of a resolution, so carried, it need scarcely be said that its moral and political results vary according to the character and importance of the resolution itself, the support it has received, and the means there may be of meeting it, in the further progress of the bill.

It may be that I have adopted an unusual course in presenting these rules of order at this stage, but, as I said before, it has become almost a practice for the government to object to any amendment that may be moved from this side of the house. I think we are on sound ground in this instance. We are attempting to express our opinion by means provided by the rules of the house, the only means that I can see by which we as a minority group may put our opinion officially on record, and may ascertain, as I said earlier, what support we may have. I therefore move, seconded by Mr. Heaps:

> That the bill be not now read a third time, because it does not provide for complete government ownership of the Bank of Canada.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, the hon. member's amendment I think is out of order. In the first place it is a direct negative. The motion is that the bill be now read a third time. My hon. friend's amendment is that the bill be not now read a third time. If he does not wish the motion carried all he has to do is to vote against the third reading. The argumentative part of his amendment does not alter the fact that it is a direct negative; it gives a reason, but that does not affect the substantive part.

Mr. WOODSWORTH: May I ask if we are not on the order as to whether the bill be now read a third time?

Mr. DUNNING: Yes, that is the motion.

Mr. WOODSWORTH: Then I have a perfect right to move that it be not now read a third time.

Mr. MACKENZIE KING: The motion is not in order, unless my hon. friend adds to his amendment that the bill be read six months hence or other like words. I also think the amendment is out of order because it purports to present an alternative proposal, that is, complete government ownership. In that respect it differs, as was pointed out at a previous stage of the discussion, from the essential principle of the bill.

My hon. friend has quoted Beauchesne as authority two or three times. May I particularly point out that Beauchesne at page 126, citation 394, has the following:

A motion may be amended: (a) by leaving out certain words; (b) by leaving out certain words in order to insert other words; (c) by inserting or adding other words.

This motion of my hon. friend does not do any of those three things, therefore it is not in order as an amendment.

Mr. WOODSWORTH: On the point of order, Mr. Speaker; I need not read again the passages which I have previously read. It is clearly provided that special reasons may be given for not now reading the bill. The authority the Prime Minister himself referred to, Beauchesne, page 217, citation 755, says:

It is also competent to a member who desires to place on record any special reasons for not agreeing to the second reading of a bill, to move as an amendment to the question, a resolution declaratory of some principle adverse to, or differing from, the principles, policy, or provisions of the bill, ...

Further, let me give one example of a number given by May, at page 393:

Where the resolution relates to a matter which is incidental to the legislation intended by the bill, such a resolution does not arrest its progress, provided the principle affirmed can be considered at a further stage. Thus, on the sixth May, 1872, on going into committee upon the education (Scotland) bill, a resolution was carried, affirming that instruction in the holy scriptures was an essential part of education and ought to be provided for in the bill. To give effect to this resolution, an amendment was moved in committee; the amendment was negatived; and thus the resolution of the house was practically reversed —a proceeding, however, in strict conformity with parliamentary usage.

There is a case in which it will be readily observed that the amendment was almost directly opposed to the principle of the bill, yet the amendment was carried, although afterwards the provisions of the amendment were not carried out. On the grounds stated by the Prime Minister I think there is every reason why this amendment should be regarded as in order.

Mr. SPEAKER: Do any other hon. members wish to speak to the point of order?

Mr. MACKENZIE KING: May I add to what I have already given a citation from Beauchesne, page 127, section 400:

An amendment that is merely an expanded negative cannot be proposed by the chair.

This surely is an expanded negative if ever there was one.

Mr. WOODSWORTH: We are dealing with the motion that the bill be now read, and a motion that it be not now read but be read three months or six months hence would be quite in order. Along the same lines, we find that at this same stage a member is given the privilege of stating a position, differing from the principle of the bill.

Mr. MACKENZIE KING: My hon. friend has not moved that it be read six months hence. He knew he was at liberty to do so.

Mr. SPEAKER: I have listened to the arguments on both sides, and I am of the opinion that the amendment of the hon. member for Winnipeg North Centre (Mr. Woodsworth) is not in order. I do not think it comes within the provisions of standing order 48, under which he refers to citation 394, to which the leader of the government has alluded, as well as to citation 400 on page 127. I therefore declare the amendment out of order.

Mr. WOODSWORTH: I am afraid the only thing to do is to appeal against your honour's ruling. We must retain, if possible, some of the privileges and rights of this house.

Some hon. MEMBERS: Order.

Mr. WOODSWORTH: I appeal against your honour's ruling.

Mr. Speaker put the question as follows:

Mr. Dunning moves that Bill No. 82, an act to amend the Bank of Canada Act, be now read a third time. To which Mr. Woodsworth moves in amendment that the bill be not now read a third time, because it does not provide for complete government ownership of the Bank of Canada.

Mr. SPEAKER: A point of order having been raised, the decision of the Speaker was that the said amendment was out of order. The hon. member for Winnipeg North Centre (Mr. Woodsworth) having appealed from said decision, the question is now Shall the said decision be sustained?

The house divided on the question: Shall the ruling of the Chair be sustained? And the ruling was sustained on the following division:

YEAS

Messrs:

Baker
Barber
Barry
Beaubien
Beaubier
Bennett
Bertrand (Prescott)
Bertrand (Laurier)
Betts
Black (Châteauguay-Huntingdon)
Blair
Blais
Bothwell
Bouchard
Boulanger
Brasset
Brooks
Brown
Brunelle
Cahan
Cameron (Hastings South)
Cameron (Cape Breton North-Victoria)
Cardin
Casselman
Chevrier (Ottawa East)
Church
Clark (Essex South)
Clark (York-Sunbury)
Clarke (Rosedale)
Cochrane
Crerar
Crète
Damude
Davidson
Deachman
Denis
Deslauriers
Donnelly
Dubois
Duffus
Dunning
Dupuis
Dussault
Edwards
Elliott (Middlesex West)
Emmerson
Evans
Factor
Fafard
Farquhar
Ferguson
Ferland
Ferron
Fiset, Sir Eugène
Fleming
Fontaine
Fournier (Hull)
Fournier (Maisonneuve-Rosemount)
Fraser
Furniss
Gardiner
Gariépy
Gauthier
Girouard
Gladstone
Golding
Gosselin
Goulet
Grant
Gray
Green
Hamilton
Hanson
Harris
Hill
Howard
Howden
Howe
Hurtubise
Hushion
Hyndman
Ilsley
Isnor
Jacobs
Johnston (Lake Centre)
King, Mackenzie
Kirk
Lacombe
Lacroix (Quebec-Montmorency)
Lalonde
Lapointe (Quebec East)
Lawson
Leader
Leclerc
MacKenzie (Neepawa)
Mackenzie (Vancouver Centre)
MacLean (Prince)
MacLennan
MacNicol
MacRae
McCann
McCuaig
McCulloch
McDonald (Souris)
McDonald (Pontiac)
McIntosh
McIvor
McKay
McKenzie (Lambton-Kent)
McKinnon (Kenora-Rainy River)
McLarty
McLean (Simcoe East)
McLean (Melfort)
McNevin (Victoria, Ont.)
McPhee
Mallette
Marcil
Martin
Massey
Mercier
Michaud
Mills
Moore
Motherwell
Mullins
Mulock
Mutch
Neill
Parent (Terrebonne)
Patterson
Perley (Qu'Appelle)
Perley, Sir George
Perras
Plaxton
Power
Purdy
Reid
Rickard
Rinfret
Roberge
Robichaud
Rogers
Ross (St. Paul's)
Ross (Middlesex East)
Ryan
Sanderson
Senn
Spence
Stewart
Stirling
Streight
Taylor (Norfolk)
Telford
Thauvette
Thompson
Thorson
Tomlinson
Tremblay
Tucker
Turgeon
Turner
Tustin
Verville
White
Wilton
Winkler
Wood
Young—168.

[Mr. Speaker.]

NAYS

Messrs:

Blackmore
Coldwell
Douglas
Hansell
Hayhurst
Johnston (Bow River)
Kuhl
Lennard
MacInnis
MacNeil
Macphail, Miss
McGregor
Mitchell
Pelletier
Taylor (Nanaimo)
Woodsworth—16.

Mr. SPEAKER: The question is on the main motion.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, before this debate concludes I should like to deal with the allegation that the legislation which is before the house at the moment is not in full accord with the policies of the Liberal party as stated from time to time in its official pronouncements, and in particular as stated by myself to the electorate in the course of the recent election campaign. I purpose in making this statement to go back to the first pronouncement made by the Liberal party with respect to the necessity of establishing a central national bank, because at the time that announcement was made great care was taken to set forth in specific language exactly what the Liberal party regarded as a properly constituted national central bank.

The proposal I refer to was made in public for the first time at a meeting held at Seaforth during the by-election in South Huron in September of 1932. The Liberal party had prior to that time been giving much thought and consideration to the subject of monetary reform, and, as a first step to monetary reform, to the establishment of a central national bank. Speaking at Seaforth I made very clear what the Liberal party's views were in the matter. Up to that time there had been in Canada but little in the way of discussion

of central banks, and it was necessary for that reason to inform the electorate more fully than otherwise would have been the case not only as to the Liberal party's policy in the matter, but also with respect to the functions which a central bank might be expected to discharge. I sought in what I said not unduly to raise expectations but rather to represent fully the possible services of an institution of the kind. Fortunately the speech which I made on that occasion was very fully reported in the Canadian papers, and much of it was reported in quotations. The London Advertiser of September 29, the day following that on which the speech was made, contained a lengthy account of the speech, and I make no apology at this moment for reading at some length extracts from the speeches delivered at that time and subsequently.

I drew attention, first of all, to the fact that Canada was one of the few countries of any importance in the world which had not a central bank of rediscount. I pointed out the reason, no doubt, was that we had an excellent banking system in Canada, and that having an excellent banking system we had not felt the necessity for this additional step as quickly perhaps as some other countries had felt it. But I also made it clear that excellent as was our system, or as we had considered it to be up to that time, there was room for modifications and reform and that the existing system had distinct and self-evident limitations which became more evident in times of depression. There had been much discussion at the time on the questions of interest and credit, and I pointed out that these questions had an intimate association with the problems which pertained to banking and currency. I said that political parties should have a definite policy with respect to matters of the kind. I then set forth the policy of the Liberal party with respect to a central national bank, in the following words:

> Without question, any reform that would serve to bring about a wider extension of credit, and a lowering of interest rates, would have to be brought about with the utmost caution, and made in the light of the widest experience. Fortunately, the latter is available, and the former, I think, may be expected in ample measure on the part of the people's representatives in Canada.
>
> Although the banks of the country are important institutions in directing the flow of capital into industry, the importance of banking in the everyday life of the citizens of the land lies primarily in the relationship between credit and prices. It requires no effort to show the importance in our everyday life of prices generally, what may be termed as the price level. If, other things being equal, prices are high, it may result in producers being tempted into uneconomic expansion; it means, also that the consumer's dollar will not stretch so far. On this point one needs only to recall the high cost of living days which existed during the war period. If prices are unduly low, the producer is affected, cessation of economic activity and unemployment may result, and all groups in the community may be seriously affected. This situation exists at the present time, and the distress of mankind is too real to require elaboration.
>
> Without going into the matter too fully, it may be said that the general level of prices depends upon money and credit; in other words, upon the purchasing power in existence to do the nation's business. When banks make loans they in general create credit—bank notes or deposits—which is used by their customers to make added purchases, and which results in added bidding for goods, services and securities. If this process of lending is carried far enough, prices are bid up, and every person feels the effect of this policy. If the banks follow the opposite policy, of reducing credit, the effect may be a fall in prices.
>
> Either of these processes may be carried on by commercial banks with the above-mentioned results, in perfect harmony with the banks' own interests, and with what appears to be the tenets of sound commercial banking. A bank's first duty is to its depositors and shareholders. Thus, it can be seen, that commercial banks may, in pursuit of their own interests, adopt practices which effect prejudicialy the interests of the great body of citizens of the country. Surely, from the national point of view, such a condition should not be permitted to continue. Such tremendous powers should, in the interests of the people as a whole, be in some manner placed under an agency of public or social control. The situation in Canada calls for some form of social control of credit or, in brief, credit control. That is, there is need for a public or semi-public agency which, without attempting to run the banks, may exercise a general supervision over the volume of credit. The matter of credit control has become too important in our economic system to be left to the administration of private business, even when that private business has developed traditions of public service.
>
> In a word, banking functions may be divided into two aspects. The first is the technique of carrying on the day-to-day business of banking, or what may be termed banking practice. The second is that of the social effects of banking action, which may be termed credit control. It may be said that Canadian bankers are exceptionally well trained in banking practice generally, and that in general they carry it on in an admirable manner. The stability of our banking institutions in the present period of distress is evidence of this. It remains true, however, that the present system does not adequately meet the second aspect, namely, the necessity for something in the way of credit control. This does not imply criticism of the banks in relation to their own immediate business, for it is unreasonable to ask that private profit-making institutions should assume the responsibility of credit control under present conditions. In fairness to the banks, the burden of this responsibility should not be placed upon or left with them.

A little further on in the address I said:

> I might say that something of the kind was found necessary and put into operation by the government through the Department of Finance

at the beginning of the war. The banking structure was then altered by the enactment of the Finance Act, which gave the department authority to lend dominion notes to the banks. Thus the banks could obtain added cash reserves with which to extend more credit. These added cash reserves could be obtained within a few hours upon the deposit of approved securities with the department. This process of rediscounting had never existed before, and was initiated as an emergency measure. It made a very great change in the Canadian monetary structure. Previously, the banks alone had been responsible for credit control. Now they share it in part with the Department of Finance, which has the capacity to increase the banks' cash reserves, which are the ultimate basis of credit.

The events of the last few years indicate that somewhere between these two agencies this responsibility has tended to drop out of sight. The Finance Act was a sound measure, but Canada has now come to a financial stature where it is unreasonable to place this responsibility on profit-making institutions, or even on a trained civil service which has no experience in central banking practice.

If I recall aright my hon. friend from St. Lawrence-St. George, (Mr. Cahan) speaking the other day, mentioned that he along with his colleagues in the late administration had had to do with the drafting of the present act, and that at the time the reason which above all others caused them to feel that a central national bank was necessary was that they did not believe that a trained civil service was adequate to discharge the duties which had been imposed upon them by the Finance Act. He and his colleagues felt that it was better to have an institution properly equipped in personnel and technique for important work of the kind. Well, it was not until 1934 that my hon. friends began drafting that measure. I am directing attention at the moment to the fact that it was in 1932 when the Liberal party stated that this was one of the reasons why a central national bank should be created and be created forthwith. Let me quote exactly what I said:

> The developments of the last few years in Canadian banking and exchange have demonstrated the seriousness of the present situation, and the fact that our present system is inadequate to carry the heavy load.

Please recall that this is the statement as made on behalf of the Liberal party in 1932.

> Clearly the time has come to give responsibility to a special institution and to round out the finance act into a complete enactment. The remedy for the present unsatisfactory state of affairs will be found, I believe, in large part, in the creation in Canada of a central bank of rediscount.

Then later on:

> Such an institution in Canada would, among other things, take over the monetary functions and responsibilities now exercised by the Department of Finance, because it would be a specialized institution with a trained personnel, it would be able to perform the functions of a central bank more efficiently than the department. This is no criticism of the Department of Finance, which is a very efficient service, but one which was not designed to deal with such monetary problems. A central bank, in handling rediscounting, would exercise its powers to give us the maximum of social control of credit for the general welfare of the nation.

I then spoke about certain international aspects of banking which a central national bank would be able to perform, and I concluded:

> This is the year when the Bank Act comes up for revision before parliament. It would appear to be the year in which this much needed reform should be instituted. It is a reform for which the Liberal party in parliament will press, and which will continue to constitute an important part of its policy.

In that statement is set forth very clearly the conception the Liberal party had of the functions which a central bank would perform. It sets forth what, when we advocated a national central bank, we meant by a properly constituted central bank. It makes very clear what is meant by social control and what is meant by the service of the public as contrasted with the service of private interests. The statement made at that time is one to which the Liberal party has adhered consistently in all discussions with respect to the Bank of Canada measure.

As I have said, the statement of policy just set forth was made on behalf of the Liberal, party by myself as its leader, at Seaforth, on September 29, 1932. Parliament was not yet in session but the session followed very shortly afterwards, and when the speech from the throne was being considered by this house I repeated much of what I had said at Seaforth and urged upon the government the importance of immediately taking steps to institute a central national bank. I have in my hand an extract from the debate on the address on October 10, 1932. It will be found at page 29 of Hansard of that year. At that time I said:

> I believe the Canadian banking system is as sound as any banking system in the world. I think there is no doubt that owing to the excellence of our banking system there has been less discussion on matters of banking in Canada than there has been in other countries. However, the Canadian banking system is not perfect; it has been framed, as have most businesses, with a view primarily to the interests of capital investors, the shareholders. The development of banking has been such that it has assumed increasingly a national aspect; the need has arisen for national control of credit, and that is a matter which in the interests of the banks themselves almost as much as in the interest of the country ought to be considered by parliament at the earliest possible date.

A little later on I said:

> One question which the banking committee should be exploring at this session is the

advisability of establishing in Canada a central bank of re-discount. I suppose my right hon. friend will tell us that one of the departments of government already performs that function. During the period of the war, the Bank Act was amended to enable the Department of Finance to perform some such function but it is not a function that is properly carried on by a government department. What is needed is an institution which will be devoting its time exclusively to what will be expected of it in such an all-important matter as that of credit control.

That was the expression in this House of Commons of the Liberal party's view as made in the course of the debate on the address in the session of the fall of 1932. In February of the following year, I gave to this House of Commons a very clear statement of the party's position with respect to several important problems, among others the problem of banking and credit. At that time I set forth, in a series of statements, the policies of the Liberal party with reference to some immediate problems. It was on February 27, 1933, that I gave this statement of policy to the House of Commons, and I mentioned that the statement embodied not only the views of the Liberal members of parliament of both houses as agreed to in conference, but that it also represented the views of the National Liberal Federation of Canada, which body was representative of the various local Liberal organizations throughout the dominion. This was the official statement of the Liberal party of its policies with respect to the different matters referred to. Here are the exact words that appear in that statement, words which have been used by Liberal speakers everywhere, because this statement of policy was published by the National Liberal Federation and distributed broadcast. It was used publicly throughout Canada not only during the campaign but for two or three years prior thereto. They are words that have been quoted over and over again by myself as leader of the party and by members of the party speaking in different parts of the country. They appear under the heading "control of credit" and are as follows:

> The Liberal party believes that credit is a public matter, not of interest to bankers only, but of direct concern to the average citizen. It stands for the immediate establishment of a properly constituted national central bank, to perform the functions of rediscount, and the control of currency issue, considered in terms of public need. A central bank is necessary to determine the supply of currency in relation to the domestic, social and industrial requirements of the Canadian people; and also to deal with problems of international commerce and exchange.

I submit that this statement is on all fours with what was said by myself at Seaforth in presenting the Liberal point of view with respect to what would constitute a properly constituted national central bank. There can be no doubt concerning what the party meant when it said that credit was a public matter not of interest to bankers only but of direct concern to the average citizen. It was referring to the public interest as a whole as contrasted with the private interests of bankers and individuals. That was generally understood and was always the point of view presented in debates which took place in this house and beyond its walls. Also the functions of rediscount and control of currency issue, considered in terms of public need. Every one understood what was meant by "considered in terms of public need."

Mr. MacINNIS: What does it mean?

Mr. MACKENZIE KING: It means exactly what it says, and what I said it meant at Seaforth. It does not mean what my hon. friend and some of his friends have been trying to make the public believe it means, namely that it is not the public need which the bank is to serve, but the private needs of individuals.

Mr. MacINNIS: Does it mean what the hon. member for Vancouver-Burrard (Mr. McGeer) says it means?

Mr. MACKENZIE KING: It means exactly what is stated here. My hon. friend who has just spoken and some of those who are associated with him have tried to have the people believe that the Liberal party had committed itself to a bank which was going to supply private individuals, with all the funds they require to satisfy their individual needs.

Mr. TAYLOR (Nanaimo): Oh, no.

Mr. MacINNIS: No, it was Liberal party speakers that did that.

Mr. MACKENZIE KING: Not at all. My hon. friend has done it. And may I point out at once what is going on at the present time by way of political propaganda, from quarters which probably hon. gentlemen in some parts of the house can tell me about. Since this debate commenced post cards by hundreds and I might say thousands have been coming in, all printed alike, mailed, some from Toronto, some from Montreal, and others from elsewhere, addressed to

"Mackenzie King, Prime Minister, Ottawa," marked "personal" in print, and worded as follows:

Dear Sir,

As Prime Minister of this country I feel it is your duty to end unemployment immediately.

The tragic and demoralizing situation of the past seven years demand you take over the complete control of the finance of our country so that you may give useful employment to all without increasing the burden of taxation.

Mr. MacINNIS: It may be from the Young Liberal Association of Saskatoon.

Mr. MACKENZIE KING: It continues as follows:

By this means alone can you raise the standard of living and keep your election pledge.

If you have the courage to act, all Canada will stand behind you.

Some hon. MEMBERS: Hear, hear.

Mr. MACKENZIE KING: "Hear, hear!"

Mr. LAPOINTE (Quebec East): It comes from over there.

Mr. MACKENZIE KING: I think now we may see the source.

Mr. DOUGLAS: Does the Prime Minister say that it came from this quarter?

Mr. MACKENZIE KING: What I want to make clear is this. When I announced at Seaforth the Liberal policy with respect to the central national bank and gave the details I did, I was very careful not to seek to raise in the public mind expectations which would be wholly unwarranted and wholly unjustified and which could never be satisfied by any institution on this earth. I made it perfectly clear that when the Liberal party spoke of public need and of the banks serving that public need rather than private interests, my words were intended to convey precisely what I had set forth in explicit language as meant by that term. The impression some hon. gentlemen who are taking exception to the present legislation are seeking to convey is that the Liberal party has in some way led the people to believe that if we once get a central bank, every individual in the country is going to be financed out of this bank and there will be employment for all provided out of funds which this bank, by some mechanical process or other, will turn out. I want to make perfectly clear that that kind of thing has never been expressed by any person speaking with authority on behalf of the Liberal party, and I wish to say further that, as the leader of the Liberal party from the time I made the statement I did at Seaforth, in the debates in this house, upon the public platform, in the campaign and up to this moment, I have not only made clear what the Liberal party meant by the public need being met, but I have explicitly cautioned the public against believing that the bank would go any further than was indicated in the pronouncements as made.

This statement of policy as made in this house, as I have said, was on February 27, 1933. If I recollect aright, I was replying at the time to the hon. member for Winnipeg North Centre (Mr. Woodsworth), or I followed him in a speech setting forth the Liberal policy. He had advocated complete nationalization of all the banks in Canada. I took direct exception and said I would not be in favour of nationalizing all the banks in Canada. Neither this afternoon nor at any other time have I said that I was in favour of such nationalization. Yet this afternoon my hon. friend talked again about the nationalization of the central bank, and seeks to leave the impression that the Liberal party in some way had held that out as its objective with respect to the creation of a properly constituted central bank. In passing, may I say it is a rather curious thing that in 1934 when the present leader of the opposition (Mr. Bennett), then the Prime Minister, introduced and passed through this parliament a bill for a privately owned and privately controlled central bank, he was supported by the hon. member for Winnipeg North Centre, who voted for the 1934 bill this afternoon, when the Liberal party is inviting this house to change the constitution of the bank so as to make provision for a preponderantly public interest in the matter of ownership and effective control by the government, asks that the bill be not read again. Suppose his motion had not been ruled out of order and after a vote it had carried, what would have been the result? The result would have been that the right hon. leader of the opposition would have been the first to congratulate my hon. friend on having perpetuated the late government's privately owned and privately controlled bank.

Mr. CAHAN: May I be allowed to point out that certainly it is incorrect to say that the bank as at present constituted by statute is privately owned and privately controlled? To a certain extent it is privately owned, but I cannot understand how any person with a clear vision of the actual facts can say it is privately controlled.

Mr. LAPOINTE (Quebec East): That is a speech.

Mr. MACKENZIE KING: Well, everyone in the house except my hon. friend and a few of those who are around him have criticized the present bank as being privately owned and privately controlled.

Mr. CAHAN: And it is an utterly erroneous criticism.

Mr. MACKENZIE KING: It does not appear to be so when it comes to effective control. I think my hon. friend is entitled to have it said that the governor and deputy governor have been appointed by the government of the day, but all the directors of the bank are appointed by those who are private shareholders except the deputy minister of finance who has not a vote.

Mr. CAHAN: And the governor has as effective control to-day, as he will have after the passing of this act.

Mr. MACKENZIE KING: Not control such as he has to-day. As a matter of fact the governor to-day has the power of veto, which veto is absolute. When the present bill passes the governor will have a veto, but once that veto is exercised it becomes the obligation of the governor to report the matter immediately to the Minister of Finance; it becomes the obligation of the Minister of Finance to report the matter immediately to the governor in council; and the governor in council may refuse to sanction the governors veto. So that under the legislation now before the house the last word is not with the governor of the bank but with the governor in council, which is the cabinet, which represents the House of Commons, and which in turn represents the people of this country.

Mr. WOODSWORTH: I ask the Prime Minister if he does not recognize that, had my amendment been regarded as in order, and had it been carried, it would not have delayed beyond one day the passage of the bill? My motion was that this bill be not now read. That was all. It might have been read to-morrow. That was all the amendment amounted to. It was the only way in which I could make a protest.

Mr. MACKENZIE KING: If the bill had been defeated on the third reading it could not have been reintroduced this session.

Mr. WOODSWORTH: Not at all. I read the authorities. It did not affect the status of the bill.

Some hon. MEMBERS: Order.

Mr. MACKENZIE KING: My hon. friend cannot deny the fact that in 1934 he voted for a bank of Canada which he believed to be privately owned and privately controlled. He cannot deny that.

Mr. WOODSWORTH: I hope the Prime Minister does not want to be unfair. It was that measure, rather than an entirely privately owned system, without any public control whatever. I said it was only a step in the right direction. I have never—

Some hon. MEMBERS: Order.

Mr. WOODSWORTH: May I say—

Some hon. MEMBERS: Order.

Mr. SPEAKER: The hon. member is out of order.

Mr. WOODSWORTH: Would the Prime Minister allow me—?

Mr. MACKENZIE KING: My hon. friend may go on.

Mr. WOODSWORTH: May I say that I have never charged the Liberals with having definitely committed themselves against a publicly owned and controlled bank or in favour of a privately owned bank? The Prime Minister knows the situation, and because we in this group want something more than either the Conservatives or the Liberals are prepared to give I do not think it is fair that we should be accused of being in favour of private ownership.

Mr. MACKENZIE KING: I do not wish to enter into an argument with my hon. friend; I am simply pointing out the fact. When there was before this house a bill providing for the establishment of a bank which he himself regarded as privately owned and very largely privately controlled, my hon. friend voted for that bill. To-day, when there is before this house for third reading a bill which changes what is a privately owned bank into one in which the preponderant interest is public ownership and the control of which, instead of being partly private and partly public, is to be effectively public, the hon. gentleman introduces a motion that the bill be not read the third time, thereby killing the bill.

Mr. WOODSWORTH: My motion was not that it be not read but that it be not read now.

Mr. MACKENZIE KING: Well, now is the time to read it; now is the time it is before the house.

Mr. WOODSWORTH: Yes; a big majority.

Mr. MACKENZIE KING: Let me proceed a step further. I have said it was on February 27, 1933, that the Liberal party made the pronouncement it did in this House of Commons with respect to the creation of a properly constituted national central bank, as one of a series of policies it intended to fight for to the end of that parliament and to carry, if necessary, from parliament to the people. It continued to advocate these policies in this house, but it was not until July 31, 1933, that the government of the day accepted the view of the Liberal party that something in the nature of a national central bank was necessary. I should perhaps not say that they accepted it at that time, but rather that they accepted the view that it was necessary to inquire into the matter and to that end appointed a royal commission on banking and currency in Canada. The commission recommended the creation of a central national bank.

I hope I made clear the fact that it was the Liberal party which put forward in 1932, as a part of its program, the establishment of a properly constituted national central bank; that it was the Liberal party which advocated that policy in this House of Commons to the point that it became necessary for the then government to recognize the necessity of having the matter inquired into, which advocacy brought about the appointment of a royal commission; that the commission endorsed the view of the Liberal party of Canada, previously and continuously expressed, that there should be a national central bank. In the following year, 1934, as a consequence, there was introduced a bill for the creation of a national central bank.

The attitude of the Liberal party with respect to the functions the bank should discharge was set forth very clearly in the course of the discussion on that bill. Our position was stated in the course of debate time and again by myself as leader of the party. Hon. gentlemen know that within the ranks of a great political party, while there may be one general view on which all are united, there are shades of opinion which tend towards one extreme or the other. That is true of every great gathering of human beings, but the Liberal party in its pronouncements, in the terms I have read to the house, stood for the thing upon which it was possible for all to agree. In the course of debate it became necessary to expand our views a little, in particular with regard to the question of whether there should be any private directors on the board at all and with regard to the question of whether government ownership was an absolute essential for a properly constituted national central bank. I contend that there is no possible room for doubt as to the position then taken by the opposition having regard to what was said by myself in this house as leader of the party. I refer first to what was said on the second reading of the bill. This will be found in Hansard of March 8, 1935, where again I set forth the functions of a central bank as we had contended all along they should be:

> A central bank, as we view it, differs from other banks in that its function is primarily regulatory and controlling—and not commercial in the sense of being intended primarily for private profit or gain. In other words, the function of a central bank in the world of banking and finance, as we view it, is that of subordinating the special to the general interest or, to express the matter more concretely, that of subordinating the private interest in banking and credit to the public interest. In no sense should the bank be, or be permitted to become, a banker's bank. It is and ought to be a government bank, the government being representative of the interests of the country as a whole. Its main purpose is and should be to protect the public interest in banking and credit.

That was on the second reading of the measure. The other day my hon. friend the Minister of Finance (Mr. Dunning) gave other quotations from some of the statements I made during the course of the discussion in this house. One of those quotations will be found in Hansard of June 1, 1936, as taken from page 4228 of the revised Hansard of 1934. This statement sets forth very clearly what was in the mind of the Liberal party. Addressing my right hon. friend, who was then Prime Minister, I said:

> The Prime Minister will notice that at the moment I am not suggesting the government should own the bank. I am not at the moment discussing the question of ownership at all. As I said last night, I think the question of ownership is debatable.

I said that at the beginning of the discussions; I said throughout the discussions and during the campaign, and I repeat it now: I think the question of ownership is debatable, for reasons which appear in what I have said repeatedly in this house. I do not think the question of effective control is debatable. I think if you have effective public control it matters relatively little where the ownership rests, but if you have not effective public control then ownership in full may be desirable should it prove to be the only way to acquire it. At the time, speaking of the importance of effective public control, I went on to say:

> I am however discussing the question of control of policy, and I do say that with respect to policies, whether they relate to trade, to shipping, to marketing, to finance, to defence, or to any other phase of a country's economy, those policies, if they are the expression of view of a government representative

of the people, should be capable of being carried out without interference from any institution whatever, but rather with the sympathetic cooperation of all institutions. That is the only way in which in a country we can have either democratic or responsible government.

During the course of his speech in this house on June 1 the Minister of Finance made further reference to my remarks on June 22, 1934, when I gave my reasons for believing that there might be wisdom in having on a board of directors, even as representative of private interests, some men with special knowledge of the great commercial and financial interests of the country. Let me say this: For the life of me I cannot see why it should be assumed always that private interests and public interests are necessarily opposed to each other. I believe that in the long run it will be found that the thing which is most in the public interest ultimately will prove to be best for private interests. Take any of these great public utilities, street railways or the like; let them operate in any way other than that which tends best to serve the public interest and in their private interests they begin to suffer immediately. However there may be and undoubtedly there are times, and I have made that clear in what I have quoted from my speech at Seaforth, when private institutions may view matters exclusively from the point of view of the interests of their immediate shareholders and investors, and that the private interest may be contrary to the public interest. When such times come, and there is a conflict between private and public interest then at all such times the public interest should be made to prevail.

But there may also be times when those exercising or seeking to exercise control in the public interest may be mistaken in their views or the course they may wish to pursue. They may err in judgment, and if they do they make serious and grievous mistakes with regard to matters which affect the credit of the country as a whole and the interests private as well as public of all its citizens. I would ask the representatives of the people in this House of Commons whether on such occasions it is not in the public interest to have, if he can be found, some individual, associated if you like with private interests, who will be in a position to direct the attention of his colleagues, and through his colleagues or in other ways direct the attention of government and of parliament and of the public to what is an apparently mistaken course of procedure before it is taken and it is too late to remedy it? I say that in great transactions which affect the well-being of the industrial and financial and commercial life of the country, too much in the way of special knowledge cannot be obtained. I have sufficient faith in the power of truth of itself to believe that no man, whether representing private or public interests, can get anywhere with representations which he may make unless those representations have a substantial element of truth behind them. I said to my right hon. friend at the time we were discussing the matter of direction, because I thought he was one who had had experience with large business in a large way, that I thought he ought to be the first to appreciate the necessity of having check and countercheck in all matters of this kind. The situation was reversed at the time. I was pointing out the need of directors appointed to represent the public interest in addition to directors selected by private interests. I did so in the following words:

> I think my right hon. friend must agree that in these matters of large finance, check and counter check is wholly advisable. It is advisable in financial transactions of a limited size, and it is more necessary as well as advisable in those of considerable size. But here are financial transactions of the greatest magnitude conceivable, and check and counter check are imperative. I do think the directorate of the bank ought to be so formed that, whether the pressure is upon the bank from the government on the one side, or upon the government from the financial interests and through the bank on the other, there should be on the board of directors some one or more persons who will be quick to sense the situation, give the danger signal, and arouse the country to the pressure which is being brought to bear. There is the danger of a government bringing too much in the way of pressure to bear on a central bank. On the other hand, there is equal danger of the financial interests that are allied with the banks bringing influence to bear upon a government. There will be both these dangers always, and the only way in which that possibility can be lessened is by making sure that both powers, the money power and the power of government, are represented on a common board so that one or the other will be in a position to direct the attention of the people at large to the dangers which they may see developing in the affairs of an institution which is or ought to be a great national trust.

In the face of a statement of that kind, made in this parliament and recorded in Hansard, a volume which all hon. members of parliament know well, and which statement was there all through the general election campaign, how can anyone say that as leader of the Liberal party I stood for complete government ownership of the national bank? I made it repeatedly clear that I thought the question of ownership was debatable, but I went much further and pointed out wherein there would be a distinct advantage in having private interests as well as government interests represented on a board of a properly consti-

tuted national central bank, so long as care was taken to see that the effective control rested with the government through its nominees on the directorate and in other ways.

That is not the only statement which I made on this phase of the matter. On the third reading of the bill, when my right hon. friend had spoken and stated that we had said some things over and over again, I said I thought they needed to be said once more, as apparently up to that time they had not made any real impression on him. I then made quite clear my own position. Here are the words I used, as they appear in Hansard of 1934, at page 4361:

Speaking for myself, may I repeat that I can see wherein the question of public ownership of a state bank may well be a debatable question. I regard it as debatable for the reason that there is much to be said on both sides.

Then I gave the reasons. Here is one objection to complete public ownership of a central bank which I pointed out. I ask if it is not pertinent to much that is being said on monetary matters in our own country at this very time:

The objections that I see, so far as it can be named an objection, to public ownership of a central bank is that it may raise in the minds of the people of the country many expectations which may not be capable of ever being realized. Many will believe that because the state owns the central bank it will be able to meet each and every disorder that may arise in the country from any financial cause. We here all know that a state-owned institution any more than a privately-owned institution, will not be able to do anything of the kind. At the same time there would be occasioned the thought in the minds of many people that having set up a publicly-owned institution we had discovered a public remedy for all social and financial ills. I do not think it is advisable, or in the public interest at any time, for parliament to create in the minds of the people at large expectations which are not capable of being realized.

In the second place, I believe there is always a possible danger to the position of the state itself in the event of anything untoward happening to a bank which is owned by the state. There may quickly arise in the public mind confusion between what may be matter confined in its effects to the bank, and what may be assumed to concern the very life of the state itself. This may not happen so much within the bounds of the country where the situation may be known and understood as beyond its confines, and in the minds of peoples of other nations.

And I gave examples of how panics have arisen in the state because of the identification in the public mind of some government-owned institution with the state itself. I was most careful to point all this out, because I believed and do believe very firmly, that a government cannot be too careful, that any political party cannot be too careful, about raising in the public mind expectations which cannot be satisfied, or in any way claiming for an institution which has to do with the issue of money and currency, powers which it is well known in the last resort cannot be exercised in ways which some may be led to believe they can.

In the same speech I added:

I wish at this time to make clear the grounds upon which I personally have advocated the institution of a central bank and the grounds upon which the Liberal party has made the institution of a public bank part of its policy.

I then restated what I have read here from the statement of government policy as given in 1933, and when I came to certain words I emphasized them:

... to perform the functions of rediscount, and the control of currency issue, considered in terms of public need.

Following those words "in terms of public need," I said:

Note "in terms of public need" not possible private gain.

I was making very clear the contrast intended, making very clear at every stage in the discussion that there were certain distinct limitations upon a central bank, and that to create any false impression with regard to what the government, through an agency of this kind, could or might do was only working an injury to the people of the country.

May I conclude with this last reference, I wish to include it, because here I stated the issue between the then government and the Liberal party very clearly, and I stated it in terms of an issue. At page 4363 of Hansard of 1934 I am reported as follows:

That is the issue, as I see it, the crux of the whole situation—whether this parliament, representing the people of Canada, is to create a great financial institution which is to control the credit and currency of the country, place that institution in private hands, both as to ownership and control, hand over to this privately-owned and controlled institution many of the functions and powers which the government itself at the present time is exercising, part in large measure with what the government now possess in the way of control of credit, part with what it possesses at the present time in the matter of the right of issuing currency, and hand over gold reserves and securities which are at the present moment in its possession—all this to be handed over to an institution which is to be privately-owned and controlled, or whether the institution to which these rights, powers, possessions and privileges are to be given is to be subject to an effective measure of government control.

That, I think is a very serious situation, and there is no argument, it seems to me, which it is possible to bring forward that can really

defend action of that kind on the part of this parliament. If it were of necessity a choice solely between the extreme of absolute government ownership and government control on the one hand, and on the other complete private ownership and private control, I could understand that there might be many who would find it difficult to decide one way or the other, there being no possibility of a middle course which would help to avoid what would be regarded as the dangers in either extreme. But there is a middle course, and it is that middle course which the government is apparently unwilling even to consider at the present time. That middle course would be to enable the government—

And I ask hon. members to see whether this legislation does not implement to the full what was there stated as the Liberal party's position:

—to appoint a certain number of directors, a number sufficient to give the government control of the central bank, directors who would not own shares but would represent the government, and who would sit along with the directors who were the nominees of those who owned the shares. Short of complete government ownership and control, could there be anything in the interests of all classes generally which obviously would serve the common interest better than that? One group of directors would be watching the actions of the bank from the point of view of investors, and the other group would be watching the actions of the bank from the point of view of the interests of the public at large; and these two in conference from day to day would undoubtedly be able to prevent many extreme actions being taken which might be contrary to the public interest, and they would also be able to bring about that unity and continuity, in the affairs of the bank which the Prime Minister regards as so all-important.

Those statements do not permit of any doubt as to their meaning. They are as clear-cut and frank as statements can possibly be. May I read this one further statement as presenting the major objection of the Liberal party to the Bank of Canada as it was being constituted by the then government?

The present legislation, establishing the Bank of Canada, is a definite step in the establishment of an imperial policy of finance, under which the financial destiny of Canada is placed under persons independent of parliament, who can maintain, through the Bank of England and the other central banks of empire nations, a definite and positive control of empire currency, credit and trade. That being the case, I feel very strongly that this measure ought to be reconsidered before we are asked to vote upon it.

The Bank of Canada, as constituted by this proposed enactment, will undoubtedly be the means of vesting in the Bank of England the management and control of Canada's foreign exchange and Canada's internal credit administration. As I said the other evening, once a nation parts with the control of its currency and credit, it matters not who makes the nation's laws. Usury, once in control, will wreck any nation. Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of parliament and of democracy is idle and futile. Those are strong words; they constitute a strong argument, and they are words of which this house ought to take full account before it is too late.

I say, Mr. Speaker, that paragraph makes perfectly clear what I meant when I spoke about the control of currency issue and credit being the most conspicuous and sacred responsibility of government. I was speaking there of whether the great financial powers were to control in policies relating to finance, or whether the government of the day, responsible to the will of the people, was to control in the matter of giving effect to these policies. I said that as the act was then framed all control by parliament through its representatives was being wholly removed, and that what was necessary was to bring back that control and to see that it would be effectively exercised in the interests of the people.

I touched amongst other things upon the struggle that Mr. Gladstone had with the Bank of England, and showed how Mr. Gladstone himself had found the bank, instead of being a help to the government, was often an obstacle, and that he had to overcome difficulties with the bank before he could get his own government policies under way. I pointed out that what was necessary was that no institution, and least of all a great banking institution, should ever be created in this country with any such power, or be so constituted that it could be a force to oppose the will of the government of the day. I said that what was necessary was to get the central bank into a position where the government of the day would be in a position to control its policy. Speaking of my right hon. friend's measure as it was then I said:

That is exactly what the government proposes to see is done by this bill in its present form. In matters of finance it makes the bank supreme; it makes the bank the body that will determine the monetary policy of the country, that will have the power to enforce that policy and to resist any monetary policy that may run counter to it. This privately owned and privately controlled institution is to be permitted to do that. The government itself is not to be a substantive power.

It was that point of view which I presented so strongly to the electorate in the campaign when I asserted that if the Liberal party were returned to power the first thing we would seek to do would be to restore to the control of the government the powers which had existed under the Finance Act, and which had been taken away from the government and had been given to this privately owned and privately controlled institution. I said we would restore these powers to the government so that it could effectively control the

bank, and that we would constitute the bank accordingly.

There have been a good many quotations from speeches made in the campaign. I have already referred to what was said in this House of Commons, and which being on the records of this house was available to all speakers in the campaign, if they wished to refer to the exact words of the leader of the Liberal party in setting out what the policy of the party was. There have been many references to press clippings and the like, but I notice that one reference has been significantly omitted, and it is the most important of all. The omission is also most significant.

In stating the policies of a government or a political party there is no way in which those policies can be more effectively and unmistakably stated than over the radio. It is not possible for a leader of a political party to make an address over the radio and have his address subsequently printed and distributed and then say that he did not make the pronouncement which was then made. I ask why it is that throughout the whole of this debate, in referring to what was the policy of the Liberal party as stated by the Liberal leader in the campaign, not a single member has quoted what was said by myself in presenting to the electorate over the radio the policy of the party in respect to currency and credit.

I have in my hand a copy of the addresses I delivered over the radio during the compaign, and I refer now to one which I claim is authoritative and authoritative above all others. It is the second radio address I delivered; it was delivered on August 2, 1935. It was an address of Liberal principles and policies, a statement of the Liberal party's position on present day problems. These are the words I used in setting forth the Liberal party's policy in the matter of the control of credit, and I ask again hon. gentlemen to say if in all particulars the pledge which was made over the radio is not being faithfully carried out to the letter in the legislation which is now before us. I said:

The Liberal party—

I began by repeating over the radio the statement which I had made in this House of Commons in 1933, and which at different times and in different places I continued to make throughout the country.

> The Liberal party believes that credit is a public matter, not of interest to bankers only, but of direct concern to the average citizen. It stands for the immediate establishment of a properly constituted national central bank, to perform the functions of rediscount, and the control of currency issue," considered in terms of public need. A central bank is necessary to determine the supply of currency in relation to the domestic, social and industrial requirements of the Canadian people; and also to deal with problems of international commerce and exchange.
>
> As a national central bank has been established by the present government since this statement of Liberal policy was issued, I feel it necessary to say here that the Bank of Canada as established is far from being the institution contemplated by the Liberal party. The Bank of Canada is, as more than one of our leading economists has said, of the fascist type. It is a private corporation, with power to control the volume of the country's credit. Let me repeat what I said in parliament in protesting against the surrender to a private institution of the state's control over the nation's currency and credit:
>
> "Once a nation parts with the control of its currency and credit, it matters not who makes the nation's laws. Usury, once in control, will wreck any nation. Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of parliament and of democracy is idle and futile."
>
> To regain for the nation what has been lost and to secure a properly constituted national central bank, will continue to be a first objective of Liberal effort.

There is the pledge which was given to the people of Canada over the radio by myself as the leader of the party. I say that every word and every line of that pledge is being literally and absolutely fulfilled in the legislation that is before us.

Let me now go one step further. Reference has been made to what I said to the public on the night of the great Liberal victory of the significance of the results. The statement which was subsequently issued in the form of a leaflet entitled the Voice of the People, was made on October 14, 1935. Here is what I said in reference to the central bank and the control of credit:

> The election is an endorsation of the Liberal view that credit is a public matter, not of interest to bankers only, but of direct concern to every citizen. It is a verdict against a privately owned and controlled central bank, and in favour of a properly constituted national bank to perform the functions of rediscount, and the control of currency issue considered in terms of public need. There can be no mistaking the demand for a restoration to the government of Canada of control over credit and currency issue. As the campaign proceeded, the issue of the control, by the people, of all functions of government, through their representatives in parliament, and not by any other power, became increasingly clear. The electorate has declared that a responsible ministry, not organized finance and international money power, is to control in all matters of state.

I ask if that statement in what it foreshadowed was not on all fours with the statements made during the days of the election, and whether that statement is not being literally and absolutely fulfilled in the legislation which is before us at the moment?

Mr. WOODSWORTH: How can the Prime Minister say that the present bill contemplates control by the bank over credit?

Mr. MACKENZIE KING: That is the main function of the bank, to control the issuance of currency and credit. Referring the other day to this statement by myself, my hon. friend from Winnipeg North Centre said that it was an undertaking to have the government control credit and currency issue. He did not read the sentence as if the word "restoration," or the words "a restoration to the government," had any significance. He took care not to place any emphasis upon those words. I had pointed out in previous addresses that under the Finance Act the government of this country, through the Department of Finance, was controlling the issue of currency and credit, it was issuing currency and controlling credit, but that those functions had been taken away from the Department of Finance and given to this privately owned and privately controlled institution. I stated that until this control of credit and the issue of currency were restored to government—which is what we are doing now by this bill—and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of parliament and of democracy was idle and futile. I was stressing the importance of these functions being restored to government and discharged by the bank under public control as contrasted with being exercised by a privately owned and controlled institution. Why did I speak of the control of the issue of currency and credit as the most conspicuous and sacred responsibility? It is most conspicuous because without currency and credit there can be no trade or commerce in the land, and a country organized as a modern country is organized could not carry on its everyday business. It is a sacred responsibility because, unless great care and caution is taken with the way in which currency is issued and credit is controlled, a nation may be quickly brought to disaster.

Something was told the house the other day by the hon. member for St. Lawrence-St. George (Mr. Cahan) of what he had witnessed in his visits to Germany and other countries of the effect of inflated currencies, not only upon those who had substantial incomes but upon the humblest in the land, upon the mechanics, the artisans, the peasant proprietors and all classes and upon their means of livelihood and standards of living. Where there is the power to issue currency and control credit, there is placed the power to bring a nation to disaster unless this power is carefully exercised as a sacred power. That word "sacred" is the only word that could be appropriately applied to it.

I think I have made very clear and brought up to date the position of the Liberal party as stated by myself as its leader. I challenge any hon. member of this house to find in any place any statement of mine which can be regarded as authoritative, which is at variance, in the slightest particular, with what I have read to this house this afternoon. It cannot be found as it does not exist. The hon. member for York South (Mr. Lawson), acting as the financial critic of the opposition, undertook one afternoon not long ago to criticize this measure. In so doing he characterized it as a delusion and—I cannot at the moment think of the other word he used.

Mr. LAWSON: Subterfuge.

Mr. MACKENZIE KING: My hon. friend had it off by heart—subterfuge and delusion.

Mr. LAWSON: That is why he did not stumble.

Mr. MACKENZIE KING: It might have been better for him if he had stumbled a little.

Mr. LAWSON: Possibly so, but harder to listen to.

Mr. MACKENZIE KING: May I read what my hon. friend said at the time. He said:

> I say to you, sir, and through you to the members of this committee and the people of this country, that having regard to the statements made by the present Prime Minister throughout the country during the election campaign when he asked the people for votes based on those statements, this measure is a subterfuge and a delusion, and out of the mouth of the present Prime Minister I shall attempt to prove that it is a breach of the pledge he gave to the people.

He then proceeded to quote from clippings from different papers. The hon. member for St. Lawrence-St. George said a day or two ago to one of the members of another group that it was inadvisable to proceed in the course of a debate with a scrap album of petty extracts from newspapers, but his own colleague, sitting only two seats from him, had his scrap-book beside him full of petty extracts from newspapers. He sought to make good use of them. I am going to read the extracts which my hon. friend cited, in order that the house may see whether what he quoted, in an effort to show that I was not thoroughly consistent with the position I had taken in this house and elsewhere all through the campaign, was at all at variance with

what I have said and quoted this afternoon. What the hon. member for York South produced at the time represented the search of his entire party through the papers of the country to see what extracts might be discovered to use against the Liberal party at this time. Those extracts, it may be assumed, were the most vulnerable of any that could be found. He said:

First, I should like to refer to a report appearing in Ottawa Citizen of August 3, 1935, reporting a speech made by the present Prime Minister. I quote now what appeared in that newspaper in quotation marks, as being the words of the right hon. gentleman:

"The Liberal party stands for the immediate establishment of a properly constituted national central bank to perform the function of rediscounts and the control of currency issue considered in terms of public need."

Is that not exactly what I have just stated? Some hon. members then said, "hear, hear," and the hon. member for York South continued:

Keep right on. I will soon get to a point where you will not shout "hear, hear."

"Usury, once in control, will wreck any nation. Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of sovereignty of parliament and of democracy is idle and futile. To regain for the nation what has thus been lost will continue to be the first objective of Liberal effort."

That was followed by more "hear, hears." Is there anything contradictory there to what was said? Those are the exact words that were used in this house and in the previous statements. The hon. member then continued:

Again I quote from the Ottawa Citizen, this time of August 8, 1935—Mr. Mackenzie King speaking at Kingston; and again I give the words which the newspaper puts in quotation marks:

"He (Mr. Bennett) had taken the gold reserves from the federal treasury, the backing for the country's currency, and turned them over to a private corporation."

And as the right hon. gentleman travelled west he waxed even more eloquent in that regard, because I observe that according to a report appearing in the Vancouver Sun of September 30, 1935, he had this to say.

He was trying to leave the impression that because I was in Vancouver, where I knew that some of those who had taken an interest in monetary matters held extreme views, I was seeking, if you wish to put it that way, to cater to such extreme views. And what does he quote?

Criticizing Mr. Bennett's bank, he said it was owned and controlled by private stockholders. It had been given by the government $60,000,000 gold reserve and the vast number of securities held by the government from the private banks. These were the property of the people of Canada. To-day they belong to the private shareholders of the Bank of Canada, he said.

That is the quotation. Well, is it not true? The statement is there; is there any exception to be taken to it? But let us go further. The hon. gentleman said:

I turn to a report of a speech of the right hon. gentleman contained in the Vancouver Sun of September 30, 1935. I imagine most hon. members of this committee are familiar with the fact that the Cooperative Commonwealth Federation was pretty well in its stride in Vancouver, and is reported so to be in British Columbia.

As I say, seeking to create the impression that there were some who had extreme views to which I was catering. And what does he quote? He goes on:

Out there the right hon. gentleman had this to say:

"We believe that credit should be a social service to serve the needs of the people."

"Credit is not the concern of the bankers only but is of concern to you and me."

Credit is to-day controlled by the great international money power. The first step, then, is to establish a national central bank —not another private bank as has been done —but a government bank able to control credit according to the will of the government in matters of great national concern.

The Liberal party believes it is a public matter of direct concern to the average citizen to have a national bank to control currency and credit so that they may serve the public needs.

The first objective is to get back the control that was taken from us. The next is to see that the bank is made national in the truest sense of the word.

That was what I said, speaking to the Canadian Cooperative Commonwealth Federation in Vancouver. Is there one line there that contradicts the statement of policy given officially in this house and the statements of the party, with respect to that policy, as I have read them? Then he goes on, always by insinuation, seeking to leave the impression that something different was said in another place. He comes next to Calgary, where he finds most in evidence not the Canadian Cooperative Commonwealth Federation but the members of the Social Credit party. He directs attention to the fact that Calgary was the centre of social credit, and then he says:

Then the right hon. gentleman went to Alberta where the social credit group appears to have been in its stride. According to a report in the Calgary Daily Herald of October 1, 1935, the right hon. gentleman said.

Now listen to what I said there:

A central bank is necessary to determine the supply of currency in relation to domestic, social and industrial requirements of the Canadian people, and also to deal with problems of international commerce and exchange.

Then he continued:

So far the leader of the social credit group might have been making the speech. The right hon. gentleman continued:

"That was a clear statement"—

He was referring to a statement he had made previously.

—"that what we wanted at Ottawa was a central bank, or wanted in Canada, was a central national bank which would enable private banks to be controlled by the central institution in a manner which would make credit be considered more from the point of public need, domestic requirements, social requirements, and the like, than from the point of view of the interests of capital investors and private bankers only."

Is not the objective as clear and plain as it can be in that statement? The difference is clearly indicated between a bank serving the interests of private investors and a bank which will serve public interests in the sense in which I have described them. I quote further from the hon. gentleman's remarks:

Then he went on.

"Then the government policy, if it were one of extension of credit, would be in a position to put that policy into effect"—

That must be a misprint, because I doubt whether the right hon. gentleman would have repeated the word "policy." I continue:

—"through having a central bank which would give more in the way of credit at the time when the need for more in the way of credit was uppermost. It would regulate credit in a manner which would serve the needs of the country, prevent excessive speculation on the one hand, and on the other hand help serve to increase the currency and the facilities for credit when need for increased currency and increased credit facilities were required."

And then this last touch, which I think is sublime.

Listen to the sublimity of it:

"We have in the federal field the great issue of monetary reform. I have merely indicated what I have thought was the first step, and if that first is not won then all our efforts at further financial reform so far as the federal field is concerned will be materially impaired."

Will anyone dispute that? Then he quotes further:

"Equality"—

Says the right hon. gentleman to the electors of Alberta.

—"if they are materially impaired it will have a very serious effect as far as I see it upon the efforts of any province to improve financial conditions there, so I hope when Monday fortnight comes you will think not only what is important to you locally and in a provincial way, but that you will think even more deeply of what is going to be of vital concern to our country with respect to our policy during the next five years."

That was a statement made in the province where social credit was being discussed on all sides. I ask hon. members from that province: Is there a word I said there which is different from what was said in this House of Commons by myself before the election took place? Then the hon. member for York South concluded with a reference to one other speech which he says was reported in the Vancouver Province of September 21. From that source he quoted me as follows:

Canada is faced with a great battle between the money power and the power of the people —a battle which will be waged in the next parliament. He pleaded for a sweeping Liberal majority in order to carry out his policy of public control of currency and credit, nationalization of the Bank of Canada and monetary reform.

With the word "parliament" the direct quotation ends.

Now this is the only place I have been able to find, in any report anywhere, where mention is made of the words "nationalization of the Bank of Canada." Those words appearing in the report were not mine; they are the reporter's own representation. I am not responsible for the words, and anyone who was present at Vancouver and heard the speech will know that I never used the word "nationalization" there, and I might add that I never used it at any time throughout the whole of the campaign in respect to political policy respecting the Bank of Canada.

Mr. COLDWELL: Did the right hon. gentleman correct that statement in view of the serious nature of it?

Mr. MACKENZIE KING: My recollection is that I did correct it. The hon. gentleman concluded:

He finished his observation by saying:

"Until the control and issue of currency and credit is restored to the government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of parliament and democracy is idle and futile."

These are the quotations which the hon. member for York South gave to the house the other day as a result of the researches of himself and others of his party through the files of the press containing the reports of a great political campaign.

Mr. LAWSON: I am reluctant to interrupt the right hon. gentleman, but I cannot allow him to impute to me something that is not correct. Anything I quoted I searched for and found myself in the press without assistance from others.

Mr. MACKENZIE KING: I have no doubt my hon. friend's search was very diligent. He said that he was proving, out of what he had discovered, that this present measure was a subterfuge and a delusion in the light of statements I had made. I say that the statements which my hon. friend quoted proved not only that I was consistent throughout but that the legislation before

the house is a full implementation of what was said by myself as leader of the Liberal party of the party's policy.

I leave this matter now. I hope that the house will vote on the third reading of the measure, so that its records may show how members view a measure which seeks to restore to the government of Canada control of currency issue and of credit, taking back this control from a privately owned and privately controlled institution and placing it in the hands of a government institution of which the preponderating interest of ownership will be with the government, and over which the government will have effective control. Observe the extent to which that control goes. It is the control, not only of ownership in the preponderating interest, but of an effective directorate, and is the control of the government itself, which has the right to refuse to accept the veto of the governor of the bank where a difference arises with respect to any action of the directors. Speaking of effective control may I point out that, behind all which takes place by virtue of any power which the government itself may exercise and which the bank itself may attempt to exercise, there must be present at all times to the minds of all concerned the view this parliament is likely to take of whatever transaction is being reviewed. When this act gives to the governor in council power to review any action of the board, where there is a difference between the directors and the governor, and the governor's veto has been exercised, it means that the minute that difference is being discussed, those parties themselves must feel that the difference in question is so important and acute that it is advisable to bring the matter to the attention of the parliament of Canada in order to avoid some great mistake being made. I ask my friends, no matter to which party they belong, is not that in your interests and in mine? We here establish a government controlled central national bank. To-day it is in the control of a Liberal administration. If the Liberal administration, through pressure on the part of its followers or for any other of the alleged reasons that have been given, were capable of having its directors seek to exercise some power in the bank which is not wholly in the public interest, is it not in the interests of all other parties in this country to see that such a move, if at all possible, before it succeeds, is brought up for discussion here on the floor of parliament? When this act takes effect the bank will be under the control of the Liberal administration. It may be under the control of a Conservative administration at some later date.

Mr. MacNICOL: About four years hence.

[Mr. Mackenzie King.]

Mr. MACKENZIE KING: About four years hence? Then, I say, beware of what may take place four years hence, because then again you will have an effort made to have this bank restored to private ownership and private control. And if an effort is made to have public interests subordinated to private interests, is it not well that there should be an opportunity for this House of Commons and this parliament to know what is the difference of view between those directors who cannot see eye to eye with each other or with the governor, before some far-reaching mistake is made? Similarly I say to my hon. friends of the more radical groups—if I may use that term in its best sense—"Some day you hope to have control of this bank. This bank would then have on it your directors and others. Do you wish to have a bank in which there is to be no opportunity whatever of any possible difference of opinion with respect to the issue of credit and currency being made the subject of debate in this parliament and matters decided by a governor and directors other than your own before you have an opportunity of coming to parliament with power to legislate in a manner which will cause the bank to operate more in accordance with your views?" When we are legislating here we have to think not only of the government which may be in office at the moment but of all the changes that may come with time, changes which may come much more rapidly in times like the present than they have done at any preceding period in the history of the country.

I conclude with this one word. No men who have to do with the responsibilities of government, no men who have to do with what affects the lives and well being of the great masses of the people of this country can wish other than that, if any mistake is being made in connection with financial policy there shall be an opportunity to have the matter discussed on the floor of this house before that mistake takes effect. When hon. gentlemen opposite say it is not in the public interest to have, on a bank which is preponderantly publicly owned, and effectively publicly controlled, a few individuals with special knowledge—knowledge acquired, if you wish, from long business experience with private interests—who may differ if need be with colleagues whom they believe are about to take a wrong course, they belie, in my opinion, the very position that as an opposition they exercise in this house. I am one of those who believe that a government is all the better for having an opposition. The country is all the better for having a government

and an opposition, for the reason that men who are absorbed in many great activities may not see all sides of a problem at the same time. Men do not see every angle and aspect of a question when they have a thousand and one different matters to discuss; and when they are determining policy, what is the consideration that, more than anything else, controls a ministry? First of all, their own sense of integrity and right; but secondly, what may be said on the floor of the House of Commons by their political opponents and how the country may view what is so said. In the last resort it is public opinion which controls, and it is in order to inform public opinion and to make public opinion effective as well as to establish an effective government control which will govern this bank in all its actions, that we have adopted the course we have in this legislation.

Mr. M. J. COLDWELL (Rosetown-Biggar): It was not my intention to speak this afternoon, but after listening to the remarks of the Prime Minister (Mr. Mackenzie King), I could not refrain, on behalf of the little group with which I am associated, since certain of his observations were directed to this corner, from replying to some of the things he has said. First of all, I feel like congratulating myself—

Mr. LAPOINTE (Quebec East): Hear, hear.

Mr. COLDWELL: —for this reason, that apparently during the campaign which preceded the election last October, my judgment of the Prime Minister's pronouncements regarding this matter was accurate. I told the people of Saskatchewan and of western Canada, when I had the opportunity, that nowhere in the Liberal leader's pronouncements could be found any warranty for the statements which were being made that the Liberal party was committed to the policy of the nationalization of our banking and financial institutions.

An hon. MEMBER: Certainly not.

Mr. COLDWELL: And because I said that, it was alleged on more than one occasion that I was accusing the leader of the Liberal party and the Liberal party itself of practising something of a deceit upon the people of western Canada. Again and again at my meetings I was asked if I had not read the resolution which was moved by the hon. gentleman who is now Minister of National Defence (Mr. Mackenzie), on March 15, 1934, and which was supported by, I believe, every Liberal on that special committee of the House of Commons, and I was taken to task because I dared to suggest that there was something which was not clear, not above board, in relation to this matter. Moreover we have seen in recent days the Saskatchewan Liberal, a paper devoted, as it says, to the interests of the Liberal party, state very clearly and explicitly that there is disappointment in Saskatchewan with the bill which is now about to receive its third reading. May I add that, in introducing the remarks he made this afternoon, the Prime Minister did, perhaps unconsciously, an injustice to some of the men who have sat in this chamber. He said that prior to 1932 there was very little in the way of discussion about the central bank. Yet every year from 1921, when the first Labour member and the first little group of Progressives sat in this house, they brought before parliament again and again the question of a central bank of issue and rediscount, and as the days went on proceeded to develop that policy until it became one of complete nationalization. Those are matters of public record.

I am not going to refer to the speeches of the right hon. gentleman which have been quoted again and again in this house, nor shall I refer to the speeches of various members of the cabinet. In the present debate the hon. member for Vancouver-Burrard (Mr. McGeer) has, I think, well expressed the opinion held by hundreds and thousands of people throughout this country, many thousands of whom voted for the Liberal party last October, namely that it was the intention that a Liberal government, when returned to power, would institute a central bank which would ensure to the people of Canada national ownership and national control of both currency and credit.

In the latter portion of the remarks of the right hon. Prime Minister there was one observation that I was surprised to hear. He spoke of the present control of the Bank of Canada as a control of that bank by the Liberal government, and warned the people that subsequently it might be controlled by a Conservative government or by a Co-operative Commonwealth Federation government or some other sort of more radical government which might come in future. That is not my conception of either a nationalized bank or a bank that stands midway between private and national ownership. My conception is this: The government of the day ought to lay down, by and with the advice of parliament, the policies that shall be followed

in relation to finance, money, currency and credit in this dominion. Then those men engaged or appointed by government should, to the best of their knowledge and ability, carry out those policies in the interests of the people of Canada, and they should do so whether there is in power a Liberal government, a Conservative government or a more radical government. Therefore I was surprised to hear that remark, which may have been made by the right hon. gentleman without intending it to be capable of the interpretation I placed upon it.

Now I should like to say that in my opinion this bill falls far short of what is really required. I have said that a national bank should carry out the policy communicated to it by the government of the day by and with the advice of parliament. Under the present act that is not the case. The Bank of Canada Act is restrictive in most of its sections and permissive to a limited degree in others. This afternoon mention was made of the bank in New Zealand. May I point out that section 10 of the new bank act of New Zealand, a copy of which I hold in my hand, states:

> It shall be the general function of the reserve bank, within the limits of its powers, to give effect as far as may be to the monetary policy of the government, as communicated to it from time to time by the Minister of Finance. For this purpose, and to the end that the economic and social welfare of New Zealand may be promoted and maintained, the bank shall regulate and control credit and currency in New Zealand, the transfer of moneys to or from New Zealand, and the disposal of moneys that are derived from the sale of any New Zealand products and for the time being are held overseas.

In other words the government of New Zealand has taken some effective steps at least to endeavour to deliver the producers of that dominion from the control of the international financiers whom the Prime Minister considers, according to one of the speeches to which he alluded this afternoon, responsible for a great many of the difficulties which exist in the world to-day.

As I said at the outset, Mr. Speaker, I do not propose to speak at any great length, but I want to make one point abundantly clear. I believe that this afternoon I speak not only for the little group with which I am associated but for many hundreds, probably thousands, of people who are associated with the party which elected the right hon. Prime Minister of Canada. I believe further that if the speech delivered by the Prime Minister this afternoon, explaining his many speeches made in this house and throughout the country, had been made prior to the election of October 14, 1935, there would not be as many hon. gentlemen sitting opposite as there are to-day. Again and again during that campaign I met men who said: "We are going to support the Liberal candidate because we believe that the government of Canada, if Liberal, will take over the banking system and give us national control of currency and credit." That inference was drawn, to a large extent, from what was said by the hon. member for Vancouver-Burrard, who campaigned in the province of Saskatchewan. It was drawn also, if I may say so, from many quotations from the speeches of hon. gentlemen who campaigned in Saskatchewan in 1934. May I add that while it had nothing to do with the provincial government it was an effective campaign from the point of view of the provincial Liberal party in that province. A year later, those seeds then sown having flourished and produced fruit, that fruit was garnered by some of the hon. gentlemen who sit on the other side of this house. So I say that if the speech delivered by the right hon. gentleman this afternoon in this chamber had been made prior to October 14 last the Canadian people would have had a much clearer idea of exactly where the Liberal government of Canada was going to stand if elected.

There are one or two other little matters to which I should like to refer. I thought it was undignified on the part of the Prime Minister this afternoon to read that little postcard and, when some of us said "hear, hear" to the sentiments therein expressed, to look across and say "Now we see the source." I want to say to the Prime Minister that hon. gentlemen who sit in this corner of the house do not indulge in the sending of anonymous postcards.

Mr. MACKENZIE KING: They are not anonymous; they are all signed.

Mr. COLDWELL: Then that just shows that the right hon. gentleman should have known that this group, or any other group in the house, was not responsible for sending those postcards. If they are signed the remark he made is all the more inexcusable. I received one of those postcards through the mail, in common with many other members.

Mr. MACKENZIE KING: My hon. friend could have hardly done so unless it was misdirected, because the address on all is printed and all are addressed to myself, and marked "personal." He might have received a similar card.

Mr. COLDWELL: The point I am endeavouring to make is that it was rather uncalled for to lead the house to believe that those postcards might have emanated from one of these groups.

Mr. MACKENZIE KING: May I say at once I did not wish to create that impression at all, and if what I said did create it I certainly withdraw it. But when I heard someone say, "hear, hear" to the sentiments expressed upon the card, I supposed it had, at any rate, their approval.

Mr. COLDWELL: I am glad to accept the explanation in the spirit in which it is made. Now it is nearly six o'clock. In conclusion, I just say that I believe the government have made a mistake in setting up a bank of this description. To my mind there are only two methods of control of a central bank to be considered. One is private control, independent altogether of the government, and for which control the government could deny any responsibility. I do not believe that would be in the interest of the people of Canada. On the other hand I believe that a national central bank, established as such, ought to be owned and controlled by the people of Canada, so that parliament may exercise the fullest possible control, and the people of Canada can place upon the shoulders of the government, and the government can accept, the responsibility for the policies of that bank. Consequently, although we of this little group are glad to see a step taken in the direction in which we wish to go, and therefore shall vote for the third reading of the bill, nevertheless we believe that if the government are wise they will again consider, before parliament meets next year, taking complete ownership and control of the Bank of Canada.

Mr. CAHAN: Mr. Speaker, I wish to say a few words on the third reading, and I suggest that you now call it six o'clock, as I shall take at least fifteen minutes.

Mr. MACKENZIE KING: I might say that I have an arrangement made with the Minister of Pensions and National Health (Mr. Power) to allow him to proceed this evening with his legislation, because he is obliged to leave later. If my hon. friend will be so kind as to move the adjournment of the debate, we would like to take that other measure first. The Minister of Justice (Mr. Lapointe) might then go on with the amendments to the criminal code. We shall take this measure up again to-morrow.

On motion of Mr. Cahan the debate was adjourned.

At six o'clock the house took recess.

12739—243½

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

FIRST AND SECOND READINGS—SENATE BILLS

Bill No. 109, for the relief of Albert Leonard Johnson.—Mr. Ross (Moose Jaw).

Bill No. 110, for the relief of Reva Marcus.—Mr. Factor.

Bill No. 111, for the relief of Ethel May Luckie Atkinson.—Mr. Factor.

Bill No. 112, for the relief of Edythe Mary Ross Brown.—Mr. Jacobs.

Bill No. 113, for the relief of Joseph Paul George Marcoux.—Mr. Jacobs.

Bill No. 114, for the relief of Adjutor St.-Jean.—Mr. White.

WAR VETERANS' ALLOWANCE ACT

Hon. C. G. POWER (Minister of Pensions and National Health) moved that the house go into committee on Bill No. 27, to amend the War Veterans' Allowance Act.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Section 1 agreed to.

On section 2—Powers of the board.

Mr. BENNETT: What are the modifications? I understand that this bill has been agreed to unanimously by the committee. Is that correct?

Mr. POWER: To one clause, clause 3, there was some reservation on the part of certain members of the committee who felt that perhaps this legislation did not go far enough in liberalizing the provisions of the War Veterans' Allowance Act. The report was unanimous with a reservation by certain members of the committee. Clauses 1 and 2 of the bill were passed unanimously.

Section agreed to.

On section 3—To whom allowances paid.

Mr. GREEN: Mr. Chairman, I regret that I cannot agree with the minister on this section. I believe that he enjoys the confidence of the returned men of Canada; I know he has done good work for them over a period of many years, and I hope he will be spared to do the same for them for many years to come.

Some hon. MEMBERS: Hear, hear.

Mr. GREEN: Although I am a member of the opposition, it is my intention to cooperate with the minister in every way possible in dealing with the soldier problems as they arise from time to time during the life of this eighteenth parliament. However,

on this particular section we have been obliged to agree to disagree. This is the section setting out the class of veterans who are eligible for assistance under the War Veterans' Allowance Act. In my opinion this is the most important section of the three bills, Nos. 26, 27, 28, which have been before the house at this session, dealing with soldier problems. I say that it is the most important section because it is the only one under which help can be given now, without any delay, to a considerable body of returned men who are burnt out, men who are really unemployable.

Bill No. 26, to amend the Pension Act, is of course important, because after all the pensioner will always be entitled to first consideration. His disabilities are directly attributable to service, and for that reason, I repeat, he is entitled to first consideration. However, Bill No. 26, as passed by this parliament, gives direct help only to a very limited group of pensioners and their dependents. The main object of Bill No. 26 was to simplify the administration of the Pension Act and to achieve a certain measure of finality. Speaking of finality, I believe that new problems will arise from time to time, and I do not think we can expect the Pension Act to stand without amendment because such new problems as they arise will have to be met by amendments to the act. So much for Bill No. 26.

Bill No. 28 is also important because it provides for the setting up of a veterans' assistance commission. We hope that eventually it will lead to the employment of a great many returned men who are at the present time out of work but who are employable. I wish to distinguish clearly in my remarks between the employable returned man and the unemployable returned man. I say that Bill No. 28 should be of assistance to the employable returned man who at the present time is out of work, but if the members of the committee will refer to Bill No. 28, section 6, they will see that the key words of that bill are "investigate and report," which means that no immediate result can be expected even for the employable returned man. The bill as I see it cannot be of assistance directly to the returned man who is unemployable.

To come to the third bill, Bill No. 27, which we are now considering, my submission is that it is the one bill of the three which will be of any help to the returned man who is unemployable. Speaking for myself alone, I am afraid that the particular section now before the committee, even as it has been amended, will not meet the need. In order to explain that statement, I must review the present provisions of the War Veterans' Allowance Act. It was passed in 1930 and has never been amended. The act was passed to benefit the front line man who is defined as a veteran who served in a theatre of actual war. Although there is also provision made for the small pensioner who did not serve in a theatre of actual war but served in England or Canada, the act was primarily intended to benefit the man who served in a theatre of actual war. A returned man must be without means to be eligible for the allowance; he is allowed an income of only $125 per annum if single; if he receives an income larger than that, the difference is taken away from his war veterans' allowance; if he is a married man he is allowed an income of $250 per annum, and in either case he is allowed an interest in his home of a value not over $2,000.

Practically all applicants for war veterans' allowance are returned men who are on relief or who are faced with the necessity of going on relief. I cannot make that point too clear. These men are being largely supported by the government at the present time. The War Veterans' Allowance Act was intended for the benefit of the pre-aged and burnt-out man, the man who is really unemployable. At the present time the allowance is paid to only two classes of veterans: first, those over sixty years of age and, second, those who are permanently unemployable by reason of physical or mental disability. A man may receive a maximum of $20 per month if single or $40 per month if married. No matter how many children he may have he cannot get more than $40 per month. This is not as much as a man could receive on relief in certain cities, but the evidence given before the pension committee was to the effect that the returned man preferred to be under the War Veterans' Allowance Act as he considered he could accept the benefits under that act and still hold his head high. This fact should be kept in mind by hon. members of this committee.

As I have said before, this act has been in force for six years without amendment, but experience has shown beyond question that there are many men under sixty years of age who cannot prove themselves to be permanently unemployable—I make no complaint with reference to those over sixty years of age—but there are many men under sixty years of ago who cannot prove themselves to be permanently unemployable and

yet actually they are pre-aged and burnt out and really unemployable. This fact was admitted by the chairman of the war veterans' allowance committee when he appeared before the pension committee, and it was pointed out time and again by representatives of the soldier organizations. There can be no question that this class of returned men are not being provided for at the present time.

The soldier organizations had two suggestions to offer to remedy this defect. One suggestion was that the age limit of sixty years now in the act should be reduced to fifty-five years; in other words, that there should be a general lowering of the age limit from sixty years to fifty-five years. The other suggestion was that the definition "permanently unemployable" should be changed to "industrially unemployable" without any age limitation whatever. What section 3 of this bill does is to make a very restricted provision for the returned man between the ages of fifty-five and sixty years. This section sets up a new classification and if the bill is passed we shall then have a third group eligible for the war veterans' allowance defined as follows:

—or having served in a theatre of actual war, has attained the age of fifty-five years and is, in the opinion of the board, incapable of maintaining himself because of disability, pre-ageing and general unfitness.

The committee will notice that the qualifications necessary for a man to obtain an allowance under this new classification are that he must be between the ages of fifty-five and sixty years and be incapable of maintaining himself by reason of disability, pre-ageing and general unfitness. The word "or" is not used there; the man must be incapable by reason of all three, disability, pre-ageing and general unfitness. It will be noticed that a wide discretion is given to the board; an applicant does not get an allowance as a matter of right; the allowance is confined to veterans who served in a theatre of actual war and of course they must be without means.

My criticism is that this classification is too narrow as it overlooks the veteran below fifty-five years of age who is burnt out and unemployable. The only provision made for such a man is found in a recommendation in the report of the pension committee, which reads as follows:

Your committee also recommends that the veterans' assistance commission to be appointed under the provisions of Bill No. 28 make an investigation into the position of those veterans under the age of 55 years who are by reason of disability, pre-ageing and general unfitness, incapable of maintaining themselves.

This means that those unemployable veterans who are under fifty-five years of age will have to wait for a report from the veterans' assistance commission. No action can be taken until next year, and perhaps even later. In the meantime this class of returned men are on relief with the government paying most of the cost. They are competing in the labour market, sometimes with their own sons. If they are over fifty years of age there is very little chance that they will ever get work again. I suggest to the minister that the proper thing to do would be to provide for this group in the new classification. The range of the new classification is not wide enough to cover these cases. There should have been no age limit or at any rate the group should have included veterans aged from fifty to fifty-five years. If this change were made I believe there would be more chance of getting some permanency in the act and it would go a long way toward meeting the need which obviously is not met by this section.

I think a word should be said for the soldier representatives who appeared before the pension committee. Just a few days ago we saw in the newspapers that the American treasury was sending out truck loads of bonds to American veterans. In contrast there was not the slightest suggestion of high pressure methods being used by our Canadian soldier representatives when they appeared before the pension committee. They presented carefully prepared briefs in a business-like way and I think all members of the pension committee will agree that the representatives who appeared before them were a credit to the returned soldier body of Canada.

In conclusion, I should like to remind the committee of a fact sometimes forgotten. The great majority of returned men have been fortunate enough to fit themselves into the life of the nation; they are bearing their share of all burdens just as are their fellow-Canadians and they are asking nothing of the nation for themselves. But they do ask and ask most earnestly that their comrades who were disabled or who are burnt out should receive reasonable assistance and continued sympathy from the people of Canada.

Mr. NEILL: This section, to my ignorant layman's mind, constitutes two distinct conditions. One is that of the man who has attained the age of sixty, or if he is under that, apparently, because it says:

—or is, in the opinion of the board, permanently unemployable by reason of physical or mental disability.

And the word "veteran" means a man who has been in a theatre of war. So that the first part of the section is a continuation of the present condition. Then the alternative is:

—or having served in a theatre of actual war.

I do not think there is any necessity for this; if he is a veteran he must have served in a theatre of war.

Mr. POWER: The original act provided that the beneficiaries should be either those who had received pension or had served in a theatre of actual war, so that it was possible for a man who had served only in Canada or in England and had obtained a pension to come under the provisions of the War Veterans' Allowance Act. That is carried out in the first part of the section we are discussing. As regards the other point, persons who are now in receipt of pension and who do not comply with the conditions with respect to service in an actual theatre of war shall not be entitled to receive benefits under the act.

Mr. NEILL: Unless such a man has been in a theatre of actual war.

Mr. POWER: Yes.

Mr. NEILL: The other point is this. The alternative provision in the case of a man of the age of sixty is that he must be permanently unemployable, and that is a very difficult thing to prove because the board always trots out an elevator and says that if he is not able to do the work to which he has been accustomed all his life he can at any rate run an elevator. The fact that there is not an elevator within 200 miles makes no difference. The minister realizes, of course, that it is difficult to handle such a case. He is, therefore, going to improve matters so far as the man of fifty-five is concerned by making the requisite disability take the form of being incapable of maintaining himself because of disability, pre-ageing and general unfitness. I would rather have seen the word "or" inserted instead of "and" before the words "general unfitness." It appears to me that the man of fifty-five is in a preferential position to the man of sixty. If he is fifty-four he has to prove that he is permanently unemployable by reason of physical disability, but if he is fifty-five he can get past by proving general disability and pre-ageing. Preferential treatment is given to the man of fifty-five. Why not leave out the words "fifty-five" and let the man prove disability, pre-ageing and general unfitness, the age being below sixty? If that were done it would apply to men of fifty-four or fifty-two.

Mr. POWER: That is the point which was raised by the hon. gentleman (Mr. Green) who preceded my hon. friend from Comox-Alberni. The difference as between certain members of the committee was this. The majority of the members thought that since we were creating a special class it was very difficult for us to go below fifty-five. As a matter of fact, there is a potential number of 33,000 men who could apply as being between fifty-five and sixty, and if you bring the age limit down to fifty under the same circumstances there is a potential of 88,000, indicating, as my hon. friend recognizes, that soldiers are getting older as time goes on. In view of the fact that this was creating a new class it was thought well to experiment in it before embarking very largely upon any plan in this direction.

Mr. NEILL: The minister's explanation will no doubt be made public and I am glad of that because unfortunately it has appeared in the press that the age limit has been reduced to fifty-five absolutely, which is a mistake that is likely to cause a good deal of trouble. I took up with the minister personally—and I do not think there is any provision made for it—the case of the woman who takes the place of the wife under the Pension Act. Such a woman, whether daughter or sister, or a reasonably near relative, if she takes that care of the man, possibly a semi-disabled man, which a wife would take, will qualify for the military pension allotted to the wife. I know of a particularly sad case of a man not only totally bedridden but painfully so. He is utterly unable to help himself in any way and unfortunately, owing to the obscure nature of the doctor's diagnosis, he just misses getting a pension. It is an open question whether he has Kummel's disease or some other obscure disease. He is getting the war veteran's allowance, but he cannot move hand or foot without assistance. His daughter, a married woman with children, takes the place of a permanent attendant, but because she is his daughter and not his wife he gets only $20 a month, which is totally inadequate. There should be a helplessness allowance in such a case, or some provision should be made as in the Pension Act, in the case where a woman to all intents and purposes takes the place of a wife in looking after such a disabled veteran. The man should be allowed the extra $20 a month.

Mr. POWER: I know quite well that there is, both under the Pension Act and in connection with the War Veterans' Allowance Act, a very large number of cases that are

really hard, deserving the utmost sympathy of every member of the house, but I believe there is an old adage that says that hard cases make bad law. It would be impossible by legislation to cover all the cases that are meritorious in themselves and that attract our sympathy.

Mr. NEILL: But there is precedent in this case.

Mr. POWER: When the War Veterans' Allowance Act was first introduced it was intended to look after soldiers only. It was only under pressure by members of the committee of that day that it was decided to look after the wives of ex-soldiers. This is a provision to take care of burnt-out ex-soldiers themselves. There has been a tendency ever since the act was passed to extend it to everybody, to children and adopted children, and to carry on the allowance for the wife after the beneficiary's death. As a matter of compromise and in order that something should be done for the wife, the law provided that she should receive an allowance for twelve months following her husband's death. Pressure is now being brought to bear to continue this during the lifetime of the wife, and doubtless after that there will be further pressure to continue it during the lifetime of the children. So far as I am concerned, I think this is good legislation. It has served its purpose; it has met with the approval of all sections of the country, and personally I should be very reluctant to change the principle upon which it was based.

Mr. NEILL: I entirely concede everything the minister has said with regard to the merits of the legislation; I think it is the best in the world. But I do not think he entirely answered the point I made. There is precedent for what I suggested. I am merely asking that the same principle be applied to the burnt-out man as to the military man, and I do not think the number of cases would be excessive. I believe there are very few. This legislation is said to be intended for the burnt-out man, who is unable to work; that is the general acceptation. But I am quoting a case—and there must be very few—of a man who is permanently and entirely bedridden, who cannot turn in his bed without assistance, and who has no wife to help him.

Mr. BENNETT: What is his age?

Mr. NEILL: He is under the age of sixty, but he is qualified because he is burnt out and unable to help himself, and ordinarily he would get $40, but because it is his daughter instead of his wife who is attending him she is unable to draw that allowance. We have a precedent under the military pensions regulations, so that to make provision for such a case would not start a new precedent, nor would it involve any great expense if the same conditions were to apply to such a case as apply to military cases. I would not have the minister think that in pressing him in this matter I fail to appreciate the benefits of this act. I think it is the best legislation of its kind in the world. I would not even ask at the moment that the age should be reduced to fifty. I think when that is done we should also reduce the old age pension age to sixty-five. But in the case I have mentioned, and in the very few isolated cases of the same kind that must occur—and the minister's officials will know how few they are—I ask that an allowance should be made for what is called total helplessness, and that where the man is drawing only $20, he should be given an extra $20 to help him pay an assistant.

Mr. CHURCH: I wish to say a word about this particular section, as I come from a district called Broadview, referred to yesterday by the Minister of Justice. This is the riding which has such a broad point of view that it sent more troops to the front than did any other riding in Canada.

Mr. MacNICOL: Except Davenport.

Mr. CHURCH: I used to represent Northwest Toronto, in which was Christie Street hospital. My present riding has the most men who are affected by this particular clause and who are fifty-five years old being born in 1881, about four years before the northwest rebellion, when troops to the number of three battalions, composed to the extent of seventy-five per cent of Toronto men, went to the northwest to save this country from disintegration. The men who served in that campaign were treated disgracefully by this parliament. Many of them died without a pension. I was struck by the contrast when I was in Washington recently and saw how readily a bill was passed, involving hundreds of millions of dollars, for the benefit of former members of the American expeditionary force. Many who never saw the front lines. Yet, compared with the achievements of the troops who went from Canada, the accomplishments of the American army were small and insignificant.

I commend the work that has been done by this particular committee. It is glorious work, well done as far as it went. Consider what this country has done for some of the people who stayed at home. Take the DuPont corporation; think of the hundreds of millions of dollars which it made during the war and after. One of its Canadian officials, a man who did not go to the war, has been appointed

chairman of the employment commission. I refer to Mr. Purvis, head of the DuPont in Canada. What did the returned men get as compared to him?

This particular bill refers to unemployment. Every day I see men who went to the front and served there in the battle for civilization, and it is humiliating to me, as one of those who presided over a great city during the war, to note the present condition of these men and their children in distress. I do not know what they would have done but for the Poppy Day fund and the women's organization connected with Christie Street hospital. I see the children of these veterans on the streets wearing second-hand clothing; I see the wives with second-hand baby carriages. Such things are a disgrace to the people of this country.

Once again I commend the good work that this committee has done. The present minister does not need to have sitting beside him a schoolmaster when he is passing the items of this bill; I can give him that credit, anyway. I note that the purpose of the amendment in section 3 is to provide that in specially meritorious cases, such as pre-ageing and general unfitness, a veteran may be classified as permanently unemployable on reaching the age of fifty-five instead of sixty, which is the age mentioned in the first part of section 4. I might remark for the benefit of the Minister of Justice that next Sunday there will be about 30,000 troops assembled in the Broadview riding, at Riverdale park for their annual service, but that is a broad place. I take a broad view when I am dealing with any question. But he promises in a bill to do something, and does nothing. These 30,000 men will meet in Riverdale park. I do not often go down there, because I never appeal to the soldier vote; I am not a soldier and so am not in a class to talk to the men who went to the front and gave service. But I see these men on the streets every day, and I visit their homes. Some of them, because of the way in which they are treated by the people of this country, cannot to-day send their children to high school.

Christie Street hospital was in my riding. When the war closed the military hospital was just a factory; this country put its wounded men into an old base hospital on Gerrard street, which as mayor of the city, I refused to allow to be used. It was not good enough for civilians, and was closed; why was it considered good enough to be occupied by men who served at the front? Some of them were supposed to be put into the Toronto gaol, but I said on behalf of the city that, by the grace of God, no man who had served in France and Flanders would ever be put into a Toronto gaol for one small breach of military regulations, and we refused them the use of this old building. I speak only as a civilian, but I see these men in Christie Street hospital, away on the top floor. Why should they be there, serving what amounts to a life sentence? For they are sentenced by this high court of parliament to a life sentence three or four floors up in the Christie Street hospital. I am not criticizing those who look after them, the nurses and others, for they are a wonderful lot of people.

Persons who are fifty-five years of age should be taken off the labour market altogether. In the meanwhile it seems to me that better jobs could be found for some of these men. All the jobs the returned soldiers in this country get are pick and shovel jobs. I am not criticizing the present government, or the minister, who served with a Toronto battalion at the front, and who is admired and respected by the ex-service men of Toronto. But I do not think the amendment goes half far enough, considering what these men have done, and what was done at Washington. The United States did not vote a few millions; as every banking house knows, the amount they granted runs into billions. Yet some of the men who are receiving this money never left their native shores. The 347th regiment of the United States army, which came from Seattle, went through Toronto. I saw other battalions also, some of them from the states and some never did a day's fighting; yet the men are getting pensions and allowances and need do no work after they are forty. They never fired a pinwheel, a firecracker or a sky-rocket on behalf of the President of the United States.

I desire to commend this section, although, when I consider what this dominion has wasted, in natural resources of soil and forest and mine, to American millionaires and their friends, I think the section does not go far enough. The farmers, the Ontario Drury government, gave away a whole principality half the size of Belgium, to an American millionaire, Mr. Backus.

When a returned soldier comes home, and is fifty-five years of age, do you think he is 100 per cent efficient? If the whole 245 members of the present House of Commons were transported to Belgium and France; if they had to sleep, with hardly anything to eat for three or four nights at a time, away below the ground, as the present able young minister and colleagues of his on both sides

of the house had to do; if members went over there and suffered the privations and human tribulations and trials of every kind that these men went through, and then came back from the front with no better conditions facing their children than are experienced by many of our returned men to-day, they would realize the position of many men in my constituency. When the children go to high school, although the teachers, many of whom are returned soldiers, are friendly to them, they cannot afford any longer to pay their fees. The result is the boys of the family go to new Ontario, and are sent to gaol because they are vagrants. I brought in a bill and appealed to the House of Commons; yet not one member supported it.

I saw these conditions while I was an officer of the municipality for fourteen or fifteen years, and I see them now as a member of parliament. I do not care about the race or religion of these returned men; I am trying to help them. I have never seen anything like the suffering they and their families are undergoing at the present time. I have visited their homes; I have seen them in rags and in want. I do not know what they would do if it were not for the Poppy Day fund. Every day in the daily newspapers of Toronto I see advertisements asking for second-hand baby carriages, second-hand socks, second-hand shoes and second-hand clothing of all kinds. This is a disgrace to the people of this country. I want to commend the government, or rather the committee, for the work they have done, but when I see one of the DuPont crowd appointed as chairman of the employment commission and at the same time see the men walking around the streets of Toronto, I think this is a disgrace. The city of Toronto cannot carry the whole burden, as it has done in the past. To the 245 members of this House of Commons I say: Go to Christie Street hospital; see the rooms and wards up on the top floor, where the men never get a breath of fresh air. See the wifes and children of these veterans, some of them five and six years of age. I say that this is a disgrace to the people of Canada. We talk about sending a few men to the old country. Well, after spending about four and a half million dollars on the League of Nations, which gets nowhere, the government cannot afford to send thirty-five members of this house over to the reunion at Vimy Ridge. Vimy Ridge cost the city of Toronto 2,000 men and $2,000,000 in insurance which was carried on the men by the city. I started to help recruit the 75th battalion; it raised 16,000 men, of whom more than 1,200 fell at Vimy Ridge. I have visited the homes of some of the members of this battalion, and what I have seen there makes me ashamed to be a Canadian. Upon my word I am ashamed to be a member of the House of Commons of Canada when I see the conditions that exist in my constituency. I know of one case, a woman whose husband might have had a good job in this country to-day, an educated woman, who has to take in washing in order to support her small children who are attending a high school in my riding. I protest against that sort of thing.

I may talk too much sometimes; I hope all talk for this session will be over to-morrow at midnight, but I do not think we can talk too much about these matters. I knew the minister during and before the war, as a hockey player, and I want to thank him for what he has done. Both he and the young minister from British Columbia came to Christie Street hospital and saw the conditions that exist on the upper floor of that institution. I hope the Minister of Finance may find it possible to release a few thousand dollars in order to relieve the condition of these men who have been sentenced to life in an institution where there is not a breath of air and where the thermometer may stand at 96 or 97 degrees. If we gave these men full pay we could not begin to compensate them for what they have done and what they have gone through. What is the situation in the United States? There are generals and brigadier-generals around Washington getting full pensions though they never set foot in France. And colonels! They have about 367 colonels in Kentucky who have never fired anything more dangerous than a pinwheel, a firecracker or a sky-rocket, who have never been outside the United States and who also are drawing full pensions.

Mr. LAWSON: In reply to some questions asked by the hon. member for Comox-Alberni (Mr. Neill) the minister outlined the qualifications required under the War Veterans' Allowance Act, and concluded by saying that the veteran must be one who served in a theatre of war. That statement causes me to rise in order to make it clear that this does not mean one who has served in a theatre of war but rather one whose unit has served in a theatre of war. When the War Veterans' Allowance Act first came before this house I was a comparatively new member, but I, like most members of the house of that time, when the act was passed containing the definition of a veteran, believed that a veteran was one who had served in a theatre of war.

The war veterans' allowance board, however, has ruled, in pursuance of an opinion given by the Justice department, that irrespective of whether the man himself served in the theatre of war and irrespective of whether or not he has all the other qualifications, he cannot receive a war veterans' allowance unless his unit served in a theatre of war.

I took occasion to lay before the committee one concrete case which I believe is illustrative of some twenty-five or thirty cases in this country. A man was assigned the job of non-commissioned conducting officer. His job was to conduct troops through the dangerous channels from the base in England to the place in France where they joined some other unit. The men who did that work were subjected to the hazards of war both by sea and on land just as much as those who served in almost any of the transport services. But because a man was attached to a unit which was situated in England, even though he may be qualified on all other grounds under this act, it is said that he cannot obtain a war veteran's allowance. I suggested to the committee that since that interpretation of the definition contained in the act seemed clearly contrary to the plain reading of the act, the necessary amendments should be made to clarify the situation. I see the committee has not seen fit to recommend such an amendment. As far as I am concerned I merely desire every member of this committee to realize that the definition in this act does not mean one who served in a theatre of war; under a ruling or interpretation by the Justice department, no matter what service a man rendered he is still out of luck unless his unit actually served in France, thus coming within the definition of service in a theatre of war.

Mr. POWER: The case presented by my hon. friend is quite familiar to me. As the hon. gentleman says, quite a number of claims —probably ten or fifteen—have been made for war veterans' allowance by men who went on a Cook's tour to France or served as conducting officers. The war veterans' allowance board consulted the Department of Justice some time in 1932, and the department ruled that such men, though they actually did set foot on the soil of France and under a strict interpretation of the definition of a theatre of actual war could be looked upon as having served in a theatre of actual war, could not be considered under the War Veterans' Allowance Act because they had not been attached to a unit situated in France.

The same ruling was given, I am informed by the militia department in connection with the medals which were issued to those who saw service in France and in connection with various other matters having reference to military service. If my hon. friend wants my opinion may I say that I would be glad to discuss this matter with the law officers of the crown. I think there is a great deal to be said in favour of the interpretation of the act given by the hon. member. But there was no amendment which we could make. As he himself has said, the act is quite clear. "Theatre of actual war" means in the case of military or air forces the zone of the allied armies on the continents of Europe, Asia and Africa. Well, the person on whose behalf my hon. friend speaks did serve in one of the armies of His Majesty in a zone of actual war on the continent of Europe. That is quite clear; there could be no argument about it. It would not have been possible to amend the act to cover it, because it is there in the act as I read it. But in this individual case there is a ruling, which I believe has been in existence since the war, that conducting officers, those who have been on Cook's tours and who just went around France to visit the trenches, were not to be considered as people who served in the theatre of actual war. I do not think it is within my jurisdiction or part of my duty as a minister to order the war veterans' allowance committee to issue an allowance. I would think I was acting in an arbitrary manner and in a manner parliament did not intend a minister to act if I were to take that duty upon myself.

Very properly, I believe, the chairman and members of the war veterans' allowance committee referred the disputed point to the Department of Justice. I have nothing further to say on the matter, except that we could not meet the hon. member by making an amendment. I could not meet him by issuing an instruction to the war veterans' allowance committee to accede to his wishes. I think he has a perfectly sound legal argument to make before the Department of Justice, and I wish him well when he makes his argument.

Mr. NEILL: The hon. member for York South has said that the section refers to a person whose unit served in France.

Mr. LAWSON: No, that is what the Department of Justice says it means.

Mr. NEILL: It says "any former member who served in a theatre of actual war."

Mr. LAWSON: Yes, but the Department of Justice says that it does not mean that. Hon. members will see the position into which we are getting at this time. My hon. friend, whom I shall refrain from commending as a lawyer —because at the moment he happens to agree with me—says that to him it is just as plain as it is to me that the law means what I say it

means, and what the hon. member for Comox-Alberni (Mr. Neill) and any person who reads it must conclude it means. Here we have before parliament a responsible minister of the government who says: "Plainly that is what the law means, but I cannot instruct the Department of Justice not to thwart the law and to say that it is something other than parliament says it is. I cannot instruct the war veterans' allowance committee." I do not think any blame attaches to the board. Being confronted with a case they submitted it to the Department of Justice. They could not set themselves up as interpreters of the law and give to that law an interpretation different from that given by the Department of Justice.

I shall not take the time of the committee to deal with the statement made by the minister with respect to Cook's tours. If some other members will keep this debate going long enough to let me go to my office and get my files I could show the minister that the person to whom I was referring was not on a Cook's tour.

Mr. POWER: Perhaps the hon. member misunderstood me. I spoke about conducting officers and people who went on what we called Cook's tours. As my hon. friend must know, so that they would not return to Canada without having at least set foot in France and been in the front line, a large number of officers managed to arrange what were called Cook's tours. They spent a week or a few days with the battalion, and then returned home. If my hon. friend's interpretation of the act is accepted, then certainly those men would be entitled to war veterans' allowance and to the same military medals as those men who served in the front line. It must be remembered, too, that the conducting officers did not have an extremely dangerous job. In fact they had what might be called "cushy" jobs; I do not want a better one in the next war.

Mr. LAWSON: I want to say at the outset that I am very sorry if I misinterpreted the remarks of the minister, or if I said anything that would injure him—

Mr. POWER: No; you did not.

Mr. LAWSON: I may have misunderstood him. I want to say, however, that some of these non-commissioned conducting officers had just as hazardous occupations as many others who are drawing pensions, and I am not referring to the miserable pittance obtained under war veterans' allowance; I refer to pensions. Conducting officers did run a hazard, if they had to cross the English channel they were on a hazardous voyage. If they had to make trips from the landing point in France to the base line of action, they ran a hazard; they ran the hazard of shell fire, and the hazard of bombs from aeroplanes. I do not wish to get into a discussion of that kind, but I know of no way of preventing the Department of Justice from saying the law is what parliament says it is not, unless parliament changes the wording to make it so plain that the Department of Justice cannot possibly say that that is not what the statute means.

Mr. POWER: I have no objection to referring the case back to the Department of Justice, if my hon. friend so desires. I believe he himself discussed it with the law officers of the crown, if I am not mistaken.

Mr. LAWSON: No.

Mr. POWER: I have no objection to referring the case back for decision.

Mr. NEILL: As we are confronted with a situation wherein the Department of Justice has given a ruling which appears to be contrary to the spirit of the act—

Mr. POWER: I would not say it was contrary to the spirit of the act. Quite frankly I am willing to tell the committee I do not think it was ever the spirit of the act to have a condition whereby conducting officers would come under it, and I will take the responsibility for making that statement.

Mr. NEILL: The spirit of the act would certainly refer to those who served in the theatre of actual war. Could we not say, "who served in the theatre of actual war," and exclude those people, who, as the minister says, were on Cook's tours? We could make a provision whereby a trip to the lines not exceeding so many days would not count. Surely it is possible for us to frame a definition in such a way as to meet the objection of the Department of Justice and still be fair to the cases about which the hon. member for York South has spoken. That should be within the legal ability of the minister and his associates; surely they could draw up a section which would be proof against the opinion of the Department of Justice.

Mr. BENNETT: About how many men of sixty are now drawing those allowances, and what was the amount paid last year? With respect to the last point made may I say that I believe the difficulty lies in the word "served." The men to whom the hon. member for York South referred have not served in a theatre of actual war, within the meaning of

the statute. They were there merely as conducting officers, or whatever they may be called, and therefore did not serve within the meaning of that word. Does not the Department of Justice say that?

Mr. POWER: The Department of Justice alleges that there must be attachment to a unit. On the other hand I shall have to say this to the hon. member for York South, that certain staff officers could not be said to be attached to units, and yet they no doubt would be qualified for a war veterans' allowance.

With respect to the first point raised by my right hon. friend may I say that there are altogether about 9,000 enjoying war veterans' allowances, and of that number about two-thirds are above the age of sixty and one-third below sixty.

Mr. BENNETT: Between fifty-five and sixty?

Mr. POWER: No. At the present time the act provides for those who are unable to maintain themselves and have passed the age of sixty. We assume that they are permanently unemployable if they have reached sixty.

Mr. BENNETT: That has been the law for over five years.

Mr. POWER: Since 1930. If they are below sixty years and can establish that they are permanently unemployable on account of mental or physical disability, they come under the act.

The present section which is being proposed to the committee creates a new class. The war veterans' allowance committee, in travelling throughout the country, found that there was a large number of men who were not quite sixty years of age and not quite physically unemployable. They are fairly well recognizable problem cases, and it is to cover these cases that we are introducing this amendment. It is for those over fifty-five years of age, most of them problem cases, who cannot obtain a doctor's certificate that they are permanently disabled. Most of these cases are approaching sixty; they are between fifty-five and sixty, and it was thought we should create a class between fifty-five and sixty years of age of those who were disabled, pre-aged, infirm, and who, while not quite permanently unemployable, yet were incapable of maintaining themselves. It was very difficult to express in legal language the thought that was in the mind of the members of the war veterans' allowance committee, but they were given a discretion to take in a certain number of men who undoubtedly should be looked after in some way.

My hon. friends who have spoken have suggested that we should take in all those down to fifty years of age. The average age of our soldiers is now approximately forty-seven, and to adopt that suggestion would really mean an unemployment relief measure. This act, I submit, was never intended as an unemployment relief measure for soldiers. It was an extension of the principle on which every government and every soldiers' committee has acted since these committees have been studying this question. The principle is that no one is entitled to a pension unless he has a disability which was incurred on or due to service. That is to say, disability due to service is the determining factor whether he shall get a pension or not.

Then, in 1930, it was found that there was a large number of men who could not possibly establish their right to pension, so this parliament established a species of presumption that they were over-aged, burnt out, and parliament made that age ten years less than that provided under the old age pension legislation. They said that a man of sixty who served in a theatre of actual war might be presumed, on account of the hardships he had undergone and on account of the life of the trenches, to be burnt out, and therefore they said that he would get an allowance. Then they said that if a man were permanently unemployable on account of some physical or mental disability which he could not trace to service, he too, if he were ill, if he were indigent, should be entitled to an allowance.

Now it has been found that the words "permanently unemployable" did not cover a sufficiently large number of men, and certain service associations and certain of my hon. friends felt that we should perhaps say "industrially unemployable." I think every hon. member will immediately understand that that means unemployment insurance; in other words, that would have taken in every soldier, every man who put on a uniform, the moment he became unemployed. I do not think that was ever the intention of parliament, and certainly it was not the intention of parliament when this act was introduced. We have gone a long way in saying that we would endeavour to take care of the problem cases.

I do not know that I should discuss the question of cost, but my right hon. friend has asked me certain questions. With respect to the number of persons who are now in the enjoyment of war veterans' allowance, those sixty years of age and over number 6,194, and the amount expended during the last fiscal year on that class was $1,892,672; under sixty years of age and permanently unemployable

on account of physical disabilities, the number is 2,626, and the amount expended $887,599; making a total for the last fiscal year of 8,820 persons profiting by the allowance, at an expenditure of $2,780,271. We have asked the house—and the estimate has been passed—for an amount of $3,200,000 this year.

Under this new amendment we are asking that an amount of $200,000 be inserted in the supplementary estimates to cover the balance of the fiscal year, making it roughly $300,000 additional a year, taking in the class from fifty-five to sixty years of age. I have no means of knowing how much more it would be if we took in the class from fifty to sixty years of age, but I think it is at least fair to assume that there would be at least as many, and the proposal made by my hon. friends in that regard would add to the bill something like $600,000 a year. The total of war veterans' allowances is now accelerating at the rate of $400,000 a year, without the provisions of this amendment, and I am informed that the amount next year will be $650,000 more than it was last year. Perhaps the committee would be interested in getting some of the figures. The amount of war veterans' allowances paid in 1933 was $2,224,000; in 1934, $2,500,000; in 1935, $2,800,000; in 1936, $3,200,000; in 1937, $3,500,000. Now I jump to 1940, when the estimated amount will be $4,700,000; 1945, $6,300,000; 1950, $9,174,000; 1951, $10,090,000; 1955, $11,269,000; 1956, $11,602,000; 1957, $11,809,000, and in that year we would have reached the estimated peak of expenditure if no change was being made in the War Veterans' Allowance Act. Under this legislation we are accelerating the total amount paid by at least from $200,000 to $300,000 a year; the peak will probably be reached a great deal earlier, probably some time in the early 1950's, and I say that without having any figure before me. The amount which will be expended over a period of ten years will be considerable.

Had we accepted the proposal made by certain soldier organizations and others outside, that the age limit be reduced to fifty-five without any qualifications, within ten years the estimated additional expenditure would have been $25,974,000, and had we accepted the proposal to bring the age down to fifty, the estimated additional expenditure would have been $46,058,000. That is one of the reasons why it was not considered advisable to jump at once into a very large additional expenditure. Besides, the war veterans' assistance commission, if it is to accomplish anything—and I hope it will—will endeavour to find means of employment for the 30,000 to 40,000 ex-soldiers who are not now in receipt of a pension or in receipt of war veterans' allowance, but are entitled to some consideration on the part of the people of Canada.

Mr. BENNETT: That was mentioned in the Hyndman report.

Mr. POWER: My right hon. friend has mentioned the Hyndman report. As he knows, the Hyndman commission's report attracted a great deal of attention and a great deal of support throughout the country. The commission reported as follows:

> To enact that a man who is out of work at the age of 50 or 55 is permanently unemployable would be to depart from the intention of the act and would virtually convert any benefits under that act into general service pensions. A large majority of those who are under 60 years of age and who are out of work, are so situated because of economic and not physical conditions, and it is felt by your committee that the recommendations contained in this report will, in large measure, provide the temporary assistance requird by those for whom employment cannot readily be found, without branding them as unemployable for the rest of their lives.
>
> We have given very close and earnest consideration to all these requests, and are constrained to the view that it would be unwise to disturb the principle upon which the War Veterans' Allowance Act was based.

In view of the evidence given before this commission which carefully investigated the matter, I believe that anyone who has the real interests of the ex-soldier at heart—had I more time I might go into this more fully—will agree that the committee would be wise to go forward only one step in the direction in which it has gone at the present time. Possibly at some future date, should nothing else be done for the unemployed ex-soldier, the parliament of Canada may decide to depart from the principle which it has followed heretofore and to take on its shoulders the charge of all ex-service men in Canada who are not pensioners and who have no service disability. That will be the responsibility of government and of parliament when the time comes to frame such a policy. At the present time I do not feel that we have sufficient information before us and that public opinion has been sufficiently educated to take a step so far in a direction which I think will inevitably not be of benefit to the ex-service man.

Mr. BENNETT: Has the minister concluded that the word "domiciled" in the last line of section 3 is the word that adequately expresses what he has in mind? In law the word "domicile" means a combination of two factors, residence and intention. A man must have residence without any animus revertendi. I am not endeavouring to lecture the committee, but the use of this word is always

dangerous because it involves great difficulty of proof. It has arisen so frequently in the courts that I wondered whether it was being used synonymously with "residence," or whether or not the minister had in mind the use of the complex term "domicile."

Mr. POWER: After a rather long and fairly checkered career in a sphere not so non-partisan as that in which we are now in connection with the elections act, I did learn a great deal about the word "domicile." I quite agree with my right hon. friend that that word does not mean residence, far from it, but I am informed that it was in the original act as it was passed in 1930 and is being interpreted by the committee as meaning ordinary residence.

Mr. BENNETT: It is very dangerous in case it gets into a court of law.

Mr. POWER: I quite agree.

Mr. MacNEIL: Mr. Chairman, I wish to express very briefly my concurrence in the views advanced by the hon. member for Vancouver South (Mr. Green). I join with him and other members of the committee in expressing appreciation of the sympathetic attitude shown by the minister to these problems throughout the entire proceedings of the pension committee. I do not wish to appear to be unduly critical of the section under discussion at the moment as I recognize its value in that it confers benefits upon a certain category of ex-service men. It is an important step towards the solution of an urgent problem. Nevertheless I urged throughout the proceedings of the committee —and I do so again—that this section in its present form does not adequately meet the situation as now defined.

I agree with the minister when he says that the underlying principle of this legislation should not be departed from at this time. I would hesitate to advocate any change that would convert the War Veterans' Allowance Act into an unemployment relief measure. This act was intended to meet the needs of ex-service men who have suffered a premature breakdown due to the hazard, strain and exposure undergone while on active service. While I recognize the value of the existing legislation, the fact is that men who have not attained the age of sixty years and who are in indigent circumstances cannot obtain the benefits of this legislation unless it can be demonstrated on medical evidence that they are permanently unemployable.

I believe the present classification is unduly restrictive. Before entitlement may be established under this section, a man must demonstrate that he is fifty-five, that he served in a theatre of actual war; that he is now incapable of maintaining himself by reason of disability, pre-ageing and general unfitness. In my opinion that seriously restricts the benefits of this section. I am glad the members of the committee, the minister and the chairman of the war veterans' allowance committee have found this formula. I think in the words "incapable of maintaining himself because of disability, pre-ageing and general unfitness" we have a safe formula which may be applied to other age groups without in any sense disturbing the principle of the act. I submit, as I have submitted on previous occasions, that the evidence given before the committee proved very clearly that there are a number of problem cases in the age groups below fifty-five years which should be provided for. I submit further that it is in the public interest, as well as in the interests of these men, that their needs should be met promptly. The more promptly they are met, the greater will be the possibility of some measure of rehabilitation. It should be borne in mind that when a man becomes employable the war veterans' allowance committee has the power to strike him off the list. I think we have a perfectly safe formula to deal with these cases. However exhaustive may be the inquiries of the war veterans' assistance committee, there are certain clearly defined categories of ex-service men who are uemployable to-day and for whom no provision has been made nor can otherwise be made.

I feel that the minister is unduly alarmed at the possibility of assuming additional responsibility. It has been suggested that the recruiting field for applications may be to some extent larger in the age group of fifty to fifty-five years than it is in the group of fifty-five to sixty years, but it was shown before the committee that the ratio of those who might qualify was considerably lower in the age groups below fifty-five years. I submit that this formula may be safely extended to other age groups below fifty-five years, and in all justice it should be done now. If it is thought reasonable to assume some responsibility with regard to those between fifty-five and sixty years of age, I think there is at least equal justice for our conferring upon the board discretionary power to deal with these cases of breakdown due to disability, pre-ageing and general unfitness in the case of men below fifty-five years of age. I think this discretion can safely be left with the board.

I feel it my duty to say a word in appreciation of the very capable administration that has been given this legislation during the last

five or six years. I can testify personally as to the remarkable degree of confidence which the war veterans' allowance committee enjoys among ex-service men generally throughout Canada. While the opinion prevails that this amendment is all that should be undertaken at this time, I most earnestly hope that the act will be interpreted in such a way as to implement the recommendations of the committee. The phrase "permanently unemployable" should be interpreted in the broadest possible sense. I also hope that at the earliest possible moment the minister will secure from the veterans' assistance commission a special report dealing with the plight of those veterans who are incapable of maintaining themselves at this time and for whom no provision has been made in the amended bill.

Mr. BETTS: I wish to associate myself with the remarks of the hon. members for Vancouver South (Mr. Green) and Vancouver North (Mr. MacNeil). They have expressed my views far better than I could do so myself and I shall not repeat what they have said. On the resolution leading up to this bill I gave it as my opinion that the dead line should be not fifty-five but fifty years. I held that opinion during the proceedings of the committee and towards the close of the committee's sittings I changed it and came to feel that perhaps that dead line should be swept away altogether. That is my present view. However, having regard to the assurance of the minister that the report of the veterans' assistance commission will be studied very carefully; that the work of that commission may provide for those who are not taken care of in the present legislation, and above all that the door is not closed and that this matter may be reconsidered, and having regard further to the expressed desire of a very considerable body of the men concerned, that no difference of opinion appear in the proceedings of the committee, I allowed my own personal views to fall into the background and concurred in the report of the committee. I feel very strongly that there will be men whose cases will not be met by the provisions of this bill, and if it turns out that they are not provided for by the veterans' assistance commission I wish to make it clear that in voting for this bill I am reserving the right to speak in their interests at another session of parliament.

Mr. STEWART: I think we are all in sympathy with the object of this legislation and with the method adopted to provide for a class of men who are very deserving and whom perhaps it is difficult to put into any well defined category. It is well recognized that laws should be as certain as possible, and the only objection to this section is the element of uncertainty in it. I sincerely hope, therefore, that the department will be able to make decisions which will clarify the situation and render it easy as a matter of administration for the department and for those who are interested in the returned men to decide whether they fall within the rulings of the department which will afford them relief. The main objection to the section is its uncertainty and the large number of cases which will remain in doubt and which will be subject from time to time to, shall I say, an arbitrary ruling of the department in each particular case.

Mr. BROOKS: I do not intend to prolong the debate; indeed I think it would be presumptuous of me to do so. As a member of the committee, however, and one who questioned clause 3, I should like to state that I heartily agree with what has been said by the members who have spoken in connection therewith. I understood the minister to say a moment ago that those between fifty-five and sixty would probably be about the same as those below fifty-five.

Mr. POWER: In number? No. I said that there were 33,000 potential applications between the ages of fifty-five and sixty, and 88,000 between fifty and sixty.

Mr. BROOKS: With reference to the cost, the minister said that it would cost $300,000—

Mr. POWER: At least.

Mr. BROOKS:—and he assumed it would cost as much again if the age limit were extended below fifty-five. That is the point. The cost to the country if those below fifty-five were included would be in the vicinity of $300,000. This does not seem to me an enormous amount, and it also occurs to me that since we are amending the act we should amend it in such a way as not to have any unfairness to any returned man. If there is a man below fifty-five who is incapable of maintaining himself by reason of disability, pre-ageing and general unfitness, that man has just as good a claim against the country as the man between fifty-five and sixty. It is for this reason that I agree with what has been said on this side, and I should have been very glad indeed if the section had been extended so as to include this very deserving class. As a member of the committee, I enjoyed its sittings very much. I got a splendid education in the problems of the

returned man, in the Pension Act and the War Veterans' Allowance Act, and it was a great pleasure for me, as I know it must have been for other members of the committee, to work in conjunction with the Minister of Pensions.

Section agreed to.

Sections 4 and 5 agreed to.

On section 6—Information from the bureau of statistics.

Mr. NEILL: Would the minister consider changing in the second last line the word "thirty" to "twenty." If we leave it as it stands, thirty years, it means that we are carrying it back nearly forty years. It says "thirty years before the date of the application for such information." We know that a census was taken in 1901 and there was one in 1911, so that by 1940 it will have been thirty-nine years since the census concerning which information will be given. This question arises more often in connection with applications for old age pension, but it arises in this matter as well. You go to some illiterate man or old woman and say that the bureau of statistics will reveal his or her age. But in this case the census must have been taken more than thirty years before the date of the application for information. The first question the bureau will ask is: Where were you when the census was taken. The second question is: What was the name of the registrar or enumerator. An uneducated man who has been travelling around the country for the last forty years has only the vaguest idea where he was in 1901, and very often he will give the wrong place and the wrong name of the enumerator. I have had a good deal of experience in this regard and I know of people who are without pensions to-day because their records cannot be located. No doubt the census was taken but the man cannot remember; he has a failing memory or he suffers from lack of education. I cannot see that any harm or danger would arise by making it twenty years. It may be said that a man may have faked his age for the census returns, having had in view some provision of this sort. But thirty years back would take us to 1901 and twenty years would make it 1911, three years before the war. Surely no one will suggest that any man in 1911, three years before the war, gave his wrong age in order to qualify for a pension thirty years later. This provision is founded, I believe, on some old act of the bureau of statistics which says that no age shall be revealed, even to the owner himself, so to speak, unless it is thirty years prior. I think it is an absurd condition, and I would press on the minister to consider making that twenty years.

Mr. POWER: The only justification I can ascertain for thirty years is that it is the provision in respect of the old age pension.

Mr. NEILL: A very poor provision, then.

Mr. POWER: Apparently it has been working very satisfactorily for ten years. But, rather than delay the passage of this bill, I am quite willing to accede to the request of my hon. friend. If he will move the amendment, I shall accept it.

Mr. NEILL: I shall be very happy to move it. It will be a godsend to many members of this house who have to get these facts for the purpose of old age pensions as well as military pensions.

Mr. STEWART: This will not apply to old age pensions.

The CHAIRMAN: What is the amendment?

Mr. NEILL: To insert the word "twenty" instead of the word "thirty" in line 37.

Amendment agreed to.

Section as amended agreed to.

Section 7 agreed to.

Title agreed to.

Bill reported, read the third time and passed.

CANADIAN NATIONAL RAILWAYS

PROPOSED BRANCH LINE FROM SENNETERRE TO ROUYN

Hon. C. D. HOWE (Minister of Railways and Canals) moved that the house go into committee on Bill No. 90, respecting the construction of a Canadian National Railway line from Senneterre to Rouyn, in the province of Quebec.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

On section 1—Power to construct and complete line described in schedule.

Mr. BENNETT: I observed from the press that the Canadian Pacific Railway's bill had fallen by the wayside when the legislature of Quebec was dissolved. Might it not be desirable, therefore, to discontinue this measure? It now serves no useful purpose. I wondered if that was what the minister had in mind. I think the information is accurate, to judge from what I saw in the press.

Mr. POWER: There is no doubt but that it is accurate.

Mr. BENNETT: Under these circumstances might it not be just as well if we did not proceed with this measure?

Mr. JACOBS: Might I point out to the right hon. gentleman that this government has not fallen by the wayside.

Mr. BENNETT: Well, under some circumstances the hon. gentleman, if we had his inmost thoughts, might say it was no fault of his. In view of what the minister said the other evening, that he did not intend to proceed with the project this year, now that this difficulty has been solved in the manner I have indicated, might it not be well to drop the measure?

Mr. POULIOT: The legislature has dissolved but the province is not dead.

Mr. HOWE: At the moment there is involved a matter of good faith. We certainly made representations to Quebec that we intended to build this line, and I think we can hardly change our minds because the other bill failed to pass. As a matter of fact this should not be considered as in any way an improper expenditure.

Mr. BENNETT: I did not say "improper." I thought the minister said that he did not intend to go on with it this year.

Mr. HOWE: We had not intended to. It had been discussed earlier in the year, and we decided that in view of the financial position of the national railways we would put it off, even though it was recognized as a needed expenditure. But, having committed ourselves to building it, I think it now becomes a matter of good faith. We can hardly put ourselves into the position of having undertaken to prevent the success of another project, and acting the part of a dog in the manger.

Mr. CHURCH: I sat in this house nearly ten years ago when there was a discovery of gold in the Rouyn district. At the time Sir Henry Thornton was president of the Canadian National Railways. I was contending that that railroad should serve the territory, on the principle of public ownership, but the then head of the railway and his executives went to the railways and shipping committee and opposed any proposal along that line. The proposition was to allow the Temiskaming public ownership road to do something. The Canadian National Railways said that they would not do anything about the matter. Now they are ten years behind the times in connection with the policy of going into the district. If they had gone in ten years ago they could have built up the district. But no, they would rather go all over the prairie provinces and spend hundreds of millions of dollars on branch lines. I read in the house the other night on the second reading of the railway bill a list of those outrageous expenditures, amounting to hundreds of millions of dollars, on branch lines. Yet here is a territory which, had it been served by a public ownership road, would have done something for the mining industry. But the Canadian National did not want to go in there. True, part of it was on the Quebec border and part within Quebec, but the two railways sat tight and did nothing. I was told ten years ago by the then head of the Canadian National that I was proposing something ridiculous; that it would never pay the fixed charges. But they could build hundreds of miles of single and double track over country where certainly there was no prospect of paying fixed charges. Now, when the Rouyn territory is producing something, they want to go in there. No wonder public ownership in this country is a failure. I do not blame the present minister. He had nothing to do with the proposition. The fact remains that the proposal comes just about ten years too late.

Mr. COLDWELL: I note the minister said that he would regard not building this railway as something of a breach of faith. And I listened very carefully to the remarks of the last speaker. I should like to draw the attention of the committee to the fact that a number of districts here and there became settled owing to promises, direct and indirect, of railway facilities. The territory I have particularly in mind, containing a large settlement, is in the district known as Loon lake, north of St. Walburg. The people there have been expecting that the new government would complete this railway, and I am drawing the matter to the attention of the minister at this time.

Section agreed to.

Sections 2 to 6 inclusive agreed to.

On section 7—Tenders.

Mr. HOWE: As reported by the committee, an amendment is necessary. Paragraph (b) of subsection 1 provides that tenders shall be called for the sale of the new securities. The functions of the central bank have obviated the desirability of that clause. The practice to-day is that the central bank shall market securities of this kind at current market prices. I will, therefore, ask my colleague to move an amendment to this clause.

Mr. MACKENZIE (Vancouver): I move accordingly.

The CHAIRMAN: It is moved by Mr. Mackenzie (Vancouver) that paragraph (b) of subsection 1 of section 7 be amended by striking out all the words in line 36 thereof and all the words after "not" in line 37 to the word "be" in line 38.

Mr. CAHAN: Once more I wish to make a protest against the adoption of these amendments to bills without notice having been given in advance. I sat in the house the other night when a government bill was proceeded with. Section after section was read to which amendments were proposed, some of them very important indeed. I do not believe that if we had the most intellectual membership more than one or two members could follow and understand the meaning of the amendments as they were read out. In the previous parliament these proposed amendments to government bills were published in the votes and proceedings the day before or at least on the day they were to be considered, but it is impossible to follow intelligently these amendments which are proposed in committee after the bill has been introduced.

Mr. HOWE: I may say that this particular amendment was considered by the standing committee on railways, canals and telegraph lines and was adopted there after discussion. After all, it is rather a simple amendment; it has only the effect of striking out the provision that the securities to be issued by the railway will be sold by public tender. That is the full implication of the amendment. The reason, as I explained a moment ago, is that I believe it was the practice of the previous government, and certainly it is the practice of the present government, that issues of public securities and Canadian National securities should be marketed through the agency of the Bank of Canada, which has proven itself to be a very efficient agency for marketing securities of this kind. If my hon. friend has referred to the amendments to the shipping act, I may say that the bill was reprinted and distributed prior to the discussion.

Mr. CAHAN: They were not here; I sat in my seat without a copy. I wish to suggest that there is a proper way in which to bring such amendments to the attention of members of the house. Every morning I look in the votes and proceedings to ascertain what amendments are to be proposed by the government to important bills that have been introduced, and if the amendments proposed to the shipping bill were printed beforehand certainly they were not on my file. I sat here with other members about me and we did the best we could to listen to the reading of those amendments, but even if one had the intelligence of an angel of the skies it would have been impossible to follow those amendments as the chairman or the proposer read them. All I suggest is that we should follow a procedure which is according to the customs of the house. I am not opposing this amendment, but certainly it is important, and the very fact that it was adopted by a committee of the house indicates that there was ample opportunity to give notice of it in the votes and proceedings. After all, the decision of a special or standing committee of the house is not the decision of the house itself. Those who were not members of the committee should have ample opportunity to study these proposed amendments. I think I went through every section of the shipping act as it was introduced and tried to understand all the amendments proposed, but it was impossible to follow intelligently the amendments that were moved by the Minister of National Defence, who was assisting the Minister of Marine that day. We shall obviate a great deal of trouble in the courts if we follow the usual procedure.

Mr. HOWE: I must apologize to my hon. friend. I appreciate the help he has been to me, particularly in regard to the draftsmanship of these bills, but the matter to which he refers is a mistake to which I can hardly plead guilty. This amendment was made by a committee of which I am not a member, and in reporting the bill the committee should have reported the amendment. The bill was reported with an amendment, but the amendment was not printed in the votes and proceedings. In connection with the shipping bill, however, all the amendments were printed in ample time and I had assumed that they would be distributed. I thought hon. gentlemen opposite had them when the bill was under discussion, and I am very sorry if that was not the case.

Mr. BENNETT: The difficulty was that the distribution was delayed.

The CHAIRMAN: Shall the amendment carry?

Mr. STEWART: There is one point I desire to draw to the attention of the minister with respect to paragraph (d) of section 6. I understood the minister to say that these securities would be marketed through the Bank of Canada, but section 6 still provides:

> With respect to such securities, the governor in council may, subject to the provisions of this act, from time to time approve or decide,—
>
> (d) the terms and conditions of any sale, pledge or other disposition of the securities—

From that provision it would appear that the sale and distribution of these securities would be still under the control of the governor in council. Is that correct?

Mr. HOWE: That is correct. Of course, as far as terms and conditions of any sale are concerned, I think that necessarily must be in the hands of the governor in council. Such matters as the coupon rate and so on, and even the conditions of the sale by the Bank of Canada, I should think must be subject to approval by the governor in council. Usually the government and the bank officials consult together and decide on a rate; I know an order in council is always passed governing that.

Mr. BENNETT: All the steps antecedent to the sale of the securities are taken by the governor in council.

Amendment agreed to.

Section as amended agreed to.

Sections 8 and 9 agreed to.

On the schedule.

Mr. BENNETT: I think the estimated cost of this road is very high, $60,000 per mile. In view of the stage of the session I shall not argue the point, but I think in itself that is an invitation to costly construction. According to my observation $60,000 is a tremendous cost per mile.

Mr. HOWE: I think that point is well taken but I may say that the framing of these bills rather invites an excessive estimate, in that after the final plans and estimates are made, if they exceed the cost set out in the estimate the line cannot be built. I think that perhaps $45,000 per mile would be a better estimate.

Mr. BENNETT: That is what I had in mind.

Schedule agreed to.

Title agreed to.

Bill reported, read the third time and passed.

UNEMPLOYMENT

AMENDMENT OF UNEMPLOYMENT RELIEF AND ASSISTANCE ACT, 1936, TO ASSIST PROVINCES IN RESPECT OF RELIEF EXPENDITURES

The house resumed, from Monday, June 15, consideration in committee of Bill No. 100, to amend the Unemployment Relief and Assistance Act, 1936—Mr. Rogers—Mr. Sanderson in the chair.

12739—244½

On section 1—Agreements with provinces.

Mr. BENNETT: When the house rose the other evening I was speaking to a matter that had been brought to the attention of the committee by an hon. member. I only desire to say that in view of the present date, if hon. members are interested in the matter I would refer them to the list of exhibits produced before the banking and commerce committee. At page 12 they will find that the various letters to which reference has been made were produced by the different witnesses. I attended before the committee and made a statement, which was not under oath, although I offered Colonel Ralston, if he so desired, to make the statement under oath. These documents which were produced came from the files I then had with me. Whether or not the printed documents were printed from the papers taken from the file, I am not sure. It was in the Prime Minister's office. I did not myself superintend the removal of my papers, but I am told that since there has been the office of the Prime Minister, the papers taken when I removed from office, were the same as taken by my predecessor. The present Prime Minister has said that that is so, so far as the removal of his own papers is concerned.

In so far as this matter is concerned, if any hon. member is interested and will look at page 12 he will find an index of all the letters to which reference is made, and they are printed in the report of the committee on banking and commerce. I have no control over the letters which were in the possession of the addressees. Presumably they are still in the possession of the addressees. But copies were produced so far as those letters are concerned. The suggestion that papers had been destroyed, hidden or taken away is negatived by the evidence to which I have made reference.

The hon. member to whom I have referred was permitted to make certain statements. Therefore I have found it necessary at least to direct attention to them, and if necessary I shall read the letters, to show that they are upon record, including the original orders in council. I explained at length in the testimony that was given that the pieces of paper which were used in the preparation of the final documents were not kept, and in accordance with the usual course of business men, in confirming figures the telephone was used.

There is only one further point to which I wish to refer, and that is the suggestion that anything wrong has been done. If it

is the desire of any hon. member to lay a charge, I shall meet it. I shall always meet gladly any charge of any kind, touching my integrity, my probity or my sense of decency in connection with the documents with which I have to deal. If the minister has the same good fortune with respect to all the guarantees he gives as the late government had with respect to this guarantee I shall indeed be happy, for the $60,000,000 guaranteed to be paid within five years has been paid in full in three years, and the suggestion that the payment had anything to do with the observations made in this chamber is as wildly extravagant, untruthful and unwarranted as it is possible for any statement to be. For the underwriting in connection with the retirement of the final balance of the $60,000,000, as every hon. member who knows anything about the business must know, was arranged long before the matter was ever mentioned in this chamber.

In fairness to everyone connected with the late government and everyone who had to do with this transaction which was initiated under the circumstances disclosed in the evidence of the president of the Bank of Montreal, Sir Edward Beatty and myself, and closely examined by very eminent counsel, and having regard especially to the language used, I pointed out that there seemed to be a habit or a desire to make it appear that something was not as it should be on the part of many people. And so I said: "If anything further is desired to be said by any member of this committee, say it now, and do not say it after I am gone." I fully understood that was a very unusual course indeed for a Prime Minister to take, but I took it because of the circumstances to which I have alluded.

I make this statement because I think it is very important that there should be no misunderstanding with respect to the matter. The words will be found at page 209:

> Now gentlemen, do not be the least hesitant in asking me any questions, because I do not want you to go away and say that I have endeavoured to escape answering, so don't be hesitant, please.

And there being no further questions, I retired.

Mr. POULIOT: I shall read the questions and answers I received from this government. I shall not insist on what was said the other day; I shall go on with what is left, and it will be very short. There was a sitting of the council on May 31, 1933, the date the letter was signed by the then Prime Minister, although no order in council was passed on that date. A sitting of the council also took place on August 31, 1933, the date when the then acting Prime Minister, the hon. member for Argenteuil, corresponded with the Bank of Montreal and sent them a draft of an order in council, but no order in council was passed. This is on record in sessional paper 171P. Therefore, when the then Prime Minister and when the then acting Prime Minister corresponded with the banks there were sittings of the council, and they did not proceed with orders in council. This is one point.

Then in connection with the same day, August 31, 1933, this question was asked:

> 1. On August 31, 1933, was the then acting Prime Minister, the Right Hon. Sir George H. Perley, also acting Minister of Finance and Railways and Canals?
> 2. If not, who were the minister or ministers for those departments on that date

In reply it is stated that Sir George Perley was acting Minister of Finance, and the Hon. R. J. Manion, Minister of Railways and Canals.

Then I had this very curious answer as it appeared in Hansard at page 3130. The question was:

> When was the "draft of the proposed order in council regarding a loan to the Canadian Pacific Railway Company," refered to in a letter dated August 31, 1933, of the acting Prime Minister to the general manager of the Bank of Montreal (a) recommended to council; (b) prepared; (c) submitted to the council?

The answer was that it was recommended to council on November 28, 1933, prepared on November 28, 1933, and submitted to council on November 28, 1933. It was prepared and submitted to council six months after it was sent by the then acting Prime Minister to the bank.

Mr. CAHAN: Mr. Chairman, that is absolutely erroneous. The hon. member may be so ignorant of procedure in council that he may unwittingly make a mistake of that kind, but the order in council could not have been sent at the time he stated. Drafts of orders in council are prepared from time to time, and occasionally drafts of orders in council are submitted to the consideration of the third parties concerned where large financial interests are involved. But the inference which the hon. member draws is quite erroneous.

Mr. POULIOT: I shall tell the White Russian of the late soviet government that the words I used were those of the right hon. acting Prime Minister in his own letter, and if there was ignorance it is not mine. That is my only answer.

Sessional paper 171-A. Motion:

> For a copy of first recommendation to council for order in council regarding a loan

to the Canadian Pacific Railway Company, referred to in a letter dated August 31, 1933, of the acting Prime Minister to the general manager of the Bank of Montreal.

Answer by the Department of Finance:

Nothing on record in the Department of Finance within the scope of the above-mentioned order of the house.

Answer by the Prime Minister's office:

No information on files of Prime Minister's office.

Answer by the privy council office:

No information.

Session paper 171-K:

1. Was the letter dated August 31, 1933, and addressed to W. A. Bog, Esquire, general manager of the Bank of Montreal, about a "proposed order in council regarding a loan to the Canadian Pacific Railway Company,"—a copy of which has been tabled in sessional paper No. 150-E of 1934—signed by the Right Hon. Sir George H. Perley in his capacity as acting Prime Minister?
2. If so, was that letter a public and official document?
3. If so, was the "draft of the proposed order in council regarding a loan to the Canadian Pacific Railway Company" therein mentioned and attached to it, also a public and official document?
4. If so, were there original copies (a) of said letter; (b) of said draft of the proposed order in council always kept on file in the Prime Minister's office?
5. If not, why?

Answer from the office of the Prime Minister:

No information on the files of this office.

Sessional paper 171-N, June 12:

1. According to the record, was the "draft of the proposed order in council regarding a loan to the Canadian Pacific Railway Company and forwarded by the acting Prime Minister to the general manager of the Bank of Montreal on August 31, 1933," submitted to the privy council before being sent outside of Ottawa?

Answer from the privy council, Finance, and the Prime Minister's office:

No information.

Mr. CAHAN: How could there be any information? The proceedings of the privy council are confidential, and each member takes an oath not to disclose what takes place in council. Recommendations that may be made to council are often amended and changed. I have made recommendations in my official capacity to council which might be considered by council and amendments suggested, and then if they affect other outside parties, material parts would be submitted to them because orders in council are in many cases contracts of vast importance, and sometimes there are more than two parties to these contracts. But there is no order in council until it is passed by council and approved by His Excellency the Governor General, and before that is done I have repeatedly seen cases where, through a period of weeks, suggested drafts or suggested recommendations on which the order in council, as finally passed, would be based, have been made and changed. These are not matters of public record, whether records of the present government or of preceding governments.

Mr. POULIOT: Mr. Chairman, I shall answer the hon. gentleman in one word. If it was not a draft of an order in council, and by draft I mean a foetus of an order in council, let us say then that the acting Prime Minister has sent a blank cheque to the Bank of Montreal.

Sir GEORGE PERLEY: Mr. Chairman, I think all this discussion is entirely out of order, but when the hon. gentleman makes an attack on me in this way, all I can say is that this arrangement with the Bank of Montreal was made in good faith during the year 1933. The order in council was a difficult thing to draw in order to make sure that the public interests were conserved in every way possible. I think a draft recommendation to council, prepared and submitted for discussion with the banks who were interested in it, was revised and rewritten many times before it came before council to be passed as an order in council. The hon. member surely knows that very often it takes weeks preparing recommendations to council, and often many revisions and changes are made in order to get it in proper shape. But for him to suggest that there is anything improper in a draft recommendation—

Mr. POULIOT: I did not use the word "improper."

Sir GEORGE PERLEY: Well then, if that is the case, what is this all about? For the hon. member to suggest that all the draft recommendations to council are available for people to get as public documents, well, he does not understand the way in which the business of government is conducted. An order in council speaks for itself, and the question of how long it took, how many changes were made in it, how many revisions were necessary in order to put it into proper shape, is a matter which is not on record at all. It has been the custom of governments always, so far as my knowledge goes, that all these papers and drafts, changes and erasures, and so on, are not kept on public files; many of them are not kept on any files at all afterwards. So that when the hon. gentleman is

suggesting that there was anything unusual or anything strange about this proceeding he is entirely mistaken. I would ask him to make inquiries from the clerk of the privy council and find out how these things are managed, and then he will not get up in the house or in the committee when another bill is under consideration—it seems to me, Mr. Chairman, that this question is not in order anyway—and make the suggestion that anything improper was done in regard to this transaction.

Mr. POULIOT: It is most amusing, Mr. Chairman, to see the former ministers rising one after the other to give explanations. Both of them were out of order because they spoke without asking my consent. I am going to make my speech; I want to get through in a short time, and I am not to be interrupted by anyone. If we are to come to an easy understanding with regard to the word "draft," let us say as a matter of compromise that it was the kind of draft that occasioned the former ministers a cold in the head. Now I continue:

Sessional paper 171-F:

1. On what date did the general manager of the Bank of Montreal notify the Prime Minister's office that the banks had advanced $35,000,000 to the Canadian Pacific Railway Company on the guarantee of the letter signed by the Right Hon. R. B. Bennett, then Prime Minister, and dated May 31, 1933?
2. On what date was an order in council passed to rectify said guarantee given by the said Right Hon. R. B. Bennett?
3. When and where was it made public for the first time?

Answer from the privy council, and the Prime Minister's office:

No information.

Hansard, page 3349, reports this question and answer:

Mr. Pouliot:

From what department or departments, and when, did the Department of the Secretary of State receive the correspondence contained in sessional paper No. 150-E, tabled on March 19, 1934, in accordance with an order of the House of Commons, dated February 12, 1934, for a copy of all correspondence interchanged between the government of Canada, or one of any of its members, and one or any of the Canadian banks, in connection with the guarantee given by the government for the loan of $60,000,000 to the Canadian Pacific Railway?

Mr. Rinfret:

The documents contained in the return tabled in the House of Commons on the 19th March, 1934, were not received in the Department of the Secretary of State. The return was tabled by the Right Hon. R. B. Bennett, then Prime Minister.

Return 171H:

Did the statement made by the Secretary of State on June 3, 1936—

[Sir George Perley.]

That is the answer I have just read:

—(Hansard page 3349), that sessional paper No. 150-E, "a copy of all correspondence exchanged between the Canadian government and any of the Canadian banks regarding the guarantee given for the loan of $60,000,000 for the Canadian Pacific Railway," was tabled on March 19, 1934, by the Right Hon. R. B. Bennett, then Prime Minister, and not by the then Secretary of State, indicate prima facie that no other department than the Prime Minister's had exchanged correspondence in that connection with any of the Canadian banks?

Answer by the Department of the Secretary of State:

Other than the copy of the correspondence tabled 9th June, 1936, by the Honourable the Minister of Finance, being a return to an order of the house of the 3rd June, 1936, and other than copies contained in sessional paper No. 150-E, tabled 19th March, 1934, by the then Prime Minister, the Department of the Secretary of State has no knowledge of any correspondence exchanged with any of the Canadian banks on the subject mentioned.

150-D reads:

Copy (a) of the document furnished W. H. Curle, Esquire, K.C., general counsel of the Canadian Pacific Railway Company (law department) to the then Prime Minister, and which was acknowledged by the letter on November 3, 1933, according to sessional paper No. 150-D of 1934, and (b) of the letter or memorandum from the said Mr. Curle to the said then Prime Minister and to which was attached said document.

According to return 171-R of June 10, the Prime Minister's office stated that there was no information regarding this matter on the files of that office. Return 171-J dealt with the following question:

1. Referring to sessional paper No. 150-D of March 19, 1934, "copy of all correspondence between government of Canada and Canadian Pacific Railway in regard to guarantee given by the government for a loan of $60,000,000 to Canadian Pacific Railway," which contained (a) one letter from the then Prime Minister to W. H. Curle, Esquire, K.C., general counsel of the Canadian Pacific Railway, dated November 3, 1933, and (b) a "list of payments made in discharge of maturing obligations since May 31, 1933, as mentioned in letter of 28th November, 1933, from Jackson Dodds, Esquire, general manager of the Bank of Montreal, to the Right Honourable R. B. Bennett, P.C., K.C., Prime Minister of Canada," from May 31, 1933, to October 23, 1935, was there any other correspondence exchanged between the Canadian Pacific Railway Company with regard to the said guarantee?
2. If so, from whom to whom and on what dates?
3. Was that correspondence of public or confidential nature?
4. Why were the letter and list above mentioned in paragraph 1 also tabled on the same day, March 19, 1934, in another return, sessional paper No. 150-E of 1934, "a copy of all correspondence exchanged between Canadian government and any of the Canadian

banks regarding the guarantee given for the $60,000,000 loan to the Canadian Pacific Railway"?

5. Was the above mentioned list sent by Mr. Dodds to the Right Honourable R. B. Bennett apparently on November 28, 1933, to the same effect as the document acknowledged by the Right Honourable R. B. Bennett to Mr. Curle on November 3, 1933, and did it replace it in sessional paper No. 150-D of 1934?

6. Was the said return 150-D of 1934 tabled by the then Prime Minister or the then Secretary of State?

In answer to No. 6 the Secretary of State says that this was tabled by the then Prime Minister, but the office of the Prime Minister replies, "no information in the files of this office." Now I direct your attention to this most important question:

1. Referring to sessional paper No. 150-E of 1934, are the original letters, sent to the Prime Minister or the acting Prime Minister by the following gentlemen:

1. Mr. W. A. Bog, general manager of the Bank of Montreal, June 7, 1933; August 17, 1933; September 25, 1933;

2. Mr. Jackson Dodds, general manager of the Bank of Montreal, September 2, 1933; November 28, 1933; December 5, 1933;

3. Sir Charles B. Gordon, president of the Bank of Montreal, December 1, 1933,

on file in the Prime Minister's office and have they always been on file in that office since they have been received by that office?

2. Were these letters of an official or public nature?

The office of the Prime Minister replied, "no information on the files of this office."

All these original letters received by the then Prime Minister or the then acting Prime Minister are the property of the state and no one should take them away from the department concerned. The right hon. gentleman answers that it is the tradition for the Prime Minister to take his files with him. All right, I agree with him, provided that the Prime Minister minds his own business and does not interfere with other departments. If these letters had been written by the Minister of Finance they would still be there, like other letters written by the Hon. Mr. Rhodes, which I shall mention in a minute. The Prime Minister interfered with the business of other departments and these letters were taken away, either to his office or elsewhere, when they belonged to the state. No one can deny that.

Mr. CAMERON (Cape Breton): Mr. Chairman, I rise to a point of order. The bill under discussion has to do with an amendment to the Unemployment Relief and Assistance Act, 1936, and I respectfully submit that the conduct of the Prime Minister in 1934 has nothing whatever to do with either the principle or the letter of the bill under discussion. I could go a little further and say for myself that I entirely disapprove tactics of this kind.

Mr. POULIOT: Mr. Chairman, may I speak on the point of order?

The CHAIRMAN: Not until I am through. A point of order has been raised by the hon. member for Cape Breton North-Victoria (Mr. Cameron). I would remind hon. members of the committee that when this bill was before the committee, I think two days ago, the hon. member for Témiscouata (Mr. Pouliot) made some remarks. During the course of his remarks I called him to order as I thought he was out of order. The right hon. leader of the opposition (Mr. Bennett) replied to the hon. member but he had not finished. He had the right to the floor when this bill again came before the committee to-night. Section 1 of this bill reads in part:

> The governor in council may also enter into agreements with corporations, partnerships, or individuals engaged in industry respecting the expansion of industrial employment.

There was no point of order raised when the bill was before the committee the other evening.

Mr. BENNETT: Yes, there was.

The CHAIRMAN: The right hon. gentleman said that he did not think the remarks of the hon. member for Témiscouata had any bearing on this matter. I disagreed with him and read this paragraph. I am still of the opinion that this discussion, unfortunate as it may be, would come under the terms of this section. I say to the hon. member for Témiscouata that if in my judgment any of his remarks are out of order, I shall immediately call him to order. I say to him that I hope in the remainder of his remarks he will keep quite within the rules of this house.

Mr. WILTON: I should like to ask your ruling as to whether the hon. member was not out of order a few moments ago when he insultingly referred to the hon. member for St. Lawrence-St. George (Mr. Cahan) as a White Russian? I have never heard a more insulting remark in this house.

Mr. SPENCE: Why did not the Chairman hear that?

Mr. WILTON: I should like to have your ruling as to whether or not he was out of order.

The CHAIRMAN: The hon. member for Hamilton West (Mr. Wilton) should have raised his point of order at that time if he thought the speaker was out of order.

Mr. BENNETT: It is the duty of the chair to do that.

Mr. SPENCE: It was your duty to stop him.

The CHAIRMAN: Order. As I heard the remarks of the hon. member for Témiscouata, he did not apply them to any hon. member.

Mr. BENNETT: Oh, yes, he did, he named the member.

The CHAIRMAN: Not according to the way I heard it. Had he applied his remarks to any hon. member I would have immediately called him to order.

Mr. WILTON: May I explain—

Mr. POULIOT: I rise to a point of order.

The CHAIRMAN: The hon. member for Hamilton West has the floor if he is rising to another point of order.

Mr. WILTON: On another point of order. What I want to point out is that at the time the remark was made it was made in reply to a remark of the hon. member for St. Lawrence-St. George. After that hon. member had spoken, the hon. member for Témiscouata (Mr. Pouliot) directed his remark to the hon. member for St. Lawrence-St. George.

Some hon. MEMBERS: Order.

The CHAIRMAN: That is not a point of order.

Mr. POULIOT: I suggest to the hon. member for Hamilton West that he read the rules of the house, first learning to read.

Mr. SPENCE: The hon. member should try to get some manners.

An hon. MEMBER: What is the limit in this house?

Mr. POULIOT: I have regard for the rules of the house, but whenever I say anything it hurts and we hear others—

The CHAIRMAN: Order. Will the hon. member take his seat.

Mr. POULIOT: Yes, sir.

The CHAIRMAN: I quote standing order 41, concerning decorum in debate:

> No member shall speak disrespectfully of His Majesty, nor of any of the royal family; nor of the governor or person administering the government of Canada; nor use offensive words against either house, or against any member thereof. No member may reflect upon any vote of the house, except for the purpose of moving that such vote be rescinded.

I direct the hon. member's attention particularly to these words:

> —nor use offensive words against either house, or against any member thereof.

I would ask him to withdraw the last remark he made just prior to my reading this rule.

[Mr. Spence.]

Mr. POULIOT: Surely, I shall withdraw anything that is not in accordance with the rules of the house, and may I say it is not my remarks that may hurt some members; it is the truth.

Mr. CAHAN: On a point of privilege. The hon. member, as nearly as I could understand him, replied that what he said was true even though objection was taken to it. I say to you, Mr. Chairman, that the attitude and the conduct of the hon. gentleman, proceeding from day to day, are such that hon. members, in order to vindicate their personal integrity, will have to exercise their rights by force outside the chamber. If the hon. gentleman is to continue to make his insinuations against the moral character and the integrity of members of the former administration, I certainly say here and now that I would rather leave this chamber forever than submit to the personal taunts and the inaccurate statements of the hon. member for Témiscouata. It has come to the stage that, if he is to proceed in this manner, members can no longer tolerate it, and members will not tolerate it even if they have to resort to physical force.

Mr. POULIOT: Sir, I fear only God, and the hon. member for St. Lawrence-St. George has been dreaming. I say that he has had a nightmare.

171-S. Copy of all correspondence exchanged between the then Prime Minister or the then acting Prime Minister, on one hand, and any bank, banker, railway company or railway officer or official, from December 5, 1933, to October 23, 1935, inclusive, with regard to the dominion guarantee of the C.P.R. loan.

The answer from the Prime Minister's office is, "no information regarding this matter on the files of this office." The list mentioned by the leader of the opposition was published in the report of 1934. What happened to the correspondence which was exchanged between the previous government and the banks and the Canadian Pacific Railway from the time of the sittings of that committee to the time the hon. gentleman left office? Nothing is on record. It is hard to find a list of that correspondence in the book printed a year and a half before the hon. gentleman left office. And now I come to another point; I shall be brief—

Some hon. MEMBERS: Hear, hear.

Mr. POULIOT: —and to the point. This is return 171-Q. It is a direct answer to what the leader of the opposition has just said, that the matter was decided on a long time ago and that the Canadian Pacific Railway

was to refund that money. Possibly it may have been a long time ago, the same as the negotiations with the United States. But when I asked the leader of the opposition whether there had been any draft treaty with the United States under his administration his reply was, nothing of the sort, and nothing of the sort with regard to the complete refunding of the Canadian Pacific Railway loan by the bank and the guarantee by the dominion. This return, 171-Q, June 12, 1936, is as follows:

1. On June 20, 1934, was the Right Hon. R. B. Bennett, then Prime Minister, also acting Minister of Finance and acting Minister of Labour?

The answer is no.

2. If not, who were the minister or the ministers for those departments on that date?

The answer is, the Hon. Mr. Rhodes, Minister of Finance, and the Hon. Mr. Gordon, Minister of Labour.

3. On the same date, did the said Right Hon. R. B. Bennett submit a memorandum to His Excellency the Governor General in Council to recommend that consent be given on behalf of the dominion government to the surrender to the C.P.R. by the banks of one-fifth in the amount of the perpetual consolidated debenture stock of the railway company so held as security by such bank?

The answer is yes.

4. If so, by whom was it signed and on behalf of whom?

The answer is: "Signed by R.B.B. as Prime Minister, and for the Minister of Labour and Minister of Finance." The leader of the opposition was not signing that memorandum in his own capacity; he was signing it also for his colleagues, the Minister of Finance and the Minister of Labour.

5. In the latter case, did the person who signed it have any authority to sign it on behalf of others?
6. If so, what was such authority?

The answer was: "Among the special prerogatives of the Prime Minister is that of making recommendations in any department of the government." That is true; but on the other hand, how is it that the Prime Minister is often appointed acting minister of other departments? The right hon. gentleman, now leader of the opposition, has been at the same time acting Minister of Labour and acting Minister of Finance.

Sir GEORGE PERLEY: No.

Mr. POULIOT: It was in the first special session and he was representing Senator Robertson, who was in the senate; he was at the same time Minister of Finance for more than a year; and I told him in this house that it was the first time the same man was representing capital and labour. He must remember that now, though he said no. His memory is not good; he means well but here his memory is all wrong.

7. Are ministers of the crown allowed to give powers of attorney to any one of their colleagues to act on their behalf in their official capacity as ministers of the crown?

The answer is no.

8. If so, what is the form of such powers of attorney and before whom are they passed?

The same answer, no.

9. Were there any powers of attorney attached to said memorandum?

The answer is no.

10. If so, from whom, to whom, and before whom were they passed?

The same answer, no.

11. Are there any initials on the first page of the said memorandum?

The answer is, yes.

12. If so, what are they and what do they mean?

I asked the hon. gentleman if his letter of May 31, 1933, was initialled by his colleagues. This memorandum bears a signature which is just as good as Stalin's or Mussolini's or other dictators. It is "R.B.B." on the first page of the memorandum.

Mr. BENNETT: Is that parliamentary, Mr. Chairman?

The CHAIRMAN: No; it is not parliamentary and I ask the hon. member to withdraw it. It is offensive.

Mr. POULIOT: Anything offensive I withdraw.

Mr. BAKER: Why keep on doing it?

The CHAIRMAN: The hon. member must withdraw the words which I have ruled are offensive in reference to the leader of the opposition.

Mr. POULIOT: Sir, I abide by your ruling; I cannot do any better. I have forgotten what I said; I cannot repeat the words. I spoke very fast. But I abide by your ruling entirely.

The CHAIRMAN: That is not sufficient; I say to the hon. member that he must withdraw his words.

Mr. POULIOT: If your honour will be kind enough to tell me what I must withdraw I shall withdraw it at once.

The CHAIRMAN: The comparison to dictators. My hon. friend from Témiscouata

knows very well what he said, and he can facilitate the work of the committee if he will keep within the rules and withdraw the remark unqualifiedly.

Mr. POULIOT: I accept your ruling and I withdraw anything not in accordance with the rules of the house.

13. Does it appear on the face of the said memorandum that it has been approved?

The answer is yes.

14. If so, by whom?

The answer given by the government is, "By the Right Hon. R. B. Bennett." This is the answer given by the government.

15. Was there in the form of agreement between the crown and the banks contained in P.C. 2490 of November 28, 1933, any provision to the same effect as the recommendation to council above mentioned in paragraph 3?

That is, with regard to the refunding. This is clear. The right hon. gentleman has said that it has been there for many years. The answer from the government is "no," and the fact is no. Nothing with regard to the refunding. Imagine those business men; they were giving a guarantee on behalf of Canada for a very large amount of money, and according to the answer given by the government, there was no provision for the refunding of it.

16. Did the House of Commons sit on June 20, 1934?

The answer is, "yes." We heard nothing of that, although we were sitting in the House of Commons on that date.

17. On what exact date did the then Prime Minister notify the railway company and the banks that such recommendation had been thus approved?

The answer is, "No information."

18. When was an order in council passed to ratify such recommendation?

Answer, "20th June, 1934." The order in council was passed the same day, but the House of Commons was not notified.

19. When and where was first public notice given of such order in council?

The reply was, "No information." And then a motion:

Copy of all correspondence between the Minister of Railways and Canals, from May 31, 1933, to October 23, 1935, and one or any of the Canadian banks or any railway company, in connection with the guarantee given by the government for the $60,000,000 loan to the Canadian Pacific Railway.

No. 171-D, answer of the Department of Railways and Canals: "No record in this department of any such correspondence."

[The Chairman.]

Now we take the Department of Finance, 171-C:

Copy of all correspondence between the Minister of Finance, from May 31, 1933, to October 23, 1935, and one or any of the Canadian banks or any railway company, in connection with the guarantee given by the government for the $60,000,000 loan to the Canadian Pacific Railway.

171-C. The only letters now on file in the Department of Finance with regard to this $60,000,000 loan until the last government left office are: First, letter from Sir Charles Gordon to Mr. Rhodes, December 9, 1933, sending eight agreements executed in duplicate by the eight banks; second, from Mr. Rhodes to Sir Charles Gordon, December 11, 1933, returning one copy each of the eight agreements which he had executed in duplicate; third, from the same to the same, December 12, 1933; fourth, acknowledgment by Sir Charles Gordon, December 13, 1935.

I tell the right hon. leader of the opposition that, if he had acted in the same fashion as the hon. Minister of Finance did, the letters that were written prior to that would be still on file in the Department of Finance.

Mark you, sir;

In the minutes and records of the privy council, did the signatures of the Honourable E. N. Rhodes, then Minister of Finance, and of the Honourable W. A. Gordon, then Minister of Labour, appear for the first time in matters pertaining to the dominion guarantee of the $60,000,000 C.P.R. loan in memorandum of November 28, 1933, to His Excellency the Governor General in Council, for P.C. 2490?

The answer of the privy council is, in return 171-0 of June 12: "Yes." It was the first time that the signature of the hon. Minister of Finance and the hon. Minister of Labour appeared with regard to that transaction.

Now, sir, there is only one matter left. It is with regard to the refunding of the whole thing. The right hon. leader of the opposition has spoken of "wildly extravagant statements" which were not warranted when I said that it was three days after the Canadian Pacific Railway loan was mentioned in the House of Commons by the member for Témiscouata that the whole amount, which was not then due, was paid by the Canadian Pacific Railway. I hope the right hon. leader of the opposition will open his ear and listen to this. It is on Hansard, June 10:

1. Did order in council P.C. 2490 of November 29, 1933, provide for any date of maturity for the repayment of the whole or any part of the $60,000,000 Canadian Pacific Railway loan which was guaranteed by the dominion government?

Answer: "Yes."

2. If so, what payment was to be made at each date of maturity?

Answer: "$35,000,000 due June 22, 1938, and $25,000,000 due December 1, 1938."

3. Was another arrangement in that connection made on June 20, 1934?

Answer: "Payment was made prior to the maturity dates referred to."

4. If so, what was it?

Answer: "Answered by 3."

5. What payments were made by the Canadian Pacific Railway to the banks (a) on the capital, and (b) on the interest; (1) in 1934, and (2) in 1935?

Answer: "(a) 1934—$12,000,000; 1935—none." It is surprising, because the right hon. gentleman was saying that all the time they mentioned the refunding of that loan, and while $12,000,000, one-fifth of the amount, was paid in 1934, there was nothing, according to the record, paid in 1935, the last year he was Prime Minister. The second question was answered: "No record."

6. Did the president of the Canadian Pacific Railway Company advise the Minister of Finance this year that arrangements had been made to pay off the balance of $36,000,000 on May 1, 1936?

Answer: "Yes." According to what the right hon. gentleman has said, the answer should have been "No."

7. If so, on what date?

Answer: "April 27, 1936." Exactly what I have said. It means that the date the Canadian Pacific Railway loan was mentioned in this house was the very same day the president of that company notified the government that the amount which was due, and even that part which had not yet matured, were to be paid three days later, on May 1. The last question was:

8. Was the Minister of Finance advised by the chartered banks that the principal amount of the loan together with interest thereon, had been paid on May 1st?

Answer: "Yes."

I shall say no more than that. The case is just as complete as it can be. The first time that the signatures of the hon. Minister of Finance and the hon. Minister of Labour appear is on November 28, 1933, on the memorandum, in spite of the fact that the letter of guarantee was given six months before, on May 31, 1933. Not only that. There are three or four letters in the Department of Finance which were written afterwards by the then Minister of Finance; there is no correspondence in the meantime except from the then acting Prime Minister and the Prime Minister himself.

I suffered so much some years ago, when I was called twice to order because I had said to the then Minister of Marine that public letters should not be changed into confidential letters, that I am very much surprised that the hon. member for Calgary West, who made so much fuss about the matter at the time, assumed on his own responsibility to take away with him letters that belonged to the state with regard to a guarantee of $60,000,000. That is all, sir.

Mr. CAHAN: Mr. Chairman, we of this side of the house and all those who form the official opposition have always accepted your rulings, I think, with very great respect indeed. Bill No. 100, which we are now discussing, does in one clause refer to agreements with corporations, but I call your attention to the fact that it says:

> The governor in council may also enter into agreements with corporations, partnerships, or individuals engaged in industry respecting the expansion of industrial employment.

We all know that the guarantee given to the Canadian Pacific Railway had nothing to do with a guarantee respecting the expansion of industrial employment. With that before my eyes, I nevertheless accepted your ruling and did not attempt to appeal therefrom. But I do say this—and I call your attention to it as the chairman of committees and the deputy speaker of this house—that recently certain questionable interjections in this house have become intolerable.

With respect to these questions that have been asked repeatedly with regard to the Canadian Pacific guarantee, every member of this house and every member of the present government who has knowledge of the facts knows that the guarantee was made in good faith; that it was absolutely above suspicion and that the liability has been repaid so that the treasury has not lost a single dollar on that account. I do not know exactly, but it may be and I believe was the case that there was confidential correspondence for a certain period relating to the proposed arrangements to be made with the banks, several of whom were concerned with this guarantee in favour of the Canadian Pacific Railway. Confidential correspondence was carried on for a time with regard to these matters. But when official action was to be taken, a representation would be made by way of recommendation to His Excellency the Governor in Council, and on that recommendation an order in council would be framed and passed. The

order in council which was so framed and passed is the official document completing the transaction, and the hon. member has no right to call for the confidential communications from day to day in which the final basis of the agreement was developed. I venture to say to the Minister of Finance that even since he came into office this time, and certainly when he was in office before, he had necessarily to have confidential correspondence with many persons interested in public affairs before he finally made his recommendations to council dealing with those matters which were definitely embodied in orders of His Excellency the Governor in Council.

Furthermore, Mr. Chairman, if the Prime Minister were here to-night I am sure he would concede that under an order in council which is passed at the inception of each successive administration the Prime Minister, by order of his colleagues, is given certain exceptional prerogative rights.

Mr. BENNETT: Attached to his commission.

Mr. DUNNING: That is so.

Mr. CAHAN: And for sixty years or more that order in council has been regarded as confidential. That order in council has never been brought down in this house, but it is an order in council passed by each government on assuming office, giving more or less in detail a statement of the rights and prerogative privileges which the Prime Minister's colleagues confer upon him. More than that, on one occasion I traced back each successive order in council, I think away back to the time of Sir John A. Macdonald, in order to ascertain certain facts which were important with respect to government action at that time. Each administration, with the exception of a slight difference in wording from time to time as new conditions arose, has followed exactly the same form in respect of that order in council. The Prime Minister, or whoever replied to the hon. gentleman, indicated to him that there was an order in council outstanding, the order in council constituting the Bennett administration, if I may so call it, which authorized the right hon. leader of the government of that day to act on behalf and in the name of his colleagues. It is impossible to carry on government unless some person has such authority in case of the temporary absence of some member of the government. That practice has continued to this day, and I suggest that it is quite improper to take from it any undue inference such as has been drawn by the hon. member for Témiscouata to-night.

[Mr. Cahan.]

Further, Mr. Chairman, I do say that I wish you, as chairman, would again consider and review these proceedings of to-night. I accepted your ruling. I did not appeal from it; I thought it better that we should have this tempest now than at another time. But such proceedings render the position of members of this house utterly intolerable, because they surpass the ordinary decencies of debate. When one becomes a member of this house we assume that he will conform to the ordinary dictates of decency and that he will act in a gentlemanly way, and it is with that in mind—

Mr. POULIOT: I rise to a question of privilege. I strongly object to the language of the hon. member for St. Lawrence-St. George. He is abusing his privileges as a member; he is abusing me, and therefore as a member of this house I strongly protest. The hon. gentleman is also imputing to me motives I never had and language I never used.

Mr. CAHAN: Well, Mr. Chairman, I have only a few more words to add. We rely upon each other, that each will conduct himself as a gentleman in this house. That rule, when observed, ensures pleasant and amicable relations between members not only in the house but outside it. If any member is permitted to abuse our privileges, as I suggest the privileges of members have been abused by the hon. member for Témiscouata to-night, the result will be that members will reluctantly refuse to take part in debates in this house when the hon. member for Témiscouata is present, in order to protect themselves against vehement accusations of the nature which the hon. gentleman brings against other members. Or else we, as individual members, upon leaving this house, will have to resort to physical force in order to compel the hon. gentleman, when he is in the presence of other hon. gentlemen, to respect himself and to respect others with whom he comes into contact.

Mr. MACKENZIE (Vancouver): I have an amendment to section 1, Mr. Chairman, which I move now in order that it may be printed for the next sitting of the committee.

Mr. POULIOT: I strongly protest against the imputations and insinuations of the hon. member for St. Lawrence-St. George, as much a gentleman as he is.

The CHAIRMAN: Order. The amendment moved by the Minister of National Defence is that section 1 be amended by adding after the word "act" in line 20 the following:

as well as the amount for which the province may be obligated by way of loan in con-

nection with the cost of any undertaking for which commitments were made under the Relief Act, 1935, and which may be continued under agreements entered into under authority of this act.

Mr. CHURCH: I do not want to delay the committee for more than two or three minutes, but I should like to speak to something that is relevant to the issue, in regard to agreements between the provinces and the corporations. I am not here to defend what was done by the previous government—

Mr. DUNNING: I wonder if the hon. member would permit me to interrupt for a moment. It is desired to move the committee up in order that a formal motion may be made before eleven o'clock, if my hon. friend would permit that to be done.

Mr. CHURCH: Very well.

Amendment agreed to.

Section as amended stands.

Progress reported.

SUPPLEMENTARY ESTIMATES, 1936-37

A message from His Excellency the Governor General transmitting further supplementary estimates for the financial year ending March 31, 1937, was presented by the Hon. Charles A. Dunning (Minister of Finance), read by Mr. Speaker to the house, and referred to the committee of supply.

ADJOURNMENT—BUSINESS OF THE HOUSE

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, some days ago I gave an undertaking that on or not later than Thursday I would move that the house go into committee of supply in order that we might take up an item which has been reserved in the estimates of the Department of External Affairs, namely the item relating to Geneva, so that we might have a discussion on foreign affairs. I think it would perhaps serve a useful purpose if, at the outset, the discussion took place in a formal way, and if the debate were to be carried for a time at least with His Honour the Speaker in the chair. Subsequently we could go into committee for any detailed information hon. members may wish to have. If hon. members are agreeable to proceeding in that way I would ask for unanimous consent to move that the provision of standing order 28, respecting committee of supply, be suspended for Thursday, June 18 instant, the reason being that on Thursdays Mr. Speaker leaves the chair without question being put. If the motion is carried I would propose to-morrow, before Mr. Speaker leaves the chair, to make a statement of the government's position on matters of external affairs in which I believe hon. members are immediately interested, and we might proceed then with the debate in a formal manner. When the debate has continued for such time as hon. members may deem sufficient, the house could then go into committee and proceed to further discussion by question and answer. I think that procedure would probably prove to be in the interest of all, but my right hon. friend the leader of the opposition may have a different view about it. If so, I should be glad before putting the motion to hear what he has to say.

Right Hon. R. B. BENNETT (Leader of the Opposition): I am bound to say that I do entertain a different view. A motion to go into supply is not made to-morrow, and to suspend that rule for one particular purpose would be wholly improper, in my judgment, and certainly could be done only with the unanimous consent of the house. No notice being given of any such intention, inasmuch as it is an estimate for Geneva that is under consideration, the proper place for its consideration is in committee of supply when the chairman of committees is in the chair. I am sorry I do not see it as the right hon. gentleman has mentioned, but I conceive the proper manner to deal with it is the manner I have indicated, and not in the manner he has suggested.

Mr. MACKENZIE KING: Of course that settles the matter.

Mr. BENNETT: It is a difference of opinion; that is all.

Mr. MACKENZIE KING: It requires unanimous consent. I had thought that by following the course I have suggested our discussion, having regard to the importance of the matters likely to be discussed, might be carried on in a more dignified and befitting manner than would otherwise be possible. However, I shall carry out the undertaking given, namely that to-morrow we would proceed in committee of supply with the consideration of the item concerning Geneva, at which time matters relating to external affairs may be discussed.

The government will be prepared to consider morning sittings any time hon. members may feel they would care to have them begin. But in this I do not wish to suggest a course which would not be wholly acceptable to my right hon. friend the leader of the opposition or to any other hon. members of the house.

Therefore I shall leave it to the whips to indicate to the government what appear to be the wishes of hon. members in the matter.

Mr. BENNETT: Whatever the Prime Minister may consider most advisable in the public interest, I am quite prepared to meet, in that regard.

Mr. MACKENZIE KING: Thank you.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Thursday, June 18, 1936

The house met at three o'clock.

AGRICULTURE AND COLONIZATION

Fourth report of the standing committee on agriculture and colonization.—Mr. Weir.

BUSINESS OF THE HOUSE

MORNING AND SATURDAY SITTINGS

On the order for motions:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, hon. members may have noticed that in the votes and proceedings of yesterday I gave notice of the following motion:

That on Friday, the 19th instant, on Saturday, the 20th instant, and every sitting day and Saturday thereafter until the end of the session, the house shall meet at eleven o'clock in the morning, and that in addition to the usual intermission at six o'clock p.m., there shall be an intermission every day from one to three o'clock p.m., and the order of business and procedure shall be the same on Saturday as on Friday.

I handed this notice to the clerk last evening, having had a word with the chief whip who in the interval had seen the whips of the other parties. I understand that the motion expresses the general view of hon. members. Such being the case, I would ask for unanimous consent for the adoption of the motion so that the order of procedure for tomorrow and Saturday may immediately be known.

Mr. A. A. HEAPS (Winnipeg North): Mr. Speaker, before the motion is put I should like to say a word or two with regard to the sittings of the house. For some time I have been thinking about this matter and it has occurred to me that we might change the hours during which the house sits. In Great Britain the house sits continuously from four o'clock on, and I was wondering if the Prime Minister or the government would consent to having a committee appointed next session to study this question and perhaps any rules which need revision. If the house would sit continuously from two o'clock until seven, it would mean five hours a day or twenty-five hours a week as against the twenty-seven hours a week that we now sit. I think we would actually get through our work more expeditiously than we do by sitting from three o'clock to six, and from eight o'clock to eleven.

Mr. MACKENZIE KING: May I say to my hon. friend that the government will be pleased to consider the suggestion he has made. If when the house resumes at a subsequent session it is the wish of hon. members that a committee be appointed to consider this and allied matters, there will be every disposition on the part of the government to grant the request.

Motion agreed to.

FREE FOREIGN TRADE ZONES

On the order:

First reading of Senate Bills—Bill No. 108 (Letter E2 of the Senate), intituled: "An Act to enable the establishment, operation and maintenance of free foreign trade zones."

Hon. H. H. STEVENS (Kootenay East): I understand that the hon. member who was to move this bill, or rather to sponsor it, is not here. I should be glad to move the first reading of it.

Mr. SPEAKER: Mr. Stevens moves that Bill No. 108, to enable the establishment, operation and maintenance of free foreign trade zones, be read the first time.

Mr. MACKENZIE KING: Explain.

Mr. STEVENS: The bill, as will be seen, originated in the senate. It provides for the establishment, operation and maintenance of free foreign trade zones, or what is known as the free port zone. It is not proper at this time to go into any lengthy explanation, but briefly it provides merely for the issuing by the government of a licence for the establishment of such a free port zone in any port in Canada. The bill does not come into operation except on proclamation, nor does it involve in any sense a charge upon the treasury.

Motion agreed to and bill read the first time.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

STANDING COMMITTEES

Mr. NEILL:

1. How many of the select standing committees of the House of Commons have met this session and discussed matters within their jurisdiction?

2. How many of the said committees have not functioned this session?

3. What are the names of such committees, and the reason in each case?

Mr. MACKENZIE KING:

1. Ten.

2. Three.

3. Marine and fisheries, mines, forests and waters, and public accounts. No matters referred to them.

PORT CREDIT, ONT., HARBOUR IMPROVEMENT

Mr. GRAYDON:

1. Was the property at the mouth of the Credit river, Peel county, Ontario, purchased for harbour improvement purposes, and, if so, when?

2. What sums of money have been spent in each succeeding year since the date of the said purchase, for dredging and other purposes in the harbour at Port Credit?

3. What amount was voted by the last government for harbour improvements at Port Credit in the year 1935?

4. Is any work on the said harbour improvements contemplated in the year 1936?

5. If so, how much money will be spent on the said improvements this year?

Mr. CARDIN:

1. Purchased in June, 1913, for public harbour purposes.

2.

Fiscal year	Expenditure
1914-15	$ 184 60—repairs, etc.
1915-16	254 00—repairs, etc.
1916-17 to 1924-25	Nil
1925-26	6,937 17—dredging
1926-27 to 1929-30	Nil
1930-31	2,500 00—removal of old wrecks from harbour
1931-32 and 1932-33	Nil
1933-34	2,306 12—dredging
1934-35	58 80—survey of harbour
1935-36	872 08—survey of harbour

3. $20,000.

4. No.

5. Answered by No. 4.

OLD AGE PENSIONS—SASKATCHEWAN

Mr. COLDWELL:

1. How many persons are in receipt of old age pensions in the province of Saskatchewan?

2. What is the maximum amount of the allowance paid in the province of Saskatchewan?

3. How many pensioners receive this maximum amount, and how many persons receive the maximum?

4. How many new pensioners were placed upon this maximum in 1933, 1934 and 1935?

5. What is the average pension paid to all old age pensioners in the province of Saskatchewan?

Mr. DUNNING:

1. 10,706.

2. $20 a month.

3. 4,201.

4. Fiscal year 1934-35—689.
1935-36—837.

Includes new pensions granted, pensions increased to maximum and transfers from other provinces. Information not available at Ottawa for the fiscal year 1933-34.

5. $16.43 a month.

DOMINION HOUSING ACT

Mr. DOUGLAS:

1. How many loans have been approved to date under the Dominion Housing Act of 1935 (a) by provinces; (b) totals?

2. What is the total amount of such loans approved (a) in provinces; (b) total?

3. How many loans have been approved for all of Canada (a) in urban centres; (b) suburban areas; (c) rural areas?

Mr. DUNNING:

1. (a):

Ontario	136
Quebec	110
Nova Scotia	10
Prince Edward Island	2
Manitoba	2
British Columbia	2

(b) 262.

2. (a):

Ontario	$848,015
Quebec	953,676
Nova Scotia	46,788
Prince Edward Island	7,500
Manitoba	14,600
British Columbia	6,050

(b) $1,876,629.

3. Loans have been made in what might be termed urban or suburban areas. No specific classification is made.

S.S. MARMAT

Mr. STEVENS:

1. Is there a boat in the government service in the maritimes known as the Marmat?

2. If so, is it a government owned vessel, or is it leased?

3. If leased, who are the owners?

4. When was the lease entered into, and what is the term of such lease?

5. What rental is paid for the boat?

6. What was the date of construction of the boat?

7. What was its approximate cost?

Mr. MICHAUD:

1. Yes.
2. Leased.
3. McKenzie, Irish and McDonald of Pictou, Nova Scotia.
4. 1934, for period of that year patrol required and yearly since on same basis.
5. At rate of $300 per month.
6. 1934.
7. Information not available.

QUESTION PASSED AS ORDER FOR RETURN

DEPARTMENTS OF DEFENCE AND LABOUR—STAFF

Mr. COLDWELL:

1. Is one Captain Talbot, formerly of Victoria, British Columbia, in the employ of either the Department of National Defence or the Department of Labour?
2. If so, when was he appointed, what are his duties, what is his salary, was he on the payroll of the Department of Labour in 1935 or 1934, and, if so, in what capacity and at what salary?
3. Is J. Hincks, of Victoria, in the employ of the Department of Labour or Defence?
4. If so, what position does he hold, at what salary, what other allowances does he receive, if any, by whom was he appointed, and who recommended him for such appointment?
5. Is J. Pomeroy, of Victoria, in the employ of the Department of Labour or Defence?
6. If so, what position does he hold, at what salary, what other allowances, if any, does he receive, by whom was he appointed, and who recommended him for such appointment?

CANADIAN FARM LOAN ACT

On the orders of the day:

Mr. ROBERT FAIR (Battle River): I should like to ask the Minister of Finance (Mr. Dunning) whether it is the intention of the government to amend the Canadian Farm Loan Board Act in such a way that borrowers who have paid interest on shares of the capital stock of the board from which they have received no benefit would be credited with the amount of such interest, as these shares were retired last year; also whether the government intends to retire the original loan to the Canadian farm loan board and to borrow at a lower rate of interest. By way of explanation—

Some hon. MEMBERS: Order.

Hon. CHARLES A. DUNNING (Minister of Finance): My hon. friend was good enough to intimate that he was going to ask the question. With regard to the first part of it, it is of course a matter of government policy and cannot be indicated in advance. With respect to the second part I may assure him that the matter is now under consideration and study.

[Mr. Stevens.]

INQUIRY FOR RETURN

DEPARTMENT OF NATIONAL REVENUE—CUSTOMS BULLETIN

On the orders of the day:

Hon. H. H. STEVENS (East Kootenay): I wish to ask the Minister of National Revenue (Mr. Ilsley) a question. Some weeks ago an order of the house was passed calling for the production of copies of certain bulletins issued. May I ask the minister whether it is possible to have that return brought down soon?

Hon. J. L. ILSLEY (Minister of National Revenue): I shall make inquiries and attempt to expedite the bringing down of the return.

SOCKEYE SALMON TREATY

On the orders of the day:

Mr. C. G. MacNEIL (Vancouver North): I wish to repeat the question I directed to the government yesterday as to the present status of the Fraser river sockeye salmon treaty, in view of the announcement of ratification by the United States senate.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I have in my hand the answer which I was going to read. I tried once or twice to rise so as to anticipate my hon. friend's question. The question he asked was:

> What is the present status of the Fraser river sockeye salmon treaty, in view of the announcement in to-day's press of ratification in the United States senate?

The answer is: The sockeye salmon convention, the second attempt to ensure the preservation of this important branch of the fishing industry, was signed in 1930 and approved by the Canadian parliament in the same year. Differences of opinion in the state of Washington prevented action by the United States until this year. This week it has been approved by the senate, subject to three reservations. The first of these reservations, providing that the commission is not to authorize fishing gear contrary to Canadian or state of Washington laws, presents no difficulty; the convention does not grant such power. The third, providing for an advisory committee of five from each country, representative of the various branches of the industry, is also quite consistent with the purpose of the convention. The second reservation, however, providing that the commission will not put into effect any order or regulation before its investigations have covered two cycles of salmon runs, or eight years, raises serious difficulty. It was of course understood that thorough investigation would precede any regulation of the actual

fishing operations, but there is, in the opinion of those qualified to judge, no ground for anticipating that this would require anything like eight years, or more than half the fifteen years for which the convention runs. We therefore propose to discuss this question with the United States authorities, in the hope that some satisfactory solution of this point can be found and made effective next year

PRIVILEGE—MR. POULIOT

On the orders of the day:

Mr. JEAN-FRANCOIS POULIOT (Témiscouata): As a matter of personal explanation, may I say that one knows that "White Russians" are those who fought under General Wrangel in Russia. They fought the Bolsheviks; therefore "White Russian" is synonymous with anti-bolshevist.

BANK OF CANADA

MAJORITY CONTROL BY GOVERNMENT OF CAPITAL STOCK AND BOARD OF DIRECTORS

The house resumed, from Wednesday, June 17, consideration of the motion of Hon. Mr. Dunning for the third reading of Bill No. 82, to amend the Bank of Canada Act.

Hon. C. H. CAHAN (St. Lawrence-St. George): Those who listened yesterday to the eloquent speech of the Prime Minister (Mr. Mackenzie King), which was addressed I assume to his supporters in this house and to a great extent to his supporters in the country, must have felt the impress, as I often do in listening to him, of the strength of his emotional appeal. In fact, I could imagine, as he lay such stress upon the privately owned and privately controlled bank and sounded the changes upon it, as shown by the extracts from his speeches which he read, that he must have impressed particularly the people of the western country with the idea that the previous government had created a monster of such frightful mien as, described without being seen, was sufficient to create an intense hatred of the whole institution. Perhaps I might read one or two clauses of the report of the royal commission on banking and currency. First, at section 218 the commission reported:

> It is essential for the full and satisfactory working of a central bank, that it should have the sole right of issue of legal tender notes; it is essential that the central bank, as the financial adviser of the government, should in due course hold the various government accounts and carry out, on behalf of the government, all major financial transactions.

The royal commission emphasized the fact that the bank proposed to be created should be the financial adviser of the government. It was not suggested that the bank should control government policy; and as I proceed I think I may prove quite conclusively that the bank as created at present does not control or purport to control government policy in any large matters affecting the monetary interests of the country. At section 219 the commission reported:

> The functions discharged by a central bank being of such vital importance to the economic and financial life of a country, it is perhaps natural to ask whether they could not be adequately performed by some direct organ of government. It has in practice been found that a central bank can give most effective service to the community if it is free from the fear of interference for political ends in operating the delicate mechanism of the national monetary and financial machine. Certain statutory limitations have almost invariably been adopted in order to emphasize the national character of the bank. Thus, apart from the detailed provisions of the legislative act constituting a central bank, we may refer to the customary provision that the profits of the note issue should accrue, either directly or indirectly, to the state; that in most modern instances a limit is set to the profits which may be distributed to the shareholders; and lastly, that the state should have a final voice in the appointment of the governor and deputy governor and sometimes of certain of the directors. Within this legislative framework it has been found that there are preeminent advantages to the state in entrusting the special and highly technical functions of a central bank to a body not subject to the vicissitudes of political life.

Referring to the Finance Act of 1923, the commission say, at section 222:

> Finally, we may note that the powers of the Finance Act are entrusted to a board which is in effect a committee of the cabinet and are thus directly in political hands.

I understood the Prime Minister to suggest that, under the amendment which is now under consideration on the third reading, in his opinion parliament would revert to the same conditions as prevailed under the Finance Act, when the Minister of Finance and four other members of the administration of the day had control, and complete control, of the issue of dominion notes. But that must have been an oversight: perhaps I misunderstood what was stated.

Again, at section 232, the commission say:

> Obviously, the bank must work in close accord with the government in all that pertains to the external value of the country's currency, and if it were carrying out a national policy in this respect the bank must clearly have the support of the government in its foreign exchange operations.

Again, at section 235:

> We should perhaps sound a note of warning as to the degree to which such an institution could fulfil all the expectations that the public mind might attach to it. A central bank could

not cure all the economic ills of Canada; it would not be a source of unlimited credit for all borrowers on all occasions; indeed its operations might as often be restrictive as expansive.

In the following section, 236, the report says:

236. On the other hand, its positive services would, we believe, be very considerable; it would substitute for the present undeveloped and anomalous system a more rational and unified control over the credit structure; it would provide a suitable instrument for the execution of a national policy—

I repeat:

—a suitable instrument for the execution of a national policy in regard to the external value of the currency; it would be increasingly a source of skilled financial advice for the dominion and possibly for the provincial governments; and, finally, it would provide a central body which could maintain relations with similar institutions in other countries, which find at present no counterpart in Canada with which to maintain contact.

There are other sections which might prove interesting. But I do not wish to take the time of the house except to refer to the fact that, under the Bank of Canada Act as at present existing, it is provided by section 5:

The bank shall be under the management of a board of directors composed of a governor, a deputy governor and seven directors. There may also be an assistant deputy governor who shall not as such be a member of the board.

Of course under that act the shareholders, who are private persons, elect the board of directors with the exception of the governor and deputy governor, who have a place on the board. Section 7 provides:

7. (1) The governor of the bank shall be the chief executive officer and shall on behalf of the board have the direction and control of the business of the bank, with authority to act in connection with the conduct of the business of the bank in all matters which are not by this act or by the by-laws of the bank specifically reserved to be done by the board or by the executive committee ...

Then section 8 makes provision with respect to the appointment of the governor, deputy governor and assistant deputy governor, and in subsection 5 of section 8 it is provided:

(5) The governor, deputy governor and assistant deputy governor shall each hold office for the aforesaid term during good behaviour.

In bringing down the amendment the finance minister very properly stated that the appointment of directors whose votes would outvote the directors selected by the shareholders would give the government a certain control at the meetings of the board of directors. But that suggestion implies that the directors hereafter proposed to be appointed by the governor in council will be subject to the direction of the governor in council, from the mere fact that they were so appointed by the governor in council, and therefore that the governor in council through the new board of directors will have a larger and an almost complete control over the operations of the bank. But I suggest to the right hon. gentleman that he has not laid sufficient emphasis upon the fact that the appointments of governor and deputy governor are made by the governor in council, that they hold office nominally for ten years but in fact during good behaviour, and that the clear, the established and the vital principle of the act is that the government, in so far as governmental control may be deemed necessary or expedient, will exert that control through the governor and the deputy governor, who are governmental appointees.

Then section 13 of the existing act, in which no change is being made, provides:

13. (1) There shall be an executive committee of the board, consisting of the governor, the deputy governor and one director selected by the board.

That is, two of the three members of the executive committee must always be governmental appointees. Then it provides for the deputy minister of finance being authorized to attend all board meetings in order that the Minister of Finance, and through him the government, may receive reports of the meetings and of the transactions at the meetings of directors. Subsection 3 of section 13 provides:

The executive committee shall be competent to deal with any matter within the competence of the board but every decision of the committee shall be submitted to the board at its next meeting.

The executive committee, therefore, has executive control of the administrative affairs of the bank. It is possible that the report of the executive committee to the board might not meet with the approval of the board, but I suggest there is no provision in the act as it at present exists that the board could overrule the decisions in relation to administration which are arrived at by the executive committee, on which there are two governmental appointees. But to make the matter clear, section 14 was inserted, to provide:

No action or decision of the board of directors, or of the executive committee, shall have any effect unless the same is concurred in by the governor, or in his absence or incapacity by the deputy governor.

There was in that provision an implication that the board of directors selected, except as to two, by the shareholders of the central bank, who are private individuals, might

discuss, might consider and might advise, but they could not by any decision overrule the decision of the two governmental appointees, the governor and deputy governor of the bank when sitting as a majority of the executive committee; because it is clear from the act itself, clear from the terms of the commission which proposed the bill in its present form almost verbatim, clear from the discussions which took place at the time, that the governor and deputy governor are appointed by the government and responsible to the government for carrying out all matters of importance in vital public policy which the government had adopted or announced.

Then, to make the matter clearer still, it was provided with regard to the by-laws of the bank in relation to dividends that dividends could only be paid out of profits and could only be paid from time to time at a rate not exceeding 4½ per cent as provided in by-laws which had been formulated and adopted. How were those by-laws made? By whom were they proposed, adopted and enforced? Section 43(1) provides:

> The governor in council shall make by-laws not repugnant to the provisions of this act with respect to—

I will leave out one intervening paragraph which is not important:

> (b) the transfer and transmission of shares;
> (c) the declaration and payment of dividends;

So that by-laws providing for the payment of dividends were by-laws to be made in the first instance by the governor in council. And then in order to interpret that provision of section 43(1) let me read section 31(g) of the Interpretation Act, chapter 1, revised statutes of Canada:

> If a power is conferred to make any rules, regulations or by-laws, the power shall be construed as including a power, exercisable in the like manner, and subject to the like consent and conditions, if any, to rescind, revoke, amend or vary the rules, regulations or by-laws and make others;

Therefore there continued to be under all circumstances a power in the governor in council to make, rescind, modify or reenact the by-laws under which this bank operated; but in order that there might be an ancillary power in the board of directors to initiate the making of by-laws or changes or modifications in the by-laws section 43(2) provided:

> The board may with the approval of the governor in council amend or repeal such by-laws or make others with respect to the matters mentioned in subsection one hereof.

And subsection 1 includes the subjects upon which by-laws may be made. So that we find that the by-laws governing the administration of the act, governing the transfer and transmission of shares, governing the declaration and payment of dividends, were first made by the governor in council, which still retained its right to amend or modify them; and even if the directors proposed by-laws these could be made only with the approval of the governor in council. In my opinion, therefore, and I do not desire at this moment to enter into any personal controversy with regard to it, this act as it at present exists constituted a bank whose stock was privately owned, it is true, but a bank which nevertheless in all matters of policy and administration was controlled by the governor in council through officers appointed by the governor in council who hold office only during good behaviour.

The present act also has a provision with regard to voting at general meetings of the bank, to the effect that no shareholder, either in person or by proxy, can vote more than fifty shares, excepting—and it is a very important exception—the Minister of Finance. The provision in effect is that those who do not attend the meeting but desire to vote by proxy must send their proxies to the Minister of Finance, which fact gives the Minister of Finance a very extensive control; for we all know that the great body of shareholders in banks and other companies, either public or private, send their proxies to the president or other officer of the company or corporation in order that he may vote for the absent shareholders. So that from first to last I think that this present bank is to a very large extent under governmental control.

How much more extensive control is given by the amending bill which we are now considering on the motion for third reading? This amending bill does provide for a larger number of directors. It does provide that at all times the directors who are appointed by the governor in council shall have and exercise a majority vote over the directors appointed by the private shareholders. The finance minister emphasized the fact, as I think he was entitled to do, that the appointment of these directors by the governor in council, and the appointment of two others sitting on the board of directors, namely the governor and the deputy governor, give the government a preponderance of influence and direction and control over the operations of the bank. It was never intended that a bank was to be set up which was to act as an independent oligarchy to control in matters of grave public policy. The very fact that the governor and deputy governor were to hold office during good behaviour emphasizes the contrary view. But in the amending act the conditions as to

the executive committee consisting of the governor and deputy governor and one director of the board are still continued. The board is enlarged, it is true. It is no longer a wholly privately owned bank, but the present Prime Minister stated again and again that he did not regard that issue as vital. I have not had any consultation with the leader of the opposition, who was then Prime Minister, but as far as I can recall conversations with him he did not regard private ownership as absolutely vital. The whole question of ownership of shares was an open question, with a great deal to be said on both sides.

But now we have one change. Section 14 as I read it in the existing act says:

14. No action or decision of the board of directors, or of the executive committee, shall have any effect unless the same is concurred in by the governor, or in his absence or incapacity, by the deputy governor.

That, I submit, gave the government direct and complete control over the operations of the bank, in view of the fact that those officers hold office during pleasure. Furthermore, no governor or deputy governor appointed to such a high position would attempt by the exercise of any arbitrary power to defeat the government in a matter of public policy adopted by the government in respect to the management of that bank. The assets of the bank are not the assets of the company. On dissolution or otherwise, by provision of the existing act, the shareholders are entitled to receive only the par value of the shares for which they paid par. The whole intent of the act is that all the other assets of the bank, its gold reserve and its rest, are assets of the crown in the right of the government of Canada, in respect of which the shareholders have no ownership whatsoever. Furthermore, to accentuate the fact of government control, all the excess profits of the bank accrue to the government; and in the payment of dividends, such payments can be made only to the extent of four and a half per cent under the authority of by-laws which the government have adopted or enacted or which have been proposed by the board of directors with the approval of the government.

I do not wish the house or the country to run away with the idea, by reason of the eloquent and impressive way in which the Prime Minister in the discussions on the public platform, and yesterday in the discussions of this house, referred to a privately owned bank, that we of the late government were acting altogether foolishly and without due regard to the public interest in creating the institution with the powers and authority with which it is vested but which are always under the control of government nominees.

Section 14 of the old act, which I have just read, has been repealed and a new section adopted in committee as follows:

14. (1) the governor, or in the event of his absence or incapacity the deputy governor only, shall have power to veto any action or decision of the board of directors or of the executive committee, and if this veto power be exercised, the governor or deputy governor, as the case may be, shall within seven days inform the minister in writing of the circumstances and the minister shall submit the veto to the governor in council who may confirm or disallow the veto.

(2) any director or member of the executive committee may inform the minister in writing of his view of the action or decision in question, which view shall also be transmitted to the governor in council.

Dealing first with the executive committee:

The governor ... shall have power to veto any action or decision of the ... executive committee....

The executive committee is composed of the governor and deputy governor and one other member of the board. Such a contretemps as the governor having against him the deputy governor and the other member of the executive committee is not likely to arise. If it should arise it would be a dispute between two government nominees. It must be a dispute between the governor and the deputy governor with regard to some grave matter of public policy. And I see no objection, in view of the reorganization of the board, to the government having a final and decisive voice in respect to disputes between its own nominees. Furthermore, remember that a majority of the votes of the board, and after certain date a majority of the members of the board, will be government nominees, and there can be no decision by the board except one in which a majority of the board appointed by the government have a voice. This provides simply that in case of dispute in respect of a matter of public policy of grave concern between the government nominees appointed as members of the board and the governor, who is also appointed by the government, the matter shall be reported to the governor in council, who shall hear the terms and nature of the dispute, and give a decision thereon.

I wish to impress upon the Prime Minister what appears to me to be an indubitable fact, that the introduction of this new provision which is assumed by public acclaim to differentiate between the so-called privately owned and privately controlled bank on the one hand and the governmentally controlled bank on the other is only due to the incident

that the government is now appointing two classes of its own nominees. The one class is appointed by the government and is undoubtedly removable by the government. I know of no provision of the law whereby an order in council appointing one of these gentlemen as a government appointee on the board may not be repealed and the appointee removed, and a new order in council passed authorizing some other nominee to fill the vacant position. So that what has now been introduced is simply a provision whereby in the event of a dispute or difficulty arising between one class and another of government nominees, the government reserves to itself the right to make a decision.

I am not disposed to enter into any discussion with the Prime Minister with respect to his public addresses. It is clear that even many of his own supporters took, from what I considered his undue emphasis with regard to the privately controlled bank, the idea that more sweeping changes were proposed. I congratulate him upon limiting the proposed changes to the extent they have been limited, and also upon the fact that he is not placing upon the shoulders of the Minister of Finance, an already overburdened minister, the direct supervision of the ordinary administration of the Bank of Canada. That would be too much of a burden to be borne by any member of any goverment. The Minister of Finance will find, if my presumption is correct, that under present conditions no man in public office in Canada, other than the Prime Minister—and I except him—has burdens, responsibilities and duties as great as those now imposed upon the Minister of Finance. Therefore I congratulate the government upon the fact that although they may differ from us as to names and nomenclature, the real facts indicate that to the same extent that the government had control, by the appointment of its nominees as directors and deputy directors it now retains control. But the government will have no more far-reaching, no more extensive or no more competent control than it exercised before the day this bill was introduced.

I do not wish to enter upon a political discussion, nor do I wish to create or even suggest any further difficulty between the Prime Minister and some of his supporters who have voiced extreme views. But I insist in deference to the leader of the opposition, to his well known views as I understood them, and to his colleagues who were engaged in and to some extent assisted in the drafting of this measure, that they are entitled at least to this explanation to the public of the real facts at issue.

Mr. NEEDHAM: May I ask the hon. member who has just taken his seat whether in his opinion the Bank of Canada was under the control of the government prior to the introduction of the present bill?

Mr. CAHAN: Yes.

Mr. NEEDHAM: Then did the hon. member describe the government's policy when, speaking in Toronto, he said that about $32,000,000 had been withdrawn from circulation?

Mr. CAHAN: The address made in Toronto, to which the hon. member refers, was one made before the initiation by the government of a central bank policy. It was made before the royal commission had published its report. If my hon. friend wishes to have my personal views with regard to the address I delivered in Toronto I suggest that he call upon me some fine morning in my office, and I shall be prepared to enter into a discussion of it. But that is not now a matter of public policy; the policy of the late government was indicated by its actions just as that of the present government is indicated by its actions in dealing with the central bank.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, up to the present I have not taken any part in this debate, but on this occasion I wish to place on record very definitely the position taken by the small group of which I form a part. I do so particularly in view of a statement made yesterday by the Prime Minister (Mr. Mackenzie King), and also because in British Columbia, and especially in the city of Vancouver, the Bank of Canada issue was one of the main points in the campaign of 1935. I believe I would be correct in saying that so far as Vancouver was concerned there were only two issues, namely, the policy of the Liberal party on the Bank of Canada, and the oriental question. In view of the discussion in the house two days ago, and the approval and loud applause of the Minister of National Defence (Mr. Mackenzie) on every reference made to British justice, British fair play and British traditions, I am satisfied we shall have no more trouble with the oriental question.

Immediately upon the conclusion of the session in 1934 the same hon. member pointed out that the group in this corner of the house had supported the government in forcing upon the people a privately owned central bank. The facts of the matter are that we have always been in favour not only of a national bank but of the socialization of the financial institutions of Canada. While the Bank of Canada Act of 1934 was not everything that we would have liked it to be, we voted for it because it was a step in the direc-

tion in which we wanted to go. For the same reason we will vote for the amendments proposed by the present government.

Unlike my good friend the Minister of National Defence I am concerned with the legislation, not with the party that may be putting the legislation on the statute book. If the Conservative party brings in legislation of which I can approve, even in small part, I will support it. The minister would probably oppose it because the Liberals had not brought it in. On the other hand, if the Liberals bring in legislation of which we can approve, even though it does not go as far as we want it to go, we will support it. We are not satisfied with the present amendments any more than we were satisfied with the original act. But the principle has been adopted. After the act as passed in 1934 we pointed out that as the principle had been adopted, the legislation could be changed if any party in power saw fit to bring in the necessary amendments.

We are in favour of socialized banking or the socialization of the financial institutions of Canada. We are not in favour of these things because we wish to print money and give it to every individual who wants or needs it—we feel quite satisfied that that would only create another problem—we are in favour of these things because we want to use them to socialize the means of production within the country. Unless the people own the goods and services that are in the country they cannot get access to them by merely owning the bank. It is for these reasons that we are supporting the present amendments to the Bank of Canada Act, 1934.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I have not made any observations on this bill since its introduction, for very obvious reasons, but after listening to the speech of the Prime Minister (Mr. Mackenzie King), delivered yesterday, I think it is desirable that I should make some very brief observations upon the attitude which the present government assumed on the public platform during the election of last year when dealing with this question. First, in various parts of Canada which I visited I found that this bank had been held up as a privately owned bank. It was stated that, by contrast, it was to be a publicly owned bank. I agree with the Prime Minister when he says that he did not use the word "nationalized"; he did not use that word, so far as I know, but the effect of the words "publicly owned" upon the public mind was to induce the people to believe that the bank was to be nationalized.

[Mr. MacInnis.]

A publicly owned bank means a bank owned by the people. The bank created by the late government was a bank privately owned; the bank that will be in existence after this bill emerges from this parliament will be still a privately and publicly owned bank. It will not be a publicly owned bank. Therefore, the promise that this will be a publicly owned bank has not been honoured. There can be no gainsaying that.

Secondly, it was stated that it would be a publicly controlled bank and that currency would be issued in terms of public need. Of course that meant only one thing, and that one thing has not been accomplished by these amendments, and it is not proposed to accomplish it. Those of us who read the delightful utterances of the Minister of National Defence (Mr. Mackenzie) recall the statements he made with respect to what this bank would be. I cannot help but think that his understanding of it was entirely different from the observations made by the Prime Minister yesterday. It may be that he did not properly appreciate what was meant. If he did not, is it any wonder that the ordinary, average elector looked upon it as somewhat different from the terms of the bill now before the house?

The next point that was made was that we would have, in effect, a publicly controlled bank. I cannot do more on that point than direct the attention of this house to the fact that the executive committee is the governing body of this organization, and the executive committee has not been modified or changed. Under the former act it consisted of the governor, the deputy governor and one director to be named by the board of directors. The deputy minister of finance was to attend, although he had no power of voting; he was to attend as the liaison officer between the government and the bank. When this bill is assented to in a few days it will perpetuate an executive committee consisting of the governor, the deputy governor and one director selected by the board of directors. The deputy minister of finance will still be the officer who relates the policy of the government to that of the bank. Therefore, there has been no change in the executive committee and the control of the organization from day to day is a control exercised by the executive committee. The board of directors will be able to meet but seldom, because the distances are great and they are scattered over the whole country.

The next point is the power of veto. It is perfectly clear that the governor in council has now assumed the power to veto. To veto what? To veto resolutions that may have

been arrived at by the executive committee when there has been a difference. How can that difference arise? Remember, the committee consists of three members, two of whom are selected by the government while the third may be a government nominee. There being only three members, any differences that will arise must be, first, differences between the governor and the deputy governor on the one side and the director on the other. In that event the governor would not disallow it and the resolution would stand. In the other case it would be the deputy governor and the director against the governor, and in that event the governor in council would have to decide between its own governor and its deputy governor and director, who might or might not be a government nominee. Could anything be more ridiculous than the suggestion that an executive committee thus composed can ever run foul of the governor in council unless there is a conflict between those who are operating the bank and the government of the day, a division of opinion between the executive committee and the government itself? In that event the powers conferred by this bill will not have modified in any sense the provisions that now exist, except that the governor in council may exercise a veto with respect to differences where the governor is on one side, as I have said, and the deputy governor and the director are on the other side. The government will have to choose between the two.

It was said further in the course of the explanations given the public last year that this was a private bank, entrusted with the power of issuing money, and to which had been transferred the gold of the country to hold as security for the issue of the currency of Canada. All of this was true, but only partly true. It will be recalled that under the provisions of the statute creating the bank, the bank was made responsible for the issue of the paper currency which it took over. In addition, that responsibility was secured and assisted by the issue of Dominion of Canada bonds which were placed in the treasury of the Bank of Canada and which have been a vital factor, contributing as they do to the revenues from which the dividends are paid. Is there any change in that? No. The gold still belongs to this bank, owned partly by the people and partly by private shareholders. The paper money is still issued by the bank, owned partly by the people and partly by private shareholders. The liability of the bank for the Dominion of Canada notes still exists; it has not been changed. The guarantee given by the deposit of bonds in the dominion with the bank to secure its obligations still continues. There has been no change, none whatever. There still continues the relation between the bank and the private shareholders that existed when this bill was introduced into this house.

And lastly, upon that phase of it, it will be recalled that the present Minister of National Defence introduced in the banking committee, when the bill was under consideration, an amendment by which he proposed—and it struck me at the time it was a proposal that was in the minds of many hon. members—that the country, if it so desired, might secure the shares of the bank—secure them by taking them over at any time. This proposal was negatived by a vote in the committee—why? The answer is obvious. For this parliament had power, as it had in the case of the Grand Trunk Railway, to enact a statute to provide for the expropriation of these shares, for the taking over of the shares, and for the fixing of the value of the shares by arbitration or otherwise. That power rested with this parliament, and the Minister of National Defence will remember that the amendment he proposed was negatived for the very obvious reason that it was a declaration of a power which rests with this parliament, which has always rested and always will rest with it, the power on the part of parliament to enact legislation, if it so desires, to expropriate or compulsorily take any property which in the national interest it should possess. And when, during the progress of the election campaign, it was suggested that this should be a publicly owned bank, I took the trouble to point out to the people on more than one occasion—on many occasions in fact—that so far as the government was concerned its first view had been that these shares should belong to the Canadian people as a whole, publicly owned.

But having regard to what became apparent with respect to methods abroad, the invading of the privacy of governments and the insistence that patronage should be utilized in the creation officially of positions in the bank, I told the committee myself that we could not possibly undertake properly to create this bank if we as a nation undertook to hold the shares, that the pressure of all sorts of people for all kinds of positions was such that the bank itself must assume responsibility for its organization. And I pointed out, as I do now, the sort of pressure that was used: (a) geography; (b) rates; (c) religion; (d) politics, and, after all, sometimes, merit—not so often, but sometimes, merit. Now these differences pressed upon us so strongly that we believed that this bank could be properly organized only if it were done under the auspices of directors, the bank being privately

owned; and that was the method we pursued. I told the banking committee that; I told the people of the country that; and I said that if after a fair trial it was found desirable that the bank should be owned by the people I would be the last man in the world to interpose any obstacle or to suggest any difficulty; because, if the people desired to follow the policy pursued in some countries instead of adopting the policy followed in other countries, if they preferred the policy followed in great nations rather than to adopt a new policy followed by a smaller number of countries, I was content. New Zealand was organizing its bank about the same time that we were, and adopted in the first instance the very idea that we did, namely, that the organization might be carried on best under private auspices; and then came the change of government and the same cry for public ownership, but not the same result, for they did one thing there that one would expect them to do if they were to make it publicly owned. They took over the shares.

I come now to the next point. The sum of $5,000,000 was the capital of this bank. In Australia it was pointed out that capital as such was unnecessary, inasmuch as a loan from the state was all that was essential to enable the bank to function; and the central bank in Australia carries on more than a central bank business: it carries on the general business of banking, having secured in the first instance, from the state itself, sufficient money for the purpose of enabling it to discharge its function. But it earned large profits, and these profits have now become the nucleus of its capital with respect to its general transactions of savings bank business. It well may be that the experience of nations is not of value in relation to financial matters, for each country has peculiar conditions which may possibly require different treatment from any other country in the world. But we did know, in the light of history, that the publicly owned central banks were few in number and that their success had not been greater than, if as great as, that of the privately owned institution. The circumstances connected with the coming into being of the Bank of England perhaps differentiate that institution from other central banks; but in Europe there are many central banks, and when it was suggested that the Liberal party was in the van of the movement for the creation of a central bank in Canada, I could not but think that the language used by those who sit to my left must have carried conviction, because we do recognize that in the early days immediately after the war—

the Minister of the Interior (Mr. Crerar) will recall this—those who sat to the extreme left then urged the creation of a central bank. Why? I am not referring to his party; I am speaking of the smaller group, notably Mr. William Irvine, if the hon. gentleman wishes me to mention any names.

Mr. CRERAR: I am speaking only from memory, but I think that if the right hon. gentleman will search the records of Hansard of 1921 and on for several years, he will find that suggestions for a central bank were not made at that time.

Mr. BENNETT: I was not in the house and therefore I can speak only from what was said outside, but I do recall one man, Mr. Irvine, and another, Mr. Coote, urging that a reserve bank—I think at times he called it a reserve bank and at other times a central bank—be established.

Mr. MACKENZIE (Vancouver): The question was suggested in 1916 by Mr. W. F. Maclean.

Mr. BENNETT: I am familiar with that. I know that in 1916—it was before the Union government came into being—the late Mr. W. F. Maclean did urge the creation of a central bank at the same time that the question was engaging the attention of the United States authorities. But that was in passing rather than the urging of it as a matter of national policy, if I may differentiate between the two. It will also be recalled that at the Genoa conference the question of a central bank for all the nations of the world was discussed as a matter of international policy.

Leaving that, however, I merely desire to mention that the question of the establishment of a central bank engaged the attention of all the great international monetary conferences and of financial men in Canada, because the banks in Canada were opposed to it. There was never any doubt about it that, with one exception, the chartered banks, the managers and presidents, in Canada opposed the creation of a central bank. We might as well face that frankly. They did it openly without hesitancy or doubt; and the reasons were obvious. All one had to do was to look at the Finance Act and the Bank Act to realize why the president of any bank would be opposed to the creation of a central bank. So far as the late government was concerned its attention was very markedly directed to it by special circumstances apart altogether from, shall I say, the academic discussions about it—and I fancy they were academic discussions—by members of governments for

a very long time in this country. When England went off the gold standard and the question of exchange became acute it was of course realized that all our exchange business was carried on through New York, and a special effort was made to discover any means whereby we might assist in creating some method of doing our exchange business with London. It was pointed out that our efforts were futile, having regard to the small volume of trade, relatively speaking, that we controlled, and which was, of course, the basis of the exchange values. Therefore to a very considerable extent we had to continue to rely upon the New York market. But the government made up its mind that a central bank was desirable. Before the commission was appointed it had already determined, as was pointed out in this house, that it was desirable we should have one. But there might be differences of opinion, and a commission was appointed consisting of many men who were well known in financial and other circles for their knowledge of the situation. We were fortunate in securing as chairman one who had discharged in Great Britain a very great function as chairman of a most important commission there. Those of us who were in the house from 1930 to 1935 will recall that the Minister of National Defence became so familiar with the Macmillan report that he could quote from it with perhaps more readiness than even from the bible, of which he is a good student. The Macmillan report became known to every member of the house, and it supported the project of the central bank.

The bank was organized on the basis I have indicated. As I frankly told the committee in 1933 when we were dealing with the matter, the idea we originally had in our minds was that the shares should be held by the state and that it should be publicly owned, but we saw so many difficulties in the way of organizing it that we thought the only way we could secure an organization that would not be a political one was to pursue the methods that we did. But we pointed out—not one of us, not only myself, but others as well—as regards the question whether it should be a publicly or a privately owned bank, that we knew what the experience of other nations had been, and we said that whatever the people desired to have in that regard we should be glad to see they had. But when the people were told that they were going to get a publicly owned bank they thought they would get a bank that was publicly owned; and the bank they are going to get now is not going to be a publicly owned bank. Of that there is no doubt. There is only one way that it could be done. The Minister of National Defence realized it when he was on the committee. He understood that we could achieve that end only by that same method, properly adjusted of course to meet the circumstances in taking the shares of the bank, as we employed with regard to the Grand Trunk Railway; or we might do it as we did with the shares of the Canadian National Railway, that is, acquire the shares and fix their value either by arbitration or by some other method—if thought desirable, by reference to the exchequer court.

It is said that these shares have changed values; that many people bought them at a higher value than that for which they were originally obtained, namely $50 a share. That sort of thing is true of any property. Look at the poor unfortunates who bought property at the townsite at Hudson bay; consider what they paid, and what they got after the present Minister of Finance, when Minister of Railways, had expropriated their rights. Observe their evidence in the exchequer court that they had paid thousands of dollars for that for which they were compensated in hundreds. It was a speculative movement. For the shares that were acquired $60 at the most was paid, and $60 represents an increase of twenty per cent over the original value. If the government was going to make the bank a publicly owned institution it was necessary to do only one thing, and that was to acquire the shares, unless indeed, as was suggested from some source, five million dollars was not sufficient to enable the bank to function and it was necessary to increase its capital. But the Minister of Finance has not so suggested, nor has any one on behalf of the bank. "We raise the capital to $10,100,000, and we put in the capital structure of the bank $5,100,000 more than it had, without any request from anyone but in order that a majority of the shares may be held by the state." That is the explanation that has been given—"a majority of the shares held by the state." That is accomplished, I say, by the method that has been stated, namely, the payment of $5,100,000 to the bank and the issue of a special class of shares which do not carry a vote for the purpose of electing directors, leaving still to the holders of the privately owned shares the right to elect directors, while the crown, owning the $5,100,000 worth of shares, appoints its directors. The number of directors that it is appointing will now be six in all, which of course will give control of the directorate, but it will not give control of the executive committee, which still consists of the two original nominees, the governor and the deputy gov-

ernor, supplemented by one director who may be either appointed or elected, as the case may be.

So much for the capital stock and the way in which the matter has been dealt with. There is one other matter upon which I think a few words should be said. The Prime Minister referred to it yesterday. You will find it in his speeches—not only those delivered in this house—that currency should be issued by this bank in terms of public need. What do those words mean—"in terms of public need"? There was not a platform in western Canada that I visited where I was not told before the meeting, "You must deal with this question. You must be prepared to say that you are willing that the Bank of Canada should issue currency almost ad lib, to any extent that may be necessary for the public need." Well, heaven knows the public need is still here; it has not changed. But this bill does not confer any greater power for the issue of currency than the bank had before the hand of the present government touched it—not one change in the world. Then what do these words mean, the power to issue currency in terms of public need? What did they ever mean? They mean to-day not more, not less than they meant in 1930; for this parliament has not been asked to confer nor has it conferred upon the Bank of Canada wider powers to issue currency than the bank possessed under the original charter. Let there be no misunderstanding with respect to that. I wish that to sink firmly into the minds of the people when the Prime Minister says, "We have kept our promises by one hundred per cent." Currency, we were promised, would be issued in terms of public need. We have heard two or three hon. members speak about the public need, but I defy any member of this chamber to point out that there has been a single modification either for good or for ill, either adding to or subtracting from the powers conferred upon this bank when it came into being. Still stands metallic coverage, still stands the same percentage, still stands the same position with respect to legal tenders, still stands the same power of rediscount, still stand the same powers of transaction of business; no widening of powers, no increase in the ambit of its authority, no extension of jurisdiction, no power to issue currency to the extent of a single dollar in terms of public need beyond what it had when we created it in 1933. Where are the powers? I listened yesterday, expecting something of this kind might be pointed out, because I knew it was not to be found in the bank act; peradventure something now was to be done. But nothing of that sort has been done. Credit was a social service—I took down these words, so it is not necessary to turn back to Hansard—"and the great struggle was between the money power and the people." The money power and the people—that is the struggle the Prime Minister put before the people of Canada, and he was the stalwart champion going out with sword and shield to fight this money evil, remembering the Spartan mother's direction of old, "Return, my son, with your shield or upon it." He went about this country and said to the people: All I want to do is to fight this great money evil, to take part in this great struggle between the people and the money power. Well, they fought it all this session, and I have seen no signs of any change in the instruments with which this great fight was to be fought from what the situation was when he went to the people last year. Is there any change? They say: Yes, we have six more directors in the Bank of Canada; we have doubled its capital; the executive committee remains as it was, but we have given a veto to the governor in council to deny or affirm if the governor and deputy governor do not agree. And they say: Look what we have done—we are fighting the money power for the people. Is it not amusing?

Mr. MacNICOL: Worse than that.

Mr. BENNETT: My hon. friend from Davenport says, "Worse than that." When the Prime Minister was referring to these matters and saying that credit was a social service I was wondering how much there is in this statute that was not there before; that is the question. The hon. member for Vancouver-Burrard (Mr. McGeer) pointed out the situation, and it was not very palatable to some members of this chamber. He said: "I took those words of the Prime Minister to mean just what the ordinary man would think they meant, namely, that currency was to issue in terms of public need and that credit was a social service. I thought that is what was meant, and I told the people that. I told them that a new heaven and a new earth was about to come, and I appealed for their support on that ground. I took the Prime Minister's words," he said, "to mean what the ordinary man would think they meant—currency in terms of public need, credit as a social service." Those are the words, Mr. Speaker, by which appeals were made to the people, and when two leading members of this house, men of first-rate mental power and grasp, the hon. member for Rosthern (Mr. Tucker) and the hon. member for Vancouver-Burrard, saw fit to accept those words as meaning what the average man thought they meant, who can blame them?

I should just like to know, if an independent canvass were made of this chamber, how many members did not think that those words meant just what the average man thought they meant. I wonder how many members would disagree with the hon. member for Vancouver-Burrard and the hon. member for Rosthern as to what they thought those words meant in October, 1935.

I confess that those with whom I came in contact, and I talked with many people, all said: Well, you are a sound money man. Sorry, we cannot have any more of it; it is a bad thing. What we must have is a new thing, currency issued in terms of public need and credit treated as a social service. And many of them, Mr. Speaker, fully believed they would be able to use those words to their own advantage—not for profit, but that they might be able better to deal with the pressing problems that confronted them. Will not any member sitting opposite me, will not nearly all of them say, that in the rural parts of Canada the words, currency in terms of public need and credit as a social service, were interpreted by those who heard them as meaning that they as individuals would experience those new conditions that come about by the greater circulation of money and the consequent improvement in the purchasing power of the masses of the people? That is what they thought.

I am going to be perfectly frank and say that the language of the Prime Minister is open to another interpretation, and in this connection I cannot but recall Mr. Keynes' last book, to which the hon. member for Vancouver-Burrard referred. Mr. Keynes in his last book points out that he has taken a different view altogether from the view he took when he wrote his previous books, and that this last book is intended for economists and not for the average man, because he has to convince and convert the experts first, after which he hopes to be able to do something with the common people, the masses of the people. That is the way he puts it in his very interesting and amusing introduction, and if there can be anything humorous in economics I commend those few pages of Mr. Keynes' last book to those humorously inclined. I think the Prime Minister must have had exactly the same attitude of mind, and when you find as profound a mind as that of the hon. member for Vancouver-Burrard and as close a student of economics and as industrious a member of his profession as the hon. member for Rosthern drawing the conclusions they did, one cannot but realize that after all the Prime Minister was talking to the elect; he let the masses draw any conclusion they desired, and the masses drew the conclusion that currency in terms of public need would be issued, which meant that dollar bills would flow more freely, there would be more paper money floating about the country, the printing presses would be more active and the engraver busier than he ever was before; that credit which was essential to the body politic would now be issued as a social service like the old age pensions or some other measure of social reform. That is what the ordinary individual believed, what the layman, as Mr. Keynes calls him, concluded. That is not what the elect, the economists, understood. But it is what the Minister of National Defence understood. He has a very profound mind, and I know of no student of monetary reform who has given more time to the subject or who has been better trained in a great university than he. He has the clannishness of the Scot, and the Macmillan report became to him the shorter catechism of political economy in this country. Believing all this, accepting it as he did, his utterances were in accordance with the general understanding of the man on the street, the masses of the people.

I listened to the Prime Minister yesterday, and I know there was no intention that this should be so understood. He did not intend the untutored man on the plains or the fisherman on the sea or the lumberman in the forests to understand any such thing. Far from it. He was hoping, as Mr. Keynes hoped, to be able to convince and convert the economists first, that currency issued in terms of public need meant just what it has always meant in this country—no change. Public need merely meant, in the language of one of those who preceded me, sufficient money to enable the issue to correspond with the demand. Interest was still to be paid in the same old way—no change. There was to be no change in the payment of the toll that is exacted for the use of capital. No change, but still currency was to be issued in terms of public need. There was no talk then of interest or of these various matters which we now know the government is still carrying on in the same way. No, Mr. Speaker, the unfortunate electors were made to believe by the fervency of great advocacy that there was to be a profound change, a new heaven and a new earth. A better day would dawn. The monetary problems that had so much agitated great minds during the centuries were now to be solved, and public credit was to be issued in terms of public need, which meant that everyone who needed a dollar would get it. That is the sense in

which it was understood. And they believed it, which was unfortunate for us but very fortunate for those who sit opposite. But having believed it as they did, they can now look at this bill, and I defy any man to point out to me anything in this bill that changes the condition that existed heretofore. There it is. You have no change, but you have beautiful words, the words of the economist, of the political economist and the literary giants, all so mixed together as to make a perfect anaesthetic; being mixed together as a perfect anaesthetic they put the poor unfortunate elector to sleep, and they operated on him and he operated for them at the ballot box. Now he is awakening from his stupor; he looks round to see what the operation was; he learns that there was no operation worth while but that he had just been put to sleep with the promise of currency issued in terms of public need and credit as a social service.

I point these matters out, sir, because I feel that it is my duty to do so; in view of the effort made yesterday for so long a period of time, in a most interesting and, shall I say, to himself convincing speech of the Prime Minister, in which he made it quite apparent that there was no difficulty in squaring the circle—not the slightest in the world. All you have to do is to read sufficient extracts from newspapers and say: This is what we have done; we have done just what the newspapers said we would, and we have currency issued in terms of public need and credit as a social service. Well, having listened to the right hon. gentleman's advocacy of his consistency and of his one hundred per cent performance of the obligations undertaken, I have only to say that—alas and alack!—the meaning which he put upon his remarks should I think in fairness have been put into them when he was making them to the public. If he had explained just what I have said here; if he had said: Ladies and gentlemen, electors of Canada, when we have finished with the Bank of Canada Act we are going to double the bank's capital and appoint six directors, but we shall leave it just as it was with respect to the issue of currency and the discharge of the functions for which it was created; we are going to make it publicly owned by making it half private, except to the extent of $100,000, and half public,—if he had said that, I wonder how many who shared the general benefit from the language used by the Prime Minister during the election campaign would care to go back to their constituents, taking this bill in their hands, and truthfully tell the electors just the differences between the old act and the new. "Currency in terms of public need, credit a social service." In hoc signo vinces!

I have nothing further to say, Mr. Speaker, except that I congratulate the government. I congratulate the Minister of Finance upon the training which he has received during the last few years, which enables not only the minister himself but those who sit about him to realize that after all, stability, security, certainty, are the hallmarks of a sound financial policy. Although for a moment you may be led by beautiful phrases or by words capable of two meanings to conclude that you may have currency issued in terms of public need or credit as a social service, you cannot possibly do it and maintain the position which this country has made for itself as a country that has honoured its obligations in terms of its contracts, has paid its debts to the extent that it has been possible for it to do so, and has stood out among the nations of the world as a country poor but young, realizing that if we are to develop as a great power, a great people, we can do so only by attracting capital to our shores, unless we are prepared to adopt the view which my friends to the left maintain and advocate so well, namely a socialist state. We are not yet prepared to do that. But unless we are, then the government is to be congratulated upon maintaining the old standards and following the course that experience has mapped out as the only course that can be followed by any nation that does not desire to bring about an impossible situation with respect to its currency on the one hand or repudiation of its obligations on the other. To the extent that the government has followed the course of its predecessors, leaving the Bank of Canada Act unchanged in its essential features, making the privately owned institution part public and part private, but not changing the general provisions as to its policy with respect to currency, and leaving all the powers and functions of the bank untouched by the ruthless hand either of time or of extreme radicalism, I congratulate it and trust it goes forward to discharge the very onerous duties and responsibilities that during the next few months rest upon it, in a manner that will enable us at the end of that trying period to maintain our position and be able to say with pride and satisfaction that we have not used either the printing press or the engraver's art to issue currency to meet our pressing needs, or treated credit as a social service that can be had by anyone that asks for it. It cannot be done and this system maintained. When I hear my hon. friends to the left advocating a change of the system I appreciate their consistency; for they realize that unless the system is changed we must maintain the posi-

tion which was taken by the late administration and which the present administration is continuing to follow.

Mr. MACKENZIE KING: Mr. Speaker, there is just one correction which I should like to make in the statement made by my right hon. friend at the beginning of his speech. I did not like to interrupt at the time. The right hon. gentleman said I had spoken of a publicly owned and publicly controlled bank. I do not think he will find in any utterances of mine either in this house or beyond its walls advocacy of a publicly owned and publicly controlled bank. I took care to say on all occasions that the question of public ownership was debatable but the question of public control was not, and I spoke of a properly-constituted publicly controlled bank.

Mr. BENNETT: I quite appreciate the statement made by the Prime Minister. In the speech he made at Saskatoon, which place I reached the day after he had been there, that was the understanding of his speech, but obviously it was not an attempt to report the language verbatim. If the right hon. gentleman says he made no such statement of course I am glad to accept his statement. It does not change the force of the argument.

The house divided on the motion (Mr. Dunning) which was agreed to on the following division:

YEAS

Messrs:

Ahearn
Barry
Beaubien
Bertrand (Prescott)
Bertrand (Laurier)
Black (Châteauguay-Huntingdon)
Blackmore
Blair
Blais
Blanchette
Bothwell
Bouchard
Boulanger
Brasset
Brunelle
Cameron (Cape Breton North-Victoria)
Cardin
Chevrier (Ottawa East)
Chevrier (Stormont)
Clark (York-Sunbury)
Cleaver
Coldwell
Crerar
Damude
Denis
Deslauriers
Donnelly
Douglas
Dubois
Duffus
Dunning
Dupuis
Dussault
Elliott (Middlesex West)
Elliott (Kindersley)
Emmerson
Evans
Factor
Fafard
Fair
Farquhar
Ferguson
Ferron
Finn
Fiset, Sir Eugène
Fleming
Fournier (Maisonneuve-Rosemount)
Fraser
Furniss
Gardiner
Gauthier
Girouard
Gladstone
Glen
Golding
Gosselin
Grant
Gray
Hall
Hamilton
Hansell
Hanson
Hayhurst
Heaps
Hill
Howard
Howden
Howe
Hurtubise
Ilsley
Isnor
Jacobs
Jean
Johnston (Bow River)
Johnston (Lake Centre)
King, Mackenzie
Kuhl
Lacombe
Lacroix (Quebec-Montmorency)
Lalonde
Landeryou
Lapointe (Matapédia-Matane)
Lapointe (Quebec East)
Leader
Leclerc
MacInnis
MacKenzie (Neepawa)
Mackenzie (Vancouver Centre)
MacKinnon (Edmonton West)
MacLean (Prince)
MacLennan
MacNeil
MacRae
McCann
McCulloch
McDonald (Souris)
McDonald (Pontiac)
McIntosh
McIvor
McKay
McKinnon (Kenora-Rainy River)
McLarty
McLean (Simcoe East)
McLean (Melfort)
McNevin (Victoria, Ont.)
McNiven (Regina City)
McPhee
Mallette
Marcil
Martin
Maybank
Mercier
Michaud
Mills
Mitchell
Moore
Motherwell
Mullins
Mulock
Mutch
Neill
Parent (Terrebonne)
Patterson
Pelletier
Perras
Plaxton
Purdy
Quelch
Raymond
Reid
Rickard
Rinfret
Roberge
Robichaud
Rogers
Ross (Middlesex East)
Ryan
Sanderson
Slaght
Streight
Sylvestre
Taylor (Nanaimo)
Taylor (Norfolk)
Telford
Thauvette
Thorson
Tomlinson
Tucker
Turgeon
Turner
Vien
Ward
Weir
Winkler
Wood
Woodsworth—156.

NAYS

Messrs:

Baker
Barber
Bennett
Betts
Black (Yukon)
Brooks
Casselman
Church
Clarke (Rosedale)
Edwards
Esling
Graydon
Green
Harris
Hyndman
Lawson
Lennard
MacNicol
Macphail, Miss
McGregor
Massey
Perley (Qu'Appelle)
Perley, Sir George
Ross (St. Paul's)
Senn
Spence
Stewart
Stirling
Thompson
Tustin
Wilton—31.

Motion agreed to and bill read the third time and passed.

SUPPLY

EXTERNAL AFFAIRS—PROBLEMS ARISING OUT OF ITALO-ETHIOPIAN CONFLICT

The house in committee of supply, Mr. Sanderson in the chair.

Salaries and expenses of the office of the Canadian Advisory Officer, $32,500.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Chairman, in the statement I am about to make I shall seek to anticipate the questions which may be asked with reference to the important international matters to be discussed this afternoon. Having regard to the critical situation existing in Europe and other parts of the world, and to the possible interpretation which may be placed upon any observations made in the course of debate this afternoon, and especially because of the world significance of some of the matters we are about to consider, I shall make no apology for following somewhat closely the notes I have carefully prepared. I hope the committee will permit me to make my statement free of interruptions. I shall endeavour to say nothing which will necessitate interruption, and upon completion of the statement I shall be pleased to try to give such further information as hon. members may wish to have.

It has been contended that the government has not made clear its policy on the important problems, immediate and future, which have been raised by the outbreak and progress of the Italo-Ethiopian conflict. It is true that the government has declined to make a statement at some critical stages when a statement would be premature, and would complicate rather than advance a solution. I believe it will be generally conceded that the course of events in Europe has more than justified the government's attitude. It is undoubtedly essential that in parliament and outside of it there should be full and responsible discussion of the vital questions of Canada's relations to other states. There has not been sufficient discussion in the past. That has been due to our slow emergence from the colonial attitude of mind; our relative immunity from any serious danger of war on our own account; the real difficulties inherent in our preoccupation with the tremendous, absorbing and paramount tasks of achieving economic development and national unity, which with us take the place of the preoccupation with the fear of attack and the dreams of glory which beset older and more crowded countries; and the unparalleled complexity of our position as a member of the league, a member of the British Commonwealth of Nations and one of the nations of the American continent.

[Mr. Bennett.]

The situation is changing. Informed and serious consideration of Canada's external relations is being given by the press and by organized groups of citizens throughout the country. There is a much more realistic appreciation of our position than prevailed thirty years, even ten years ago. I cannot say that there has been a crystallization of opinion in any final or clear-cut form, but there is an increasing realization of the complexity of the problem and of the special Canadian factors involved.

So far as the general policy of the government in the present conflict is concerned, it has been made clear from the beginning. That policy was set forth definitely in the statement issued on October 29, within a week after the present administration assumed office. It is a policy by which we have abided and a policy to which we still adhere.

That statement set forth, first, the attitude which the government proposed to take on the immediate question of the application of sanctions to Italy, and second, the line of approach to the wider question of the aims and methods of the League of Nations. May I deal with each of these two questions in turn?

First, as to the immediate question. It was stated that while reserving consideration of the feasibility and desirability of making the league's central purpose the guarantee of the territorial status quo and the reliance upon force for the maintenance of peace—

> —in the present instance, when an earnest effort is being made with wide support to test the feasibility of preventing or at least terminating war by the use of economic sanctions, and when there is no room for doubt as to where the responsibility rests for the outbreak of war, and having regard also to the position taken by Canada at the recent assembly, the Canadian government is prepared to cooperate fully in the endeavour.

It was further added that steps would be taken to secure the effective application of the economic sanctions proposed by the co-ordination committee, and that the Canadian government did not recognize any commitment binding Canada to apply military sanctions and that no such commitment could be made without the prior approval of the Canadian parliament.

I think that was a definite and clear statement of policy. How far has that policy been carried out?

First, "the effective application of the economic sanctions recommended by the co-ordination committee," representing all the members of the league which had concurred in finding Italy the aggressor. What were those sanctions? They were:

1. The prohibition of exports of arms and munitions to Italy.

2. The prohibition of the export to Italy of certain key products useful for the prosecution of war and controlled by members of the league, including transport animals, rubber, bauxite, aluminium, iron ore, manganese, chromium, nickel, tungsten, vanadium and tin.

3. The prohibition of all imports from Italy, except gold and silver coin and bullion, goods en route; later, books and newspapers; and later still, goods paid for though not shipped before October 19.

4. The prohibition of loans or credits to Italy.

These were the sanctions, and all the sanctions, which the league commitee recommended should be put into effect. All were put into effect by Canada at or before the time agreed upon, November 18. All are still in effect. All have been enforced strictly and effectively.

As some question has been raised as to whether the sanctions are actually being enforced, it may be well to state the facts briefly. Any doubt on that score is based, I think, on misunderstanding either as to what the recommendations as to sanctions actually were, or as to the actual facts of their application.

The first recommendation for the prohibition of the export of arms and munitions raised relatively few difficulties for Canada, as we produce these wares only in a very minor degree. There has been no indication of evasion.

The second recommendation, for prohibition of the export of certain key minerals, touched Canada more closely. We are the outstanding producer of nickel, one of the most important minerals included in the list, though it does not hold the decisive place which is sometimes attributed to it. Special care was therefore taken to ensure against not only direct but indirect shipment of Canadian nickel to prevent, in the words of the league committee, "any abnormal increase in the export of prohibited commodities by indirect routes."

The Department of National Revenue vigilantly checked direct export. As to indirect export, the fact is that practically all Canadian nickel bought by continental Europe is bought from Great Britain; London is the dominant centre in the metal trade for Europe. In 1935, for example, Canada sent 140,800 hundredweight of fine nickel to the United Kingdom and only 380 hundredweight direct to the continent of Europe. As a party to sanctions, the United Kingdom has of course been equally concerned with Canada in ensuring that no nickel should reach Italy after the export ban went into effect. The other important possible channel is the United States. The position in that regard is simplified by the fact that for some years the International Nickel Company has followed the practice of selling to consumers in the United States for their own use only; no nickel has been sold in the United States for export to other countries. The exports to and from the United States have been carefully followed; some nickel has been and is being exported from the United States to Italy, but the amount is not sufficiently large to constitute an appreciable evasion.

Some misunderstanding has also arisen in this case because of the mistaken notion that all exports were prohibited. This of course was not the case. There was no reason why wheat or codfish should not be exported, so far as the exporter was concerned. Our general export trade was of course affected by the retaliatory steps taken by Italy which endeavoured to find substitutes at home or to divert purchases to non-sanctionist countries. Aside from direct steps taken by the Italian authorities, the decreased purchasing power resulting from the inability to sell Italian goods abroad of course reduced Italy's power to buy abroad.

The third recommendation, prohibition of imports from Italy, was relatively simple to enforce, which was one of the reasons for its adoption. The recommendation in this respect has been fully and faithfully carried out. Some misunderstanding has arisen from two sources. First, certain exceptions were included in the recommendation, none of great importance, the chief being goods en route at the time the sanctions were applied, and goods paid for but not shipped before October 19, but as rigid care was taken to compel complete proof before goods of either category were admitted, the total was slight. Second, the ordinary statistics of importation give rise to misunderstanding. Our customs returns of imports do not comprise goods entering the country, but comprise goods passing through the customs, and consequently the returns show as "imports" goods which entered the country before sanctions were imposed, but not drawn from customs warehouse until some months later.

The fourth recommendation, the prohibition of loans and credits, like the first, created no special problem for Canada. The cooperation of banks and investment companies was early secured by the Minister of Finance. The recommendation, it may be noted, did not

prohibit making payments due for goods or services, or the making of gifts.

In several cases inquiry was made as to the detailed procedure adopted by the United Kingdom and other countries. It cannot be denied that Canada has enforced the sanctions agreed upon as fully and effectively as any other country, and more so than a number of countries which agreed to sanctions "in principle."

As regards the proposals to add coal, iron and steel, and oil to the list of prohibited exports, it is not necessary to make any extended comment. The criticisms of the Canadian government's attitude on these proposals which were voiced in some quarters last December did not survive a clearer appreciation of what the Canadian government's attitude was and of the position taken by other countries. These commodities have not hitherto been included in the prohibited list for two reasons. In the early stages of the conflict, the prohibited exports were confined to articles which were substantially controlled by members of the league and trade in which therefore could not easly be diverted to non-sanctionist countries. When at a later stage their inclusion came up for review, a second consideration came into play, namely, whether their application would or would not lead to war. There is no inherent reason why these commodities should not be embargoed, why nickel or iron ore should be prohibited and steel or oil continue to be shipped. The difficulty arises from the inevitable dilemma which the application of sanctions presents: If moderate, they may fail to deter or halt the aggressor; if extreme, they may drive an aggressor to prefer the gamble of sudden battle to the prospect of slow strangulation. There is no blinking the fact that economic sanctions may lead to war. They mean the application of force. They are not mere commercial measures. They are in intention and reality a means of imposing the will of one nation or group upon another nation or group. In modern times they have always, in different forms, been an important part of the technique of war, from the Berlin decrees to the Trading with the Enemy Acts and the blockades of neutral countries in the great war. Whether they will progress into military measures is not necessarily within the control of the powers that impose them; that may depend on the calculation of advantage and disadvantage made by those against whom the test of will is directed.

In the present conflict, one of these commodities assumed critical importance. In modern military operations, with aviation and mechanized transport playing so decisive a role, a continuous supply of oil may be vital.

[Mr. Mackenzie King.]

How vital is a question in dispute; the authoritative inquiry made by the league expert committee resulted in the finding that if applied by all countries it would become fully effective in three or three and a half months, but that, if applied only by league members, the effect would be merely to render the purchase of petroleum more difficult and expensive. Whether the enforcement of an oil sanction would, in fact, have led to war is also in dispute; the Italian threats may or may not have been genuine. In any case they were sufficient to cause some great countries to conclude that enforcement of oil sanctions might invoke new wars or at least make impossible a peaceful settlement of the existing war.

During November, the European press were full of assertions that Canada was initiating and urging the imposition of an oil sanction. It became imperative to correct this serious misapprehension. The Canadian government had not urged the step in question. Further, it did not consider that Canada should initiate such a step: Canada had no special power, no special interest in the present conflict which would warrant such a pretentious gesture. It was not upon Canada, but upon countries nearer the conflict that the chief brunt of possible consequences would fall. This was made clear in the statement issued on December 2. This statement, of course, referred to the origin and not to the merits of the proposal. It was explicitly stated that the Canadian government would be prepared to consider, with other members of the league, any proposal for the revision of economic sanctions.

I may add that on two later occasions, in December and in March, when it was expected that the question of oil, coal and steel sanctions would come before the committee of eighteen, the Canadian government instructed its representative to concur in the proposal if generally supported.

As regards military sanctions, the position taken by the government was stated on October 29:

> The Canadian government at the same time desires to make it clear that it does not recognize any commitment binding Canada to adopt military sanctions, and that no such commitment could be made without the prior approval of the Canadian parliament.

The provision of article 16 of the covenant on the point is as follows:

> It shall be the duty of the council in such case—

That is, in case of a member of the league resorting to war in disregard of its covenant undertakings.

> —to recommend to the several governments concerned what effective military, naval or air

force the members of the league shall severally contribute to the armed forces to be used to protect the covenants of the league.

As a matter of fact, the council has not in the present instance recommended any military action by any member of the league. One member took, not military action, but military and naval precautions, but Great Britain's action in moving the home fleet into the Mediterranean was decided upon before sanctions were applied, and without any request from the council or members of the league, but as a result of Italy sending large bodies of troops to Libya, and other similar gestures.

In fact in the discussions between France and Great Britain which took place at the outset, there was no proposal to apply military sanctions, and this attitude was communicated to the Italian government. As the situation does not seem to be fully realized, I may take time to quote the concise statement made by Mr. Laval on December 28, as reported in the London Times; Mr. Laval's frank declaration is of interest further as indicating how decisions at Geneva are determined by the great powers there represented, as is doubtless in great measure inevitable. Mr. Laval declared:

> As early as September 10 I had, at Geneva, conversations with Sir Samuel Hoare and Mr. Eden. Conversations about what? We were certain that our first effort at conciliation had failed and that hostilities would soon begin. We were concerned to know how the mechanism of collective security would be put into action. Without waiting for an official sitting of the council, in that spirit of close collaboration which must always animate French and British ministers, we discussed and examined the grave situation which would be created for the world by the Italo-Abyssinian war.
>
> We at once agreed to avoid military sanctions, to adopt no measure of naval blockade, never to consider the closing of the Suez canal, in a word, to reject everything which might lead to war. We then considered what financial or economic sanctions we could adopt. I do not remember that there was any difficulty between us. We held our discussions, as may be imagined, on a basis of equality. We agreed in deciding that financial sanctions and an embargo on arms should first be submitted to a committee which did not yet exist, but which was created with the name of Committee of Coordination, and that other sanctions such as the refusal to buy and sell should be examined.
>
> What does article 16 of the covenant say? "The council will indicate to the governments concerned what effectives may be necessary to ensure respect for the undertakings of the league." Well, at no time has the council made such a communication. Never has that text been mentioned, and I even repeat that by common and unanimous agreement we set aside all military sanctions and those which could lead to them.

It should be understood that in this statement Mr. Laval was referring to the initial discussions.

I come now to the present position: A new situation has arisen with the occupation of the Ethiopian capital by Italian forces and the collapse of organized resistance. That event requires us to consider the question, Why has the league failed, thus far? In the first place the preservation of peace and of Ethiopian independence had been seriously jeopardized and compromised before the league took any action. The Ethiopian question in one form or another had been the subject of diplomatic controversy and negotiation between the three neighbouring great powers, France, Britain and Italy, for forty years. Spheres of influence were claimed by each power; and efforts made to harmonize their claims with one another and with the maintenance of Ethiopian political sovereignty. Italy, the latest comer, was particularly concerned. Late in 1934, a border conflict at Wal-Wal brought this special angle of the growing tension between Italy and Ethiopia before the council of the league. After bandying back and forth, Mr. Eden's persistence was largely responsible for its settlement, in an arbitral decision declaring neither party guilty. But the fundamental difficulty remained unsolved. It was not discussed by the three powers, Italy, France and Britain, when they met at Stresa in April, 1935. A few months previously France had agreed to recognize Italy's predominant right to economic expansion in Ethiopia, as Britain had done in 1926, but Mr. Laval contended that in neither case was there the slightest countenance for forced aggression. In spite of earnest efforts on the part of the British and French representatives in the summer of 1935, Italy persisted in its insistence upon a settlement by force of arms. The main issue did not come before the council until August, and even then its consideration was passed back and forth between the three powers and the league.

The three power conversations failed. In September the league assembly found the Ethiopian question deposited on its doorstep. By that time there were 250,000 Italian troops in East Africa, the Italian authorities had publicly committed themselves to military action, and the league's essential task of preventing war had become almost impossible. The suggestions for settlement offered by the committee of five were rejected by Italy, and on October 2 war broke out.

In the second place, the policy adopted after war had broken out has thus far proved inadequate to bring the war to an end or to save

Ethiopia. That policy, in brief, was to abstain from military sanctions and to apply a number of economic sanctions, in the hope that the cumulative effect of mild economic pressure by the league, hard fighting by Ethiopia, and heavy rains in Ethiopia would eventually compel the aggressor to desist. The rains were delayed; the resistance of Ethiopian troops and Ethiopian geography proved less adequate than the military experts had forecast. The courage and determination of the emperor and the individual bravery of his men were hampered by tribal dissension, by lack of modern equipment, particularly in the air, and by the decision of the army leaders to risk large scale battles rather than fall back on waiting tactics and guerilla warfare. The undoubted organizing and engineering skill shown by the Italian forces, their ruthless bombing from the air, and finally their recourse to the horrors of poison gas in violation of their pledged word, enabled them to break up organized Ethiopian resistance much more rapidly than had been anticipated.

In the meantime economic sanctions have undoubtedly been hampering Italy's war effort, restricting supplies and weakening her financial position. Possibly if Ethiopian resistance had been prolonged, the existing sanctions would have been adequate to turn the scale, whether toward peace in Africa or toward war in Europe, who can say? but they were not adequate under the actual circumstances. General agreement for more stringent and strangling economic sanctions has not been secured; military sanctions have not been proposed. It is now apparent this policy was not calculated to halt a strong and determined aggressor. As Mr. J. A. Spender puts it:

> If we strip the case of Italy and the league of the terminology in which it is commonly involved, is it not a very simple one? One resolute man who does not hesitate to make war has been matched against two opponents, one of whom said that he would not make war alone and the other of whom let it be known that he would not make war at all. What other conclusion could there have been to this method of proceeding than that which we have witnessed?

It is only fair to say that the reason was not fear of Italy, but fear of war, and war on a European scale, apprehension that the strain of economic insecurity, the reckless urgings of ambition or revenge, the tense and neurotic relations between state after state and its neighbours, the mounting armaments, would lead to a sudden flare of war in Europe if the spark fell from Africa. It may be that there was nothing in the European situation in December or in May which might not have been anticipated by statesmen close to the European scene when the existing sanctions policy was determined last September and October, but closer approach undoubtedly make the prospect more vivid and more deterring, particularly when the German government forced the Rhineland conflict upon the stage. In brief, collective bluffing cannot bring collective security, and under present conditions most countries have shown they are not prepared to make firm commitments beyond the range of their immediate interest.

What next? The question arises whether sanctions should be increased, continued at their present level, or discontinued. It is a question upon which there is wide divergence of opinion.

Those who urge they should be continued and increased, as for example by closing league ports and the Suez canal to Italian ships until such time as Italy agrees to make peace on terms consistent with her covenant pledges, contend in the first place, that the issue at stake is a great one, the preservation of the league and the system of collective security; and that if Italy is allowed to flout the league and annex Ethiopia, every aggressive great power will be encouraged to do likewise, every small state will be exposed to danger and unrest, and every people driven to fall back on armament and military alliances; and in the second place, that the risk is small, that Italy has been weakened by the financial strain, that the Ethiopian forces may reform and carry on guerilla warfare for years, and, in short, that there is still time to call the Italian bluff, and that it is safer to call it to-day than be faced with a more serious struggle with the aggressor of to-morrow.

Those who urge that sanctions should speedily be brought to an end, reply that the league is not at stake but a mistaken conception of league policy, and in any case article XVI was designed to save the victim rather than to punish the aggressor; that it would be the height of folly to risk an imminent war to-day in order to avert a hypothetical one to-morrow; that with the collapse of the Ethiopian government and Ethiopian armies, there is now no foundation on which to rebuild, no fulcrum on which to rest the lever; that the Italian economic condition is far from hopeless and her people united and flushed by success, and that with the Far East in motion, Palestine aflame, Austria torn by internal conflict and external propaganda, Germany watchfully waiting,

France distracted by internal difficulties, only doctrinaires would urge risking war to save a formula.

In a recent debate at Westminster the opposing views were clearly set forth. Mr. Dalton, for the Labour party—

> ... impressed upon the government the view of the members of the opposition that there was no justification whatever for the removal of the sanctions imposed on Italy by the League of Nations practically unanimously. The conscience of democracy in this and other nations would not accept that view. There was a strong case even now for increasing the sanctions by including oil and other commodities in the list. The economic and financial situation of Italy was not enviable. It was all very well for people in the capital to cheer a distant victory, but there was the matter of months to come, and we should look ahead and vindicate the already shaken policy of the collective system.

The other view was most forcibly expressed by Sir Austen Chamberlain, a former Foreign Secretary:

> In the early days of this struggle I said that for myself I had counted the cost and that I was prepared to go to all lengths with other powers, even to the use of military force.... But the circumstances have wholly and profoundly changed since then. What was the purpose of sanctions? Not in this case to attempt to prevent aggression, but to prevent aggression succeeding. They failed. They were to bring the war to an end and to stop bloodshed. They failed to bring the war to an end. It has been brought to an end by military means, by the conquest and complete subjugation of Abyssinia and the flight of the emperor. To ask at this moment, or to propose at this moment, to continue sanctions is a policy of equal danger and futility. I want to ask those who press this policy on the government, have they reckoned the cost and are they prepared for the price they will have to pay?

No indication was given at that time of the position of the government. To-day the British government has stated its position. As I came into the house this afternoon the Canadian Press were kind enough to hand me dispatches which have come setting forth particulars of the debate which has taken place in the British House of Commons to-day. It would be of interest I think for me at this moment to quote one or two paragraphs which appear in the press dispatches and which, will doubtless find their way into the evening papers.

> London, June 18.—Anthony Eden, Foreign Secretary, told the House of Commons to-day Great Britain would take the lead at Geneva for removing the League of Nations' sanctions against Italy. Mr. Eden said: "His Majesty's government, after mature consideration on advice which I, as foreign secretary, thought it my duty to give, has come to the conclusion there is no longer any utility in continuing these measures as a means of pressure on Italy."
>
> Mr. Eden recited the occasions upon which Great Britain had previously taken the lead in attempting to settle the Italo-Ethiopian war, and said that, since the league seemed to be perplexed, the British government considered it to be its duty to take the lead again.
>
> "No doubt it would be quite as easy for us not to do so and to follow somebody else," said Mr. Eden, "but I don't believe that is the right attitude for this country to take."
>
> He declared: "We have to admit that the purpose for which sanctions were imposed has not been realized."
>
> He added, he considered the situation in Ethiopia one "which nothing but military action from outside the country could possibly reverse."
>
> Then Mr. Eden demanded: "Is there any country, is there any section of opinion in this country, which is prepared to take such military action?"
>
> "If the league means to enforce an Ethiopian peace which the league can rightly approve, then the league must take action of the kind which must inevitably lead to war in the Mediterranean—and no man can say such a war can be confined to the Mediterranean."
>
> "I have no reason to think the league favours such a departure or such action, and no reason to suppose this country, on which the greatest burden of such a war must fall, desires it either."
>
> "The government," said Mr. Eden, "is actively studying the question of league reorganization but," he added, "it was felt wiser to leave the matter until the September league assembly."

That statement of the British position came in, as I have indicated, this afternoon. The new government of France has not yet had an opportunity of making its position known to the public.

I have summarized the conflicting points of view. The assembly which is to meet at Geneva the end of this month will be called upon to consider the extension or the removal of sanctions. It is desirable, in view of the fact that this session of parliament will shortly come to an end, that the position which the Canadian government propose to take should be stated now.

May I say, Mr. Chairman, in presenting this statement that the position which our government proposes to take is one which was determined in the cabinet some little time ago. It was a decision arrived at before we had any information as to what the British action would be in this matter. Our position was taken in the light of all circumstances as we were able to ascertain them, and with particular regard to Canada's position.

It is urged in some quarters that sanctions should be applied until the principle of collective security is vindicated and Italy agrees to make peace on a basis consistent with her covenant pledges. That could only mean applying sanctions until the aggressor is forced to withdraw and the independence of Ethiopia is restored. How could that end be achieved? It is clear that sanctions of the present order would not be adequate to

attain it, now that Ethiopian resistance has practically collapsed. No half-way policy is possible at this stage. Six months or a year of continued ineffective economic pressure would be worse than useless. The end could be achieved only if the members of the league would definitely undertake to resort to whatever measure of compulsion, including war, would be found necessary to secure a speedy and certain compliance. Is there any likelihood that under the circumstances that exist to-day, alike in Europe and in Ethiopia, any appreciable number of the effective members of the league would give such commitments? It is clear there is not. Is there any certainty, if they did, that their objective would not soon be lost sight of in the very serious disturbances which might arise from other quarters? Entertaining this view, we do not consider that we would be warranted either in committing Canada to such a course, or in urging those members of the league upon whom the main burden and risk would fall, to undertake it, if they were not themselves convinced of its necessity. We believe there is no practical alternative for Canada at the approaching assembly of the league but to support the raising of sanctions, and our delegates will be instructed accordingly.

I come now to the concluding part of what I have to say, and which has relation particularly to the future of the league. Probably many of the members of this house have read an interesting speech delivered by Mr. Baldwin on the future of the league a week or so after the debate to which I have referred. The burden of his address was the value of the underlying ideals of the league, the experimental character of article 16 and the policy of sanctions, the necessity of re-examining that experiment in the light of experience and considering whether any changes were required in the covenant, whether automatic sanctions are practicable, and whether it will be possible to give the league the universality of membership its founders assumed.

That brings me to the question of our own attitude to the league in the future. It is not a subject upon which anyone can dogmatize. There are many points of view which may be taken to-day, and new factors, new experience, may require us in the years to come to revise the opinions of to-day. But it is a question which events have forced us to consider.

Here, again, may I say that the view of the government, in general terms, was expressed in our statement of October 29, and that experience since that time has not shown any reason for substantial alteration of that view.

In brief, it was then indicated that the government regarded the league as an essential instrument for peace; that there had been differences of opinion among league members from the beginning as to the means whereby peace could be secured; and that successive Canadian governments, without any appreciable public dissent, had opposed the view of Geneva as "an international war office," with the emphasis upon punishment rather than prevention. The statement concluded:

> It is also to be understood that the government's course in approving economic sanctions in this instance is not to be regarded as necessarily establishing a precedent for future action. In the future, as in the past, the government will be prepared to participate in the consideration of the most effective means of advancing the aims of the league through the adjustment of specific controversies, the lessening of the rivalries based upon exaggerated economic nationalism, the renewal of the effort to stem the rising tide of competitive armament, and such other policies as are appropriate for a country in the geographic and economic position of the dominion, and as will ensure unity and common consent in Canada as well as the advancement of peace abroad.

May I develop that view somewhat further? In the first place, we do not believe that isolation from interest in world affairs is possible for Canada. The world to-day is an interdependent world. No happening of any magnitude abroad is without its repercussions on our fortunes and our future. Canada, it is true, unlike many less fortunate countries, is not exposed to direct and imminent danger of attack and conquest by any country. We are fortunate both in our neighbours and in our lack of neighbours. It may be that this fortunate position is not due to any special virtue on our part, that it is an accident of geography and of history, but one has only to be in any European country a day to realize how relatively fortunate a position it is, and what folly it would be to throw it away. It is equally true, I should add, that if some countries have too much history, we have too much geography; we have the problems of rapid development of half a continent, the burden of building railways and roads to connect the far-flung provinces, the task of maintaining government over vast areas, and unity among sections thousands of miles apart, problems from which many older,

developed, concentrated countries are relatively exempt. We have a real interest in the peace and prosperity of the world. Our climate and resources, our whole railway and economic structure, have made international trade essential for us, at least for many years to come. A great war abroad and, in lesser measure, the preparations for war, the rattling of the sword and the darkening of the sky with planes, may disturb our trade, endanger democracy, strain our relations with other lands.

We are concerned in external affairs, in the events beyond our border, and cannot cut ourselves off from contact with them. External affairs, for Canada, mean in overwhelming degree, our relations with the other members of the British commonwealth, particularly the United Kingdom, and with the United States. With other countries our commercial relations are increasing, and with France we have also an historic tie. This is surely obvious, but it is necessary to emphasize the obvious when men speak as if it were only in and through the League of Nations that we can take our part in international affairs. The league has a distinct place of its own, a long range importance, but our direct relations with Britain and the United States and other countries are of daily and vital import. We have made some progress in providing the machinery, the instruments, for carrying on these direct contacts. It is half a century since Sir John Macdonald established the high commissionership in London. It is just over a quarter century since Sir Wilfrid Laurier established the Department of External Affairs. The recent establishment of legations abroad and the receiving of legations here is now an accepted Canadian policy. Day to day experience makes it clear how imposible it would be to deal with our increasing and more urgent relations with other countries without these agencies of direct and immediate contact, these channels of responsible and friendly intercourse. When circumstances permit I trust it will be possible to carry further this proved experiment in the establishment of legations, and to widen the exchange of representatives with members of the British commonwealth.

But apart from these agencies of contact with individual countries, these means of dealing with specific issues of direct concern, there is a need for a more general organization, an international clearing house, an agency for collective discussion and collective settlement of the problems the nations have in common. We have such an organization to-day in the League of Nations. As someone has said, the league is the one great thing that came out of the war. If it did not exist, or if it went out of existence, it would be necessary to recreate it. The world is linked together materially and we have to devise political means to keep pace with the closer contacts and the more rapid changes of the new age. I may repeat that "the Canadian government regards the league as an indispensable agency for organizing and strengthening the forces of good will in the world, and for effecting the essential adjustment of conflicting national aims."

What are the objects of the League of Nations? They are best set forth in the preamble of the covenant itself:

> In order to promote international cooperation and to achieve international peace and security,
>
> by the acceptance of obligations not to resort to war,
>
> by the prescription of open, just and honourable relations between nations,
>
> by the firm establishment of the understandings of international law as the actual rule of conduct among governments,
>
> and by the maintenance of justice and a scrupulous respect for all treaty obligations in the dealings of organized peoples with one another.

There is, however, room for difference of opinion and need for discussion as to the means by which these ideals of the league may most effectively be advanced under actual conditions in the world, and as to what means are practicable and appropriate for Canada to adopt. Adherence to the league and to the promotion of security by collective action does not necessarily mean a commitment to the use of force, economic or military. There have been two opposing views as to the course the league should adopt. One view, which may be called the continental view, the contention of a number of European countries facing states from which they have acquired territory, has been consistently from 1919 to 1935, that the members of the league should commit themselves to definite and automatic use of force against an aggressor, or at least a European aggressor. The provisions of article 16, the proposals for an international or inter-allied military force, the proposals for an Anglo-American-French treaty to guard the Rhine, the draft treaty of mutual assistance of 1923, the Geneva protocol of 1924, the long discussions during the disarmament conferences, with the cry "security before disarmament," the proposal in 1935 that sanctions should be applied against a country which without having recourse to war had violated a treaty endangering the peace of Europe, these are only some of the expressions of that view.

The other view laid emphasis upon prevention rather than punishment, urged the peaceful remedy of grievances rather than making war upon a country resorting to war, questioned the readiness of European countries to give as well as to receive aid. It was on the whole the view of the countries of the British commonwealth and the Scandinavian states. It found expression in the assembly resolutions of 1921, watering down article 16, in the movement for the revision of article 10, in the opposition to the protocol of Geneva, in the contention that mutual disarmament was the best means of giving security, in the movement for conciliation and arbitration. It is well expressed in the reply of the British government in rejecting the Geneva protocol proposals in 1925:

> The fresh emphasis laid upon sanctions, the new occasions discovered for their employment, the elaboration of military procedure, insensibly suggest the idea that the vital business of the league is not so much to promote friendly cooperation and reasoned harmony in the management of international affairs, as to preserve peace by organizing war, and—it may be—war on the largest scale....
>
> And it certainly seems to His Majesty's government that anything which fosters the idea that the main business of the league is with war rather than with peace is likely to weaken it in its fundamental task of diminishing the causes of war, without making it in every respect a satisfactory instrument for organizing great military operations should the necessity for them be forced upon the world.

This has unquestionably been the attitude of Canada. I quote from our statement of October 29:

> As regards the means to the advancement of those (league) ends, successive Canadian governments have opposed the view that the league's central purpose should be to guarantee the territorial status quo and to rely upon force for the maintenance of peace.

The Anglo-American-French treaty of 1920 was so framed as to exclude the dominions. Canadian public men of both parties opposed or sought to remove the status quo guarantees of article 10. The Canadian government in 1925 rejected the protocol of Geneva because of "its rigid provisions for the application of economic and military sanctions in practically every future war." Canada and the other dominions did not adhere to the Locarno treaty reinforcing the guarantee of the Rhine border, just as Great Britain at that time refused to guarantee the Vistula. In responding to the invitation of the United States to become a signatory to the Briand-Kellogg pact, the Canadian government, in view of its discussion as to its bearing upon the covenant of the league, made the following statement in 1928.

[Mr. Mackenzie King.]

Mr. MACKENZIE KING: I quote from the statement made in 1928 in connection with the Kellogg pact:

> The preeminent value of the league lies in its positive and preventive action. In bringing together periodically the representatives of fifty states, it builds up barriers against war by developing a spirit of conciliation, an acceptance of publicity in international affairs, a habit of cooperation in common ends, and a permanently available machinery for the adjustment of differences. It is true that the covenant also contemplates the application of sanctions in the event of a member state going to war, if in so doing it has broken the pledges of the covenant to seek a peaceful solution of disputes. Canada has always opposed any interpretation of the covenant which would involve the application of these sanctions automatically or by the decision of other states. It was on the initiative of Canada that the fourth assembly, with a single negative vote, accepted the interpretative resolution to which the Secretary of State of the United States recently referred, indicating that it is for the constitutional authorities of each state to determine in what degree it is bound to assure the execution of the obligations of this article by employment of its military forces.
>
> The question of sanctions has received further consideration by later assemblies. It is plain that the full realization of the ideal of joint economic or military pressure upon an outlaw power, upon which some of the founders of the league set great store, will require either an approach to the universality of the league contemplated when the covenant was being drawn, or an adjustment of the old rules of neutrality to meet the new conditions of cooperative defence.

In the light of the recent experience of the league and of the discussions in the United States during the past year on neutrality, this last sentence was a fairly good prophecy.

On the other hand, Canada participated in every league movement for extending the range and facilities for peaceful conciliation, such as the general act for the pacific settlement of international disputes, and the optional clause for extending the jurisdiction of the permanent court, taking the initiative among the members of the British commonwealth in proposing ratification of the latter measure. Successive Canadian governments supported the cause of disarmament throughout. Perhaps all members of the league should have taken a stronger stand at the fatal hour in 1933 when Germany's proposals for equality of armament were rejected, but it was on the countries which were heavily armed that the difficult responsibility rested, and if the wrong turning was taken, we must admit that hindsight is more common than foresight. We did something to aid the minorities protected by the peace treaties to secure a fair hearing. I do not say we have done enough at Geneva, that we were always as concerned as we might have been, or as strong in our advocacy of good causes as we and others might have

been. There are obvious limitations to the amount of pressure a small and distant country, not primarily responsible for what may be the outcome of the league decisions, can apply. But at least, whatever government has been in power, we have, I think, aimed in the right direction.

There is undoubtedly much that is attractive and persuasive in the conception of a world united to prevent by force a breach of the peace by any aggressor. It has been stoutly contended that if all nations would undertake to make war upon an aggressor, and carried out that undertaking, war would never occur. That may well be, but unfortunately it is only a hypothetical argument; it bears no relation to the actualities of to-day It may be that eventually some such rule of law will be established in the international as has been established in the national field, or at least in those countries where law and the free expression of the people's will still prevail. But clearly that time has not yet come, and to pretend that it has is only to make for disillusionment and misdirected effort.

Two conditions are essential to the working of any such plan of universal compulsion. In the first place, there must be an overwhelming preponderance of power, economic and military, in the league as against any possible aggressor or combination of aggressors. Even economic pressure, if it is to be strangling enough to be effective against a strong nation, must be backed by a definite readiness, in the last resort, to have recourse to armed force. That is surely clear. That condition does not now exist. For one thing, the league is not the universal association anticipated by its founders when they dreamed of it imposing peace throughout the world. The United States, Germany, Japan, Brazil, are outside the fold. A league facing the abstention of some and the hostility of others of such powers clearly cannot operate as it might in other circumstances. In the second place, there must be the certainty that the members of this body will be ready to exercise that force when the occasion arises, regardless of where it arises or whether they have any direct interest in the quarrel. That condition again, does not exist. There are a few countries which have evidenced some measure of idealism in their approach to the question, but in most cases action has depended on a calculation of immediate interest. That was shown beyond doubt in the Manchurian and Chaco incidents. The league did not apply military or even economic sanctions in the Manchurian affair; its action was confined to a recommendation not to recognize the state of Manchukuo. In the Chaco war, between Bolivia and Paraguay, it did even less. That was not a minor conflict. It was a long and bloody war, dragging out for nearly three years, costing the lives of a hundred thousand men, bleeding and bankrupting both countries, and leading lately to the establishment of military dictatorships. It involved immensely more human suffering than the Ethiopian conflict. Yet the league never even attempted to determine the aggressor; after two years of warfare a league commission made recommendations for a settlement, which were rejected, and later still a futile embargo on arms was proposed. It is true the intervention of the league was complicated by local South American jealousies and rivalries, but this was an excuse rather than a reason for non-intervention; if the letter of article 16 applies anywhere, it certainly applied in the Chaco. In short, these disputes were far from Europe's shores; no direct national interests of other members of the league appeared to be concerned, or none commensurate with the effort and the risk of coercive action. There has been no firm ground any time in the past ten years for anticipating that the league would act otherwise in such cases.

Under such conditions it is clearly impossible for a country like Canada to make binding commitments to use economic force or military force. The league cannot operate as a one-way road. European states cannot throw overboard all obligation to action in Asia or America and expect other members of the league to accept obligations in European disputes. Occasions may arise where military action may become advisable or essential, but so far as Canada is concerned, that would be for the parliament of Canada to decide in the light of all the circumstances at the time. Automatic commitments to action in any and every part of the world have not been and, at the present stage of national development, will not be observed by the members of the league. Automatic commitments in restricted areas where direct interests are involved might be so observed, but such commitments, whatever name they go by, are often hard to distinguish from the old fashioned military alliance.

It is a matter of regret that the league is not now in a position to play the spectacular role of dictating peace to all the world. But admittedly it is not in that position or that mood. To act as if it were is merely to incur failure and recrimination, and to involve the risk of bringing on the very disaster it is the purpose of the league to avert.

But that does not mean that there is not a great part for the league to play. If it

cannot become the international war office, neither need it become a mere debating society. It can emphasize the constructive side of its task. It is of great value to have at Geneva a world-wide organization where the machinery for conference and conciliation is always available, not having to be improvised in the midst of a crisis; where representatives of fifty countries meet periodically and come to have some appreciation of the difficulties and the mentality of other lands, and slowly develop the habit of working together on small tasks leading to greater; where, in spite of all the criticisms we often hear as to vaguely worded resolutions and hotel bedroom conversations, the statesmen of great countries are forced to come into the open and defend in public, before a world forum, the policies of their governments. It can press on to its task of disarmament, or at least to the halting of armaments. It can develop and apply the instruments of conciliation and of arbitration in settling specific disputes before they lead to open challenges and entrenched positions. It can provide a forum for the discussion of economic grievances. Much nonsense is talked to-day about the Haves and the Have Nots; the countries which are in trouble as regards raw materials are the countries that have them to sell, rather than those that have to buy. Canada, for example, has great resources, but she also has great burdens; we have incurred huge debts in seeking to stake out and develop and unify this widely scattered heritage; and incidentally, whereas many of the countries which complain of their unjust treatment have evaded the burden of internal debt by inflation and of external debt by repudiation, Canada has paid and continued to pay every obligation within and without the country.

We should inquire earnestly and seriously what can be done by joint action to remove at the root the political unrest, the economic insecurity, which is largely responsible for national rivalry and threats of war. We must of course keep a sense of proportion, realize the complexities of the problems of post-war Europe and pre-war Asia, the measure of knowledge, the measure of influence which Canada can bring to bear upon the solution of the racial strifes, the border disputes, the class antagonisms, the economic conflicts of distant continents. But inquire we should into any question, raw materials, population movements, labour conditions, that is felt as a grievance. There is one economic grievance, or rather difficulty, which nearly all share, the difficulty of finding markets, the contention that unless we sell we cannot buy. That is sound, and points to one sound policy all should seek to follow as a means to world appeasement—revival of two-way international trade, an increase in the total movement of goods, not the futile and fatal attempt to equate balances between every two countries, at constantly falling levels of total trade. Civilization will indeed be in jeopardy if governments tinker with symptoms and ignore causes, if we allow and encourage the disruptive forces to grow and confine our efforts to repression or punishment when the damage is done. Repression or construction, force or cooperation, the clash of tariffs and the appeal to force or the solution of the problems that underlie international rivalries —that is the choice before us.

It is a counsel of despair to assume that trade war or military conflict is inevitable, and to assume that all that can be done is to meet force by force. Particularly is it futile to expect that we can sow the seeds of economic nationalism and reap a harvest of peace and prosperity. It is a policy of organized scarcity, of deliberate sacrifice of the standards of living in pursuit of a security which it makes impossible by the antagonisms it creates. It is a policy which injects the state into every transaction between citizens of different countries and makes ordinary business an international struggle. Within the measure of our power, we must pursue the attempt to bring international trade gradually back to a sane basis, to lessen the throttling controls and barriers. If we can do so in any degree, we shall make one of the most direct and constructive contributions we can make to the peace and welfare of our own and other lands.

We must not despair of the league. The league has failed, but the league is not a failure. Christianity has failed time and again, but Christianity is not a failure. Rome was not built in a day, and imperial ambitions cannot be exorcised in fifteen years. After all, it is a very little while since we in the British empire ourselves completely reformed. In spite of all discouragements, in spite of the failure of premature efforts, the ideal of world peace is not only sound, it is the essential condition of the survival of civilization and human life itself. So far as Canada is concerned, there is no danger to our national unity and our economic recovery so serious as participation in a prolonged war. We must continue to work earnestly toward the ideal of world peace. To that end we

must utilize constructively the League of Nations—that indispensable agency which the conscience of mankind fashioned on the morrow of the greatest international disaster of all time, and bequeathed to our own and future generations.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): I must express my appreciation of the very carefully prepared statement of the Prime Minister (Mr. Mackenzie King). On the whole I find myself very largely in agreement with the concrete actions taken by the government and also with the ideals set forth by the Prime Minister. But I would point out that many of the decisions arrived at might be called after-the-event decisions. The policy of "wait and see" has so far proved successful, but we must not take it for granted that such a policy will always succeed. I am afraid that, alone, it may not keep us out of war. The government's decision with regard to the withdrawal of sanctions may have been arrived at some time ago, but it is perhaps characteristic that it was not announced until after the great nations had declared themselves.

Mr. MACKENZIE KING: The hon. gentleman says that the announcement made by the government was not made until after the great nations had declared themselves. That is not true. If my hon. friend will kindly state what great nations have declared themselves, and when and where they did so, the record will be complete.

Mr. WOODSWORTH: We know now the position of Great Britain; Mr. Litvinoff made a declaration a week or two ago, and according to the press the decision of the French government is now fairly well known.

An hon. MEMBER: What is it?

Mr. WOODSWORTH: I am saying, according to the press. As to the future, I must submit that the government's policy is vague. The Prime Minister avoided, or at least did not mention, many problems that are inherent in the existing world situation. He did not attempt to indicate the implications of the general position he enunciated. Possibly—I say this in all sincerity—that is too much to expect from the responsible head of a government or from the leader of a party which comprises such diverse elements, but I think that someone should do this.

For a long time we in this house have taken very little interest in foreign affairs. The discussion of a new post office or of a wharf apparently really means more in this house than the discussion of some of these world-shaking events; yet the issue of peace and war is really involved in our foreign policy. The last war, according to a recent computation, cost Canada $4,341,488,904. Through the opportunity I now have in this chamber I would impress upon our Canadian public the disaster that war would mean to Canada and the disaster that it has meant to the world. According to some calculations quoted in Canadian Business of June, 1934, the amounts invested or rather squandered in the last war could have been utilized to create almost a new world. As estimated by Nicholas Murray Butler, who is far from being a radical agitator, the last war cost 30,000,000 lives and $400,000,000,000. He said:

> With that amount we could have built a $2,500 house with $1,000 worth of furniture and placed it on five acres of land worth $100 an acre, for every family in the United States, Canada, Australia, England, Wales, Ireland, Scotland, France, Belgium, Germany and Russia.... There would have been enough left to give each city of 20,000 inhabitants and over in all the countries named a $5,000,000 library and a $10,000,000 university. Out of the balance we could have set aside a sum at five per cent interest which would pay for all time a $1,000 yearly salary each for 125,000 teachers and 125,000 nurses. After having done all this we could still have bought up all of France and Belgium, everything that France and Belgium possessed in 1914: every home, factory, church, railroad, street car.

If these figures are anything like approximately correct, they bring home to us the frightful disaster the last war was; and as we contemplate these facts one might well fear lest another war might wipe out civilization. Our people do not realize the danger. I am not altogether blaming the government.

But one reason the people do not realize the seriousness of the situation is that we have not had the discussions which we might have had in this house. The government, even at this present session, delayed for nearly five months before stating its policy. The Prime Minister said that there was danger of our being colonial-minded, and that is a real danger. The tendency is for us slavishly to follow Great Britain. That constitutes a sort of inferiority complex which manifests itself in the idea that someone else must take the lead. I cannot see why someone else should always lead. The Prime Minister said recently that a very difficult situation confronts European statesmen at the present

time. Why cannot we understand that it confronts the world and Canada and not merely European statesmen? The leader of the opposition (Mr. Bennett), in the same connection, said that efforts must be made to uphold the hands of those who are endeavouring to maintain the peace of the world. Well, are we not members of the league, and why should we not have a responsibility in regard to stating what we believe? On the other hand, this inferiority complex manifests itself in the exaggerated idea that if we take any action it may upset the apple-cart. Only the other day the Prime Minister said:

> I ask my hon. friend to consider what the effect of a discussion in this parliament two months ago, one month ago, two weeks ago—

And the Prime Minister fairly shuddered! Then the leader of the opposition joined with him in the observations he made in this house. He said:

> Any observation that might be made in this house and which would embarrass an already embarrassed situation, would be, in my judgment at any rate not only unsound but calculated to retard rather than to assist the accomplishment and purposes of the end we have in view.

I really do not think Canada is as important as that, but I most firmly believe that Canada should be prepared to take her stand and express an opinion with regard to these matters. If the parliament at Westminster, so much nearer the scene of action, can discuss these matters as it has done from time to time, I cannot see why there should be any difficulty in the way of our discussing them in this country.

I suggest that we may as well concede to one another that we all want peace. We all love our country, and if some of us hold views and advocate policies that are not held and advocated by the majority in this house, I hope our arguments will not be met with cries of "coward," or "communist" or "anti-British" or "pro-German" or pro anything else. I admit that the situation is very, very complicated. Any of us who have tried to arrange our own thoughts cannot but have felt that. I think the Prime Minister is quite correct in his statement, and I sympathize with him when he says that we cannot be dogmatic with regard to many of these problems. It may even be very difficult to maintain a consistent position. Our policy must necessarily be contingent upon rapidly changing conditions.

I do not think I can make any greater contribution to-night than to present as briefly as possible some fundamental considerations that I hope no one will call merely academic.

I believe firmly that war is madness; that it settles nothing; that it creates serious trouble. I believe that we must approach the study of war with a scientific spirit and a scientific technique. War does not come by act of God; it does not come out of thin air. It is the result—and I think we are all coming to that view—of clearly defined and ascertainable causes. We recognize to-day a certain war psychology which is apt to get possession of any or all of us. Then there are undoubtedly certain economic factors, prominent among which are the gain that comes from private armaments, and economic nationalism. Just recently Mr. Harold Butler, Director of the International Labour office, speaking at the Twentieth Session at Geneva, 1936, had this to say:

> War is not caused only or mainly by lust for territory or booty or prestige. It is also caused by low standards of living, by the feeling of economic insecurity, by the desire for moral or social emancipation. The founders of the organization were right when they discerned an indissoluble connection between peace and social justice....
>
> There is now a vague awareness that territorial claims and armament programs are not the fundamental issues and that it is impossible to allay the international tension which they have created without striking deeper. They are not the causes of our present discontents but the symptoms. The roots are to be found in actual or threatened impoverishment, declining standards of life, insecurity for the future of themselves and their children which darkens the outlook of the present generation in so many countries. The remedy is not to be found then in political pacts or frontier rectifications or disarmament conferences alone. These methods have been tried and have failed because they did not touch the real source of the trouble. So nowadays we are beginning to talk of the abolition of trade restrictions, the distribution of raw materials, the stabilization of currencies, an international monetary agreement, the resumption of international lending, as things which are not merely required to promote economic recovery but which are indispensable to the future stability of the whole political structure.

Let me say further that I am perfectly convinced that if we want to have peace we must be prepared to pay the price of peace. That is not going to be a light price, but in contrast with the enormous costs of war we ought to consider ourselves fortunate indeed that we are in a position to pay it. Further, let me state the convictions of this group—

Mr. GRAY: If the hon. gentleman will permit a question, what does he mean by "the price of peace"?

Mr. WOODSWORTH: I do not want to go into that at the moment. It would take me too long to outline a program. All I desire here is to indicate that we cannot

get peace merely by wishing for it. We shall have to give up—as I shall urge a little later—older conceptions of our "sovereignty," the older ideal that we can go our own way without reference to the outside world, and so on. I say we have to pay the price of peace, and it is not a light price.

I believe, and our group believes, that war cannot be eliminated under the existing economic system. I shall not be thought to drag in a mere party slogan when I say I am convinced that capitalism means social injustice at home and it also means imperialism and militarism. In our modern complex industrial and social structure, I agree with the Prime Minister that no individual can live to himself and no nation can live unto itself. Self-sufficiency, independence, sovereignty, isolationism belong to the past. The world is becoming more and more integrated. The trouble is that our institutions and our ideals have not kept pace with the development which is taking place in the world around.

I find myself somewhat in a dilemma. Let me confess that as an individual I refuse to participate in or to assist in war, and yet I am a citizen of a country that still relies upon force, and as a public representative I must vote on alternative military policies. Under these conditions in the actual world of affairs one must try to hold to his own convictions and keep ultimate objectives in view, and yet advocate measures which are recognized as merely ameliorative. One must accept half a loaf, or even support procedures which, though repugnant to one's principles, represent a real advance in public welfare and public morals. For example, I am opposed to capital punishment, and yet, rather than see a woman's head nearly torn from her shoulders, as was done recently in Montreal, I would vote for the electric chair, for gas, or even, I think, for the axe! In a decently organized society we would not need a police force. In the present semi-barbarous civilization I prefer a police force to bandits and vigilantes. So, in international affairs, until war is actually and wholeheartedly repudiated as an instrument of international policy, an international police force under proper control, if indeed that is possible, might be preferable to world anarchy.

Lest somebody should set me down as an idealist let me talk for a little while as a hard-boiled realist. In my judgment it is the advocates of armaments who are the sentimentalists. They are living in the past. Armaments in the past have failed to give us security. Some other way must be found. It is the imperialists who are the sentimentalists. It is those who pin their faith to the league as now constituted who are the sentimentalists.

Let us consider realistically the defence of Canada. If we start with the assumption that Canada's first obligation is to her own citizens, our problem is: How can we save our next generation from annihilation? I submit, as I did on the defence estimates, that with our present military equipment or any which this country can support, Canada unassisted cannot defend herself against all comers. Fortunately she does not need to do so. The United States will not attack us, and under her Monroe doctrine the United States would protect us, not because of her interest in our welfare, but because of her interest in her own affairs. At the moment, then, I have a good deal of sympathy with the isolationist position, though I quite agree that it cannot ultimately save us. We are a part not only of North America but of the world.

A more difficult question is: What of our British empire connections? Personally I think highly of Great Britain. I am not sure but that spiritually I am more at home in England than in Canada. But I do not believe in modern imperialism, German imperialism, Japanese imperialism, French imperialism, or British imperialism.

Mr. REID: Or Russian imperialism?

Mr. WOODSWORTH: No, nor in Russian imperialism. I do not believe that Canada should be involved in British wars. The Prime Minister stated what I think is a very great truth when he said that imperialist ambitions cannot be exorcised in a day. But, if they are to be exorcised at all, we must take our part in striving not to let imperialism dominate the world to-day.

Mr. LAPOINTE (Quebec East): Are we not doing that?

Mr. WOODSWORTH: For that reason I made the suggestion the other day that I thought Canada, as a self-respecting nation, should now declare to Great Britain that we are determined that we shall reserve to ourselves the right to declare war or to make peace. I understand that we have the right to declare whether we shall participate by sending soldiers to the front, and so on, but if England is at war I believe that, according to international law, we might be said automatically to be at war, and our shipping and our coasts might be attacked. As I said the other day on the national defence estimates, the conduct of foreign relations being a matter

governed by royal prerogative and not by statute was unaffected by the statute of Westminster. Canada has now full control over her own legislation but is without full control over the executive functions of her government. What is needed is to round out the control over her executive in the same way that the statute of Westminster rounded out her control over her own legislation. I went so far as to suggest—I shall not go into details to-night because I have not time—that in 1934 the Union of South Africa secured for herself precisely what Canada now lacks. In that year, by the Status of Union Act and the Royal Executive Functions and Seals Act, the union parliament declared that—

—the executive government of the union in regard to any aspect of domestic or external affairs as vested in the king, acting on the advice of his ministers of state for the union, and may be administered by His Majesty in person or by the governor general as his representative.

There were further provisions that make fairly clear that the Union of South Africa will be free to determine the question of peace or war on her own behalf.

The same is true of Ireland.

I am not concerned as to the particular way we do this, but I believe that we should make some sort of declaration of neutrality; that we should let Great Britain know now, not later on when she may become involved in some war, that she need not count us in. I recognize the difficult position of the government, but sooner or later that issue must be faced.

Now I come to our relation to the league. Collective security is a fine phrase. What does it mean? The league at first was a league of victors tied to the Versailles treaty. For a long time the league was dominated by France, and more recently it has been used by Great Britain. In no case has it been in any real sense an impartial instrument. In an article recently in the New Statesman and Nation, Mr. Brailsford had this to say:

This is not a league; it is a collection of governments, each retaining to the full its national sovereignty, each the sole judge of what armaments it requires. It has no central authority above these governments. Each chooses and pays as foreign minister a watchdog of its own national interests, and then we expect that this man, when he flies from his office to Geneva, will on the instant grow an international mind. A president and a standing international council elected on personal merit by the assembly might have given some hope for the evolution of a genuine league policy.

The fundamental idea of the league, that it can ensure peace by dealing with isolated disputes between its members, sprang from obsolete thinking. A "dispute" is commonly a sign of something awry in the structure of the world (distribution of population, raw materials, et cetera), that calls for general legislation and planning. But sovereignty (with the unanimity and domestic jurisdiction rules) stands in the way.

A league that failed to base its whole structure on economic cooperation was bound to disappoint. The best cement is not coercive sanctions, but economic benefits....

Again let me quote with approval the words of the Prime Minister this afternoon, "Collective bluffing cannot bring collective security." I cannot think that any of us have taken the league very seriously. Certainly the great powers have not. We talk of our obligations under the league, but one of those obligations is that of disarmament. I cannot get excited over the action that Germany has taken in entering the Rhineland. Germany disarmed conditionally. We of the allied side refused to adhere to our solemn obligations to disarm. Again we blame Italy for what she has done. I think Italy is blameworthy, but we ourselves have failed to keep other obligations to which we were bound under the league. Let me say that the removal of the causes of war or any real effort to do so has not been seriously attempted.

The fact is we have been thinking in terms of war. We have had quoted to us again and again article 10 or article 16 of the covenant. These have been emphasized but there has been little reference to article 19. It is all very well to talk of maintaining the status quo, which cannot be maintained in a fast changing world. It is all very well to impose sanctions, which it has been proven cannot very well be successfully imposed under the conditions which prevail to-day. What does article 19 of the covenant say?

The assembly may from time to time advise the reconsideration by members of the league of treaties which have become inapplicable and the consideration of international conditions whose continuance might endanger the peace of the world.

That we have not observed. Let me point out, as I did a moment ago in answer to a question, that I believe in an effective world organization national sovereignty cannot be maintained. The giving up of sovereignty is going to be a pretty big price to pay, but I am firmly convinced that it must come to that. There is no use in our occupying a rather smug position, saying we are in favour of peace and blaming other nations for getting into a row in Europe or Asia when we are not willing to do our share, if it involves parting with some control over what we regard as our own affairs.

Let me pass to the Ethiopian situation. No one can condone the action of Italy, and yet may I point out that Italy was bribed to go

into the war. Certain promises which Great Britain made were not kept, and whatever the Prime Minister may say about the nonsense that is being talked about the Haves and the Have Nots, I think there is a very real ground for complaint on the part of some of the lesser nations or those who have not early enough got into the great expansionist game.

Let me say further that Japan was as much an aggressor as Italy; I think that is undoubtedly true; and there was the trouble in the Chaco. In neither case did we intervene, and we were just as much breaking our solemn promises and obligations by failing to intervene in China or South America as we would have been had we failed to intervene in the Ethiopian affair. Let me point this out further. The other imperialist powers did very much the same thing a few years ago as Italy has done more recently. It may very well be that Italy used gas bombs. But Great Britain herself threw bombs, not gas bombs possibly, but threw bombs on unprotected villages in northern India and Afghanistan.

Mr. LAPOINTE (Quebec East): If my hon. friend will permit me, do I understand him to say that Canada should have intervened in Manchuria and Chaco?

Mr. WOODSWORTH: No; I say the League of Nations.

Mr. LAPOINTE (Quebec East): I thought the hon. member said "we."

Mr. WOODSWORTH: We were just as much bound to take consideration of the situation that existed when Japan became the aggressor as we were bound to take consideration of the situation that existed when Italy became the aggressor.

Mr. LAPOINTE (Quebec East): What does the hon. member suggest that Canada should have done?

Mr. WOODSWORTH: Canada is a member of the league, and as far as the league has any responsibility we have to share it with the other members of the league. We imposed sanctions against Italy; we did not impose any sanctions against Japan.

Mr. LAPOINTE (Quebec East): The league did not.

Mr. WOODSWORTH: Nor did we. I think that interjection of the Minister of Justice illustrates one of the weaknesses we all have in dealing with the league, as though the league were something apart from ourselves.

Mr. LAPOINTE (Quebec East): So is my hon. friend illustrating some of the weaknesses.

Mr. WOODSWORTH: I have a very strong suspicion that Great Britain would not have been so much interested in Ethiopia were it not for Egypt and the Sudan, and Suez and India. Further than that, while we talk of the failure of sanctions, we all recognize to-day that they were not adequate or their application prompt enough to be effective. I do not think there is any use in my discussing the question whether or not we should now retain sanctions, but I would say that if sanctions were ever justified then possibly their continuance was justified. The Prime Minister said what I was very glad to hear him say, that we have no commitments with regard to military sanctions, and we would have none without the prior consent of parliament. But he also said in another connection that economic sanctions might and would almost inevitably lead to war. Yet in spite of that Canada did actually join with others in the imposition of economic sanctions. It seems to me that there we got ourselves into a tangle from which I see no very clear way out. I am not here to assert that I see a way out, but I do say that, the old way having failed, we must find some new way.

Mr. ILSLEY: Well, that is constructive!

Mr. WOODSWORTH: Well, I am going to suggest one or two things.

Mr. LAPOINTE (Quebec East): Which is the new way?

Mr. WOODSWORTH: I am keeping my eye on the clock because my time is limited; I may have an opportunity at some later time to offer more detailed suggestions. But I reaffirm the position I took at the League of Nations meeting, last November I think it was, that without seeking to alter conditions, some of which I have described, I believe that sanctions might become worse than useless. Under the present set-up sanctions have failed.

What do we face to-day? Another armament race, in which even Great Britain is participating. Not many weeks ago Sir Thomas Inskip, British Minister of Defence, announced a vast armament proposal. We have before us the unsolved problem of Germany, involving among other things equality. The demand may be made for the return of her former colonies. Either this should be granted, or all colonial dependencies should be placed under a mandatory system, thus giving to all nations equal access to the sources of raw materials and markets. But to this kind of proposal we are apt to reply; What we have we hold. Now we are back

again to the old European power politics. In this morning's Montreal Gazette I noticed this dispatch via the New York Times:

> In effect it was the beginning of a new British policy intended to use Italy as a counterweight against Germany in defence of the existing frontiers of Europe.

So it goes. We are back again into the same old war game.

The question then comes: Should we withdraw from the league? I think I would join with the Prime Minister in saying that we should stay with the league. But I say that in doing so we should deliberately set about to work for a new and better world organization than the league constitutes to-day. In the first place it seems to me that we must separate the treaty from the covenant. The treaty is an iniquitous one. As long as that treaty stands we are bound to have difficulty. In my judgment we ought to have a fundamental revision of the Versailles treaty. Someone asked for constructive suggestions; that is one which must have first place.

Mr. ILSLEY: How would the hon. member revise the treaty? It is easy to say that it should be revised, but how?

Mr. WOODSWORTH: We are a member and can exercise our right to express an opinion and urge a point of view, and as far as I know Canada has never done that.

Now the Prime Minister says that our delegates are to be instructed to urge the cessation of sanctions. That is all very well, but it seems to me that that is a negative position, and we have to go further than that. I suggest among the things that we should do right away is the revision of treaties. Further than that, with regard to the covenant itself, I cannot quite see how we can go on acting as if we had fulfilled our obligations under the covenant or were prepared to fulfil them. Either we must withdraw wholly from the league, which is one alternative, and a good many of my friends believe that that is the course which should be followed, or on the other hand we should remain in the league under certain definite conditions, one of the conditions being that we should immediately proceed to do everything in our power to explore the possibilities of removing some of those conditions which must inevitably drive the nations to war.

Let me venture to make one more quotation from Butler, whom I regard as having a very real insight into the situation:

> Here again is proof that economic recovery is an impossible dream until the fear of another and more catastrophic collapse of the whole international political system has been dispelled. At the moment of writing Europe

[Mr. Woodsworth.]

> once more stands at a turning point of its fate. The same may be true of Asia. Should another outbreak of violence occur in either region, the hopes of any real prosperity would be effectually destroyed for this generation, even if the present fabric of civilization survived. No doubt the underlying causes which have brought the world once more face to face with disaster are largely to be found in the deep-seated flaws in the economic structure....

May I pause here to say that when we advocate changes in the economic system we are doing so in part because we believe that is the only constructive way in which we can attain peace.

I continue the quotation from Mr. Butler:

> —the deep-seated flaws in the economic structure, which were created or intolerably aggravated by the world war. It is certainly true that the menace of a fresh outbreak cannot be conjured away unless a concerted effort is made to remove those flaws. Given a general will to seek that end, however, in a cooperative and constructive spirit, the task is not impossible, though no one would deny its immense difficulty. But without such a spirit, the outlook for the future is black indeed.
>
> We are perhaps passing through one of those fleeting psychological moments when a turn of phrase or an access of bold and farsighted resolution may alter the destinies of the human race for generations to come. It is a moment when statesmanship is called upon to rise to greater heights than at any time since 1914. If the occasion is allowed to slip, the discussion of economic and social progress may shortly become largely academic.

Some have asked, even in the course of this debate, what particular policies I would suggest. I do not think this is the moment to bring forward a detailed program. I have suggested for years past that at the opening of a parliament a committee should be appointed to consider definitely and deliberately the means by which we can attain peace. I have said that again and again, and as opportunities have arisen I have tried to bring certain constructive suggestions before the government. I believe if hon. members will look through Hansard for the last fifteen years they will not suggest that I have not endeavoured again and again to bring the urgency of the situation before the house and to offer constructive suggestions. We as a minority group cannot put any policy definitely into practice; we can only make suggestions. It is very decidedly the responsibility of the government to make statements such as the Prime Minister has made to-day, and, may I suggest to make such statements at the beginning and not at the end of a session. They should be made so that we can discuss them not merely in committee of the whole but in detail in small committees. That is the responsibility of the government.

While I believe the Prime Minister gave us an admirable survey of what has taken place in the last few years, he has not given us a very definite idea as to the policy of the government in connection with external affairs.

Mr. MACKENZIE KING: The hon. member will possibly recall that at a very early stage of the session I took up the estimates of the Department of External Affairs. Upon that occasion all the items with the exception of the ones pertaining to Geneva were passed, and those were held over because hon. members seemed to feel that it was too early in the session to discuss these affairs, and that it would be better to hold over an item or two.

Mr. WOODSWORTH: I have forgotten the exact details in connection with the introduction of those estimates. I do know, however, that again and again they have been introduced in the dying days of sessions. Let me remind the Prime Minister that weeks have passed since I asked for a discussion of this kind, and the Prime Minister, backed by the leader of the opposition, has not seen fit to grant my request until two days before what we hope may be the closing of a session.

Mr. MACKENZIE KING: Weeks had then passed since we first went into committee of supply on the estimates of the Department of External Affairs.

Mr. WOODSWORTH: I shall not argue with the Prime Minister; I am not here to quibble or to criticize the government in a nasty way. But I submit that it cannot fairly be suggested, as has been done by one or two members of the house, that I should to-night bring forward a long string of suggestions which I believe would solve the problems of the world. I am too well aware of the greatness of the problems. I am quite well aware of the difficulties faced by this or any government, under present circumstances, but I ask that the government carefully consider the suggestions I have made. In particular we must be willing to sacrifice much more of what lawyers describe as our sovereignty than hitherto we have given indication of doing.

Let me close by saying that I believe the primary considerations which should determine Canada's foreign policy are the promotion of the safety and welfare of the Canadian people, and the maintenance of the unity of Canada as a nation. I think no one recognizes more definitely than does the Prime Minister that anything like a war would split this nation from stem to stern. We ought to be on our guard against any such disaster. Personally I think Canada should declare her firm intention not to participate actively in any overseas conflict, whatever. Again, in order to avoid any misunderstanding arising between Canada and member states of the commonwealth, Canada should secure immediately from the appropriate imperial or commonwealth authorities full recognition of her right to declare neutrality in the event of another member state of the commonwealth being involved in war.

Let me say to my hon. friends across the way who interrupted me that if that is not a pretty far-reaching suggestion, then I should like to know what is. I admit that it has taken a good deal of political courage to make a suggestion of that kind. However I have ventured to say that that is my opinion, and that we should now take that action.

Finally I urge that the Canadian delegates to the league should be instructed not merely to give up any part in sanctions, but as provided for by article 19 of the covenant, further to press for a policy in which an effort will be made not simply to prevent aggression but to remove those causes of international friction which almost inevitably lead to war.

Mr. PAUL MARTIN (East Essex) (Translation): Mr. Chairman, in rising for the first time to address the house, I feel conscious of my responsibility and trust that my remarks will meet with the approval of my constituents.

Mr. Chairman, as a new and humble member of this house, rising for the first time to speak, may I at the outset express my gratitude to the many distinguished and experienced members of the chamber for their courtesy and their encouragement. I sincerely trust that, having in mind my lack of experience in this house, anything I may say to-night will not be regarded by the government or by other distinguished members as presumption on my part.

I attribute my justification to speak to-night to an interest in and a study of the problems with which we are now faced. At the outset, may I say that in the light of the current situation and having in mind that he is the head of a government, in my view the statement of the Prime Minister and Secretary of State for External Affairs (Mr. Mackenzie King) was both complete and courageous, and will do much to clarify in the minds of our people the question now before the committee? I was pleased to hear him observe that parliament should be more concerned than seemingly it has been in the past with a discussion of these matters. I have said outside the chamber and I have written elsewhere, and in fairness to myself, I should repeat on this occasion that I think we pursue problems of a purely

domestic kind, always assuming that they in themselves possess a measure of security. But in reality, sir, in the absence of some degree of settlement of the sort of problems we are now considering, we must realize that these purely domestic problems certainly cannot possess the security we attribute to them.

There is another reason why I suggest that we in this chamber should consider these problems more often, and possibly why more hon. members should display greater interest and desire to express themselves. My reason is this: As the Prime Minister has suggested, it is difficult to think one's way through these problems. One cannot be doctrinaire; one definitely cannot be dogmatic, and only tradition, together with long periods of study and some historical background, gives one a chance to arrive at a measure of solution. If that is so in the case of the individual, is it not much more so in the case of parliament?

In view of the present situation, is it impossible that we may be called upon sooner than we expect to give expression to policy or to make a decision which in the light of possibly inadequate discussion may amount to a hasty one. I trust the government will not regard my observations as presumptious when I suggest that our representations at Geneva and at international conferences generally can be more adequate if greater opportunity for preparation is given to those who represent us at these conferences. I suggest that in so far as possible delegates to the assembly and to these conferences generally should be appointed far enough ahead to give them a sufficient opportunity to study affairs so that they may adequately represent Canada at Geneva or elsewhere. I have another observation to make, one which is not new. What our delegates do at Geneva or elsewhere should be discussed in this house. I do not think the discussion of these matters should be left alone to committees of the house. I do not think such a procedure is fair to the nation or altogether fair to hon. members.

We have a Department of External Affairs, a department with which I have tried to keep in contact for some years. This department deserves the highest credit. It is manned by individuals who have trained themselves for their work and who are a credit to the service of this country. Under Doctor Skelton, a great scholar and a man who has endeared himself to everyone, this department is accomplishing much work. But I pause to make this slight criticism, and I know it will be received in the spirit in which it is made. Our administrators are so definitely occupied with domestic problems that it is not always possible for responsible ministers to give these matters the attention which I am sure they would like. Would it not be well to sectionalize or departmentalize this department, such as has been done with the State Department in the United States, the Foreign Office in Great Britain and in some of the smaller countries. There could be a Far Eastern section, a League of Nations section, a Canadian-United States section and so on. I do not make this suggestion by way of criticism; I make it because of the relations I have had with this department.

I come now to an important subject suggested by the Prime Minister, which arises out of the axiom with which we are all in agreement, that our main objective in going into the League of Nations was to keep out of war if we possibly could. We all felt that war does not achieve victory and we, along with other nations, were anxious to keep out of war. I should like to address a few remarks more especially to the hon. gentleman who has just taken his seat (Mr. Woodsworth). I do not doubt the sincerity of the hon. gentleman, but we must maintain some realism in connection with this whole situation. Canada must realize that a country of nine million people, three thousand miles from Europe is not in a position to give effect to measures to the same extent as European nations.

Mr. WOODSWORTH: I hope the hon. gentleman will not put that out as my suggestion. I have not had the faintest idea of anything of the kind. I am afraid I have failed absolutely to make myself understood if the hon. member has gained that impression.

Mr. MARTIN: If I have misinterpreted the hon. gentleman, I wish to correct myself. But I do feel from his remarks that there were ambiguities which lent themselves to the interpretation I have just given to them. So far as an attitude towards war is concerned, Canada has had a fairly definite policy almost throughout her entire political history. On the occasion of our sending a contingent to South Africa, Sir Wilfrid Laurier said:

> I claim for Canada this, that in the future Canada shall be at liberty to act or not to act, to interfere or not to interfere, to do just as she pleases, and that she shall reserve to herself the right to judge whether or not there is cause for her to act.

Sir Wilfrid gave expression to a thought which justifies the assertion that we have had continuity in our foreign policy in that particular. Then, as the Prime Minister indicated, although not as specifically as I should like, when we joined the League of Nations we made it clear that in respect of article 10 of the covenant, by which we were

asked to guarantee the territorial integrity and existing political independence of all members of the league, there must be certain reservations. With the approval of all countries save Persia, we obtained the following reservation:

> It is in conformity with the spirit of article 10 that in event of the council considering it to be its duty to recommend the application of military measures in consequence of any aggression, or danger or threat of aggression, the council shall be bound to take into account more particularly the geographical situation and special condition of each state.

From the moment when we first became a member state in the family of states, in the then collective system, we made abundantly clear in so far as military sanctions were concerned, our position was one which would have to be dictated by our location on the surface of the globe.

It was been contended that this attitude is not really a reservation. If I remember rightly, the right hon. gentleman, who now leads the opposition in the upper house, took the view that we could not regard that reservation as properly interpretative of our position. It will be remembered that it was the same right hon. gentleman who gave authorship to the "ready aye ready" formula and later amended his view by declaring that before Canada should go into war, not parliament but the people through the agency of a plebiscite should decide whether or not we should take up arms.

When Germany entered the league she made a condition, precedent to her entrance, that in respect of military sanctions, her peculiar geographical position would always have to be borne in mind.

The Prime Minister indicated that Canadian policy in respect of war participation was clearly affirmed by our attitude regarding the Locarno treaty and the Geneva protocol of 1924. If there was any doubt about this continuity of attitude, our position at the imperial conference of 1923 in respect of the procedure to be followed in the negotiation, signature and ratification of treaties, in so far as our relations with the other members of the empire were concerned, was made very clear. The right hon. gentleman who leads the opposition (Mr. Bennett) and the Prime Minister have given expression to similar points of view.

I do not think there can be any question about the correctness of the position, and I believe the hon. member for Winnipeg North Centre has stated a real difficulty. But I believe this difficulty is one which the government is prepared to consider seriously at the proper time. In so far as our relations with Great Britain or the other members of the empire are concerned, our position with respect to war is constitutionally as follows: We are not obligated to participate in a war in which any one component part of the empire is involved. I think that position is clearly understood. But in respect of the recognition of that de facto status by other nations, the position is altogether different. As a matter of record, I feel it advisable to state here to-night the words uttered in this house by the Prime Minister when speaking on the Lausanne treaty in 1924. I think he has settled correctly, first, our constitutional position, that is to say Canada vis-a-vis the other parts of the empire, and our position in respect of the implications of international law. The Prime Minister said:

> There is a distinction to be drawn between the purely legal and technical position in which this dominion may be placed and the moral obligations which arise under treaties, depending upon the manner in which such treaties are entered into, upon the parties who are present, and the representative capacities in which they acted while negotiations were proceeding. Legally and technically Canada will be bound by the ratification of this treaty. In other words, speaking internationally, the whole British empire in relation to the rest of the world will stand as one when this treaty is ratified. But as respects the obligations arising out of the treaty itself, speaking now of inter-imperial obligations, this parliament, if regard is to be had to the representations which from the outset we have made to the British government, will in no way be bound by any obligation beyond that which parliament of its own volition recognizes as arising out of the situation.

That, I think, is the correct position. Now I suggest, not in any doctrinaire way, that the government consider—I do not think it is expedient to put the proposition in any other way at this time—the desirability, either by exchange of notes or by whatever constitutional process is deemed best suited, under the circumstances, of clearly bringing into consistency our constitutional position alongside the obligations that international law in this particular will impose.

The Prime Minister has stated to-night, to my mind, in as clear and facile a way as was possible under the circumstances, what Canada considers her position to be in relation to the collective system. I say "collective system" for want of a better phrase. We really have not a collective system; but I take it from what he has said—and in that I would fully concur—that we oppose the definition of "collective system" in the sense in which that term is understood, for instance, by the League of Nations Society in Great Britain, where there are considered to be three essentials as constituting the phrase "collective system."

The first is renunciation of war, and with that we agree. The second is machinery for the peaceful settlement of disputes, with which likewise we agree. But we disagree, I take it, with the third essential, namely, acceptance by its members of the obligations to enforce the law if need should arise. I do not think that events of the past few years can indicate anything but this, that if there is not any moral force behind the desire to establish world cooperation, then there is no hope of our having it. I do not believe it is possible to bring peace through armed effort, whether through the agency of economic effort or through the use of military force, and I make that statement for the simple reason that we cannot be expected—I hope my hon. friend from Winnipeg North Centre will understand the spirit in which I make this observation—to give up, in the endeavour to obtain peace, something which we cannot foresee is going to bring peace. Of course, we must give up sovereignty. The principle of federalism alone would serve as a proper agency of government in a world organization. But that presupposes a public opinion, on the part of governments and of people, which is more powerful than all the military or armed force possible. I mention that again for this reason. The leader of the opposition, speaking in Hamilton some weeks ago, made an observation which I may have misinterpreted—and if I have I hope he will correct me—an observation from which I concluded that if the existing collective system, such as it is, was to be preserved, force would have to be exercised in the effort to preserve it. I hardly think that is what he could have meant, because of private talks I have had with him, but I repeat that if force is the only agency it will be very difficult for Canada to contribute to it. We want a collective system; of course we do. We want world cooperation; of course we do. We want a league of nations, but a league of nations that will function, having in mind the realities of the moment. When Mr. Ferguson spoke at Geneva last September, he said:

> We hope that an honourable and peaceful solution of the Ethiopian controversy will yet be reached. If, unfortunately, this proves not to be the case, Canada will join with the other members of the league in considering how, by unanimous action, peace can be maintained.

With regard to that statement, one of the great scholars of political science in this country, Mr. Dafoe, observed, in Foreign Affairs for January of this year:

> Though the language was guarded—

[Mr. Martin.]

Referring to what Mr. Ferguson had said.

> —it was an acceptance by Canada of her obligations under the covenant. It brought within the range of probability the association of Canada with the other members of the league in the application of preventive or punitive sanctions.

I refer to these two observations for this reason. I believe that the true situation is not thus represented. Surely, as of that date, we were content to abide by the provisions of the covenant and to continue along with the other nations in the application of economic sanctions, but only to that extent. And if there was any doubt about it, the statement of the Prime Minister clearly indicates that our conception of the covenant from the beginning has been that, in so far as punitive measures in the purely military sense are concerned, that was never within our contemplation. And that position was even more consistent. I should like to have heard the Prime Minister to-day refer to a resolution he moved, in this very house I believe, in 1926, when he went even further than military sanctions and said that parliament would first of all have to pass upon economic sanctions. The situation as I see it is this: We all want peace; there is not a man in this house or in the country who does not want peace, and I believe that statement reflects public opinion generally. But peace desired and peace obtained are two different things. When we joined the league there were three assumptions, and these assumptions have been clearly set out by Mr. D. F. Malan, leader of the opposition in the South African parliament. By the way, speaking of the South African parliament and the parliaments of the empire generally, I have followed very closely the debates in these various dominion parliaments in the past year, and they have had ample discussion, particularly in Australia and very definitely in South Africa. Mr. D. F. Malan clearly interprets, as of last fall, a situation which, I think, is even more current to-day. On January 31, 1936, he said:

> In order to apply sanctions as they ought to be applied, three things were presupposed in the League of Nations covenant. First, it assumed that the league should be a world league, as it was originally intended to be. Secondly, it assumed that in similar circumstances sanctions would be applied in a similar way. Thirdly, it assumed that the league, not only in theory but in practice, would continue on a moral basis.

On a moral basis; not on a basis of punishment, but on a basis that the civilized people of the world want, that is to say, to have the decrees of the league made effective in the same sense that moral force permits

the police power in any given community to exercise its proper function. The statement of the leader of the opposition in South Africa reflects pretty well, in my judgment, the views of this committee as I gather them from what has so far been said. They are based upon this conception. The two vulnerable clauses in the covenant of the League of Nations, articles 10 and 16, are not open to the interpretations which wild though well-meaning enthusiasts for the collective system have given to them. I believe that in respect of economic sanctions there was, as late as last week, an absolute obligation on our part to follow the decision of the council and the assembly to apply sanctions in a purely economic or financial sense. But since the speech of Mr. Neville Chamberlain, and certainly as of to-day, it would be the extremity of folly for a country like Canada, having but nine millions of people, separated from Europe by thousands of miles, having no direct regional or local interest, and in the face of the stand taken to-day by the foreign minister in Great Britain, to urge the continuance of sanctions. I stress that because, active as I have been in the League of Nations movement in this country and in the Institute of International Affairs, to-morrow I shall receive letters, as will other hon. members, complaining bitterly of the stand taken by us in this chamber. But I say to-day to persons who take that view that if they really believe the cause of peace is worth while, let them realize the realism of the moment. It would be, in my judgment, the greatest folly for the government of Canada to deliver to the nation any different kind of statement from the one the Prime Minister gave us to-day.

The hon. member for Winnipeg North Centre was asked a specific question. He pointed out what he thought were inconsistencies in our position. He was asked by the Minister of National Revenue (Mr. Ilsley) for a concrete suggestion. I shall not say that I thought the question was altogether unfair, nor shall I say that the answer of the hon. member was altogether adequate or fair. I believe that it is possible to suggest something very constructive, and I venture humbly to suggest in general terms a program to which, I know, it may be difficult to attain, but which, having in mind the statement given to-day by the Prime Minister, might go a long way, if adopted by other members of the league, to improve the situation as we find it. I do not believe that, apart from minor matters, Canada has any cause for regrets. We have pursued our job, in so far as our international obligations are concerned, as best we were able to do under the circumstances. Our obligation is not that of the great powers. I am not prepared to say from my seat to-night that I am glad it has been necessary for Great Britain to take the stand she has taken. I am not prepared, in justice to my convictions, to say that I think the great powers could not have avoided this situation. I think there was a period when they might have applied measures which would have strengthened the league in its present position. But that is not Canada's part. When the hon. Minister of Justice (Mr. Lapointe) gave this country a statement last fall intimating that our permanent advisory officer had acted contrary to instructions, I did not, I confess, at that time agree with that position. But it is only fair to say, in justice to the minister and to myself, that events have clearly shown that the attitude taken by the government on that occasion was correct. Why? Because a country in the north American sphere or region cannot hope, if Europe in her region is not prepared to do her share, to keep the European house in order. It simply is not practicable. But there were facts and circumstances which pro-league people like myself were not in a position to know at the time.

For the time being, in respect of our obligations as a member of the league, our position should be definitely that of an observer. I do not think that, having in mind the current situation, we should regard ourselves any longer as obligated to apply economic, and certainly not military, sanctions. I doubt very much if under the circumstances the government of the day would be justified in bringing to the attention of parliament for consideration the application of either of these two kinds of sanctions. But surely we have another obligation. Every individual in a community has a moral obligation to his community to strengthen it; and I believe that we in Canada, having expressed as we have done to-day our affirmation of the principles behind the League of Nations, should do something definite to make that organization a useful one within the limits which circumstances dictate. I would suggest a four-point program, expressed if you like in general terms. Time will not permit a discussion of them in detail, but they constitute in themselves a statement which, if it could be unanimously adopted and simultaneously put into effect, might fulfil the contemplated object.

First: Immediate removal of some of the economic and psychological causes of international tension. By that I do not want any one to think I am giving expression to social-

ism. We should establish effective machinery for the continuous treatment of these problems.

Second: Immediate revision of certain treaties and establishment of effective machinery for treaty revision in the future. The Minister of National Revenue asked the hon. member for Winnipeg North Centre how he would revise treaties. In the first place, many of the treaties tending to be provocative of disturbances have been removed, some by denunciation and some by unilateral action. But there are some clauses, for instance, in the treaty of Peace, the guilt clause, that might be removed in order to placate the psychological difficulty which Germany experiences, and to do this would go a long way towards bringing peace. One also might consider by way of treaty revision the removal of the Anschluss clause to permit the union of Austria and Germany. I am not advising that, but I am just suggesting illustrations of what might be adopted. The hon. member for Winnipeg North Centre was perfectly correct when he answered the Minister of National Revenue by saying that the way to revise was to proceed with revision. I know quite well that Canada, as a small power, is in no position to tell Europe to do this and do that. A distinguished member of this house, whose name I should not mention, said that, having represented Canada at Geneva at one time, he felt he was a very effective rubber stamp while sitting at the assembly of the League of Nations. That is pretty much at the moment our position as a nation, but there seems to be an obligation upon us to suggest a program which, simultaneously applied, might bring about a different kind of situation than the one now facing us.

Third—and this is important—immediate limitation of national armaments by international agreements, and signature of a convention providing for progressive further reductions in national armaments down to the point of abolition. There, again, we must confess a difficulty. We may be asked, what are we willing to contribute? One cannot deny the power of that response.

May I come to what I think is the most important suggestion in this humble program: Fourth, immediate strengthening of the power of the league to implement—not to enforce—its decisions and to effect observance of the agreements which its members have assumed as signatories of the covenant and of the convention for the reduction of armaments, due regard being paid to the necessity for regional differentiation of responsibility for taking such measures. May I suggest, Mr. Chairman, that the last is the important one. The league has proceeded until now on the basis, that once an aggressor appears, the act of aggression is to be stampeded by universal action. The Marquis of Lothian, I suppose, is the man perhaps closest to the present administration in Great Britain. He made the suggestion last November, having in mind what he thought were the evident weaknesses of the league, that the nations should divide themselves into regions, and that if a disturbance took place in one region any sanctions, military or economic, to be applied should be applied by the countries within that region. I am not saying that I altogether agree with him because I do not feel that I have given the matter the consideration I should have, but I suggest this, that in so far as Canada is concerned, that is definitely a consideration well worth bearing in mind.

That brings me to this point: Having in mind the policy of the good neighbour as enunciated by Mr. Roosevelt, is it not worth while for Canada now to consider taking part in the negative way that is thereby provided in the Pan-American Union? Is our region not North American as well as European? Have we not definite interests in the union of states on this continent, if alone for commercial reasons? I would suggest, while I see great difficulties in determining where the terminals of Great Britain's region would be, and while I am not at all anxious to disturb our relations with her, because that would be anything but a peaceful pursuit, that the government might well consider the advisability of taking part in the purely advisory conferences of the Pan-American Union. One cannot go through the deliberations of the Montevideo conference, where problems such as immigration and detailed problems of commerce were considered, without feeling the wisdom of this kind of suggestion. At any rate it is one that, I think, is deserving of consideration.

I have spoken longer than I intended. In the past few months I have found it very difficult to wade my way through this problem. In the last five years I have spoken all over this country on behalf of the League of Nations Society. I believed in the league as an instrument through which the peace of the world could be guaranteed, but in face of the realities of the moment one feels that one can pursue the cause of peace and at the same time be tremendously realistic. I suggest to hon. members that we have a contribution to make in this particular. If others outside this house consider it their obligation to pursue this matter, surely we have an obligation likewise. It is not so much a question of our willingness. We are torn

between two convictions: the desire to build of Canada a great nation, with all that a healthy nationalism suggests, and on the other hand to try and build a healthy internationalism. For my part there is no conflict between the two. I believe that it is possible for us to build in Canada a nationalism in the truly great cultural sense, building a national personality, and at the same time in another sphere making a contribution toward world co-operation. Internationalism through nationalism should be our ideal. Having in mind the economic interdependence of nations, having in mind the impossibility, as the Prime Minister said, of maintaining a position of isolation in world affairs, there can be only one step forward, and that is toward world cooperation on truly realistic lines.

May I say, in conclusion, that whatever interest I have in this subject I owe to a great Spanish professor, Professor H. E. Senor Don Salvador de Madariaga, one of the greatest living thinkers, I suppose, along these lines, and I should like, if for no other reason than a purely sentimental one, to quote the last words of his Cobden Lecture for 1934, in which, speaking as a Spaniard and at the same time as a former official of the League of Nations, he said:

> The idea of war calls forth visions of activity; the idea of peace calls forth visions of quietude. But passive drifting leads to war, while peace can only be preserved by constant work which recreates it day by day. And the most difficult part of the work for peace is by no means the organization of world community activities, the setting up and working of international machinery, what might be described as "work outwards"; it is on the contrary the "work inwards," the conquering of ancient passions, fostered in and for another age, but still vigorous in our own times despite the changes in environment which make them obsolete and out of harmony with contemporary life. This effort is truly worthy of man and compares favourably with the exhilarating effects attributed to war by bellicose writers writing under the lee of peace. This then must be our Holy War—the war against war. Its main weapon, reason. Its battlefield, our own heart. Its victory, true peace.

Mr. T. L. CHURCH (Broadview): Mr. Chairman, the people of Canada have been very much surprised at the secrecy and silence of the present government during the past four months as to the foreign policy of this country. We are supposed to be a separate country under the statute of Westminster. If we are, it is time for separatism.

What is the foreign policy of this country? We have three or four ships. I hold in my hand a return to an order of the house, and they are the Champlain, the Saguenay, the Skeena, the Vancouver and another boat. They have been on a tour of the north American continent, a joy ride, putting into harbours and having a good time, and that is the fleet which is to protect Canada's shores.

We are to-day in the unfortunate position of having a government in this country which, according to a return, No. 107, that was brought down, has spent on this so-called league $4,216,045.91 from 1920 to 1935. Where has the league got the people of this country? We are just as close to war as ever. If Mussolini, instead of going south to Africa, had gone west and come up the St. Lawrence, we should have known very shortly what collective security amounted to and what we owed the motherland and her fleet for protecting our shores. We do not contribute a cent to the British navy.

The people of this country have become sick and tired of the league as at present constituted because it has got us no place. It has been a flat failure. It is on the scrap heap to-day. The whole foreign policy of Great Britain is based on Locarno, which in turn was based on the treaty of Versailles, and to-day the league is in ruins. It is in retreat the world over. I have very strong convictions on this question. I believe Canada was placed in a humiliating position last December after the government had signed the covenant of the league for an offensive working together with the motherland and the nations composing the league. When we signed these minor oil sanctions against Italy, what happened? The Prime Minister (Mr. Mackenzie King) was out of the country and another member of the cabinet repudiated everything that was done. I have before me many newspapers from Vancouver to Halifax which protested against the humiliating position in which this dominion found itself. Canada is fast becoming known as the fair weather member of the British empire, as I see it. She declared for sanctions and then repudiated them. We became a contract breaker; by the league covenant, and Italy could have proceeded against us, as could the league, for not having complied with the covenants.

Nobody in this country wants war. In these days when dark clouds hang over the world, as I said on the budget debate, we should be grateful to the mother country for the British fleet which protects our shores and shipping on the seven seas and keeps open our shores. Disarmament to-day is the tyrant's opportunity as in the days of King John. It was the armed strength of the barons that made magna charta possible; it was unnecessary to use it, but it was there if needed. The British fleet is the only league of nations which this empire has to trust in to-day. I

am not in favour of the present league; while it is run as it is, the quicker Canada gets out of it the better. You can have sanctions and pacts until you are black in the face, but if there is no way of enforcing them they are just a delusion and a snare. I am in favour of the league of nations of the British empire with the British fleet to protect our shores; that is the only collective security the world has to-day, God's greatest of secular gifts to humanity. Canada was first in the diamond jubilee procession in 1897 but has not contributed one ship to the fleet. We have had eighteen years of peace pacts, peace agreements, open diplomacy, but the result is nothing but utter failure, and Great Britain has been left carrying the bag. The British fleet was mobilized in the Mediterranean; she was the only nation willing to stand by the league when all others forsook it and fled. I believe that had Canada stood fast on oil sanctions and not weakened, British diplomacy would have been in a different position as far as Italy and Ethiopia were concerned. As far as I see it, before God, Great Britain stands to-day as the trustee for the peace of the world. She is the only nation that has the necessary force to support the league. The people should listen no longer in this country to the politicians and high priests of pacifism and separatism, who refuse to face the actual facts. Canada has no police force but the British fleet. The league has made a very poor showing in all major disputes, nothing but weak compromises, and has been nothing but an agency for diplomacy, with, certainly, no dependable security. The league is becoming a modern tower of Babel; it has dealt in platitudes, compromise and weak settlements. Selassie said: If you want to have security, join the league. Ethiopia thus had the slave owners join the league. What did this league do? For many years it saw these slave ships out on the Red sea, bound for Arabia, and did not a thing a stop them. It has also done nothing about the outbreaks in China. The league allowed five million slaves to be a pawn in Ethiopia and did nothing but talk about it. Abraham Lincoln had a much harder task, the Life of Lincoln shows, in regard to the slaves in the south, but he stopped slavery whereas the league did nothing.

What England needs at the present time is a George Canning to keep her out of these European quarrels. Canada should learn the lessons of recent events and trust to the British fleet to protect her shores. There will be a rude awakening in this country sooner or later. The people of Canada, as I said in the budget debate this year, are never going to allow Mr. General Election to become the admiral of the British fleet, or the commander-in-chief of the British forces. Before Mr. General Election could review his shock troops and open his ballot boxes, a foreign foe might sail up the St. Lawrance, blow up the citadel and bomb Ottawa and Montreal. Did you ever hear of England proposing a referendum in case of trouble? Is England going to hold a referendum before she sends her magnificent fleet to protect our shores? It shows the length to which the pacifists have gone in this country. Great Britain in the last fifteen years, owing to the folly of the pacifists, has almost surrendered her sea power and endangered her security. The result has been the collapse of the open diplomacy preached from the housetops by Woodrow Wilson.

Then the league has brought about a lot of bad blood between the nations of the world. It has indulged in a lot of hot air. These covenants were made only to be broken. It now remains for Hitler to take Austria. What has become of Canada's sanctions? Since the great war there has been over one hundred peace pacts and covenants between the powers of Europe, equal only to the tower of Babel of old. British foreign policy relied on Locarno and collective security and is now a mass of ruins. There are seven different treaties of Locarno. The politicians are responsible for the crucifixion of Abyssinia. You can sign peace pacts all you like, but if a treaty cannot be enforced it has no horse sense about it. The result is that the present League of Nations is in retreat and decay. We see the end of these gentleman's agreements; that is all they are. They are not binding, never intended to be binding. The world is back where it was in 1914; Europe is an armed camp and the pacts will be kept only as long as it is to the advantage of those who made them to do so. Pacts, covenants and contracts between nations are enforceable only by war; let Canada not forget that. She learned that lesson in 1914. The sooner we wake up to that fact the better. The King of Kings of Ethiopia stood by his country against great odds, against the civilized world, and we have as a result the league and Locarno in ruins. The structure that it was hoped would protect the people against the horrors of war is now a heap of ruins. And Mussolini carried on with impunity against a helpless people a ruthless, "gangster" war. Where was the church of God? What did the Christian church do in Italy, notwithstanding that Italy bombed

hospitals, crucified women and children, bombed the Red Cross and used the worst form of poison gas? As was said by the Archbishop of Canterbury in the House of Lords, there was no Christian church in Italy to say one word against this contract breaker or breach of the usages of modern warfare.

As far as I am concerned, I think Canada was very much humiliated last December by the action of the government, after having agreed to sanctions. It was bound to participate in the action of the league. The government retreated and said that Canada's actions at Geneva in connection with oil sanctions was merely an expression of personal opinion, and did not represent the view of the federal government. I have before me the views of thirty newspapers on this, and one, the Telegram, said:

> The proud boast of Canada that she was the nation which took the initiative in signing the halibut treaty stands in contrast against the action of Canada in connection with the league and the operations of that body concerning Italy.

A few years ago a writer said in the Empire Review:

> The League of Nations has pledged its members not to recognize Manchukuo, and has thus committed them to hostility to Japan. Is the British government prepared, at the bidding of Geneva, to perpetuate the state of affairs which is detrimental to the true interests of Great Britain? England is more concerned with the far east than any other European power, and Japan is the other predominant power in that quarter of the globe. Peace in the east can only be preserved if Great Britain and Japan cooperate; it is Great Britain's friendship alone which will enable Japan's statesmen to guide her destinies along a safe path.

I agree with that, and we should have a policy in the Pacific and should never have abandoned the Singapore base. He says further:

> The plain course of the government was to recognize Manchukuo forthwith, and then come to an understanding with Japan. Whether we like it or not, she is the mistress of western Asia, and nothing we will do can weaken her position there. In these circumstances we must place the interests of peace before the wobbling of the league.

Possibly there may be future trouble in the Pacific; in such event where would we be? After the action taken by the League of Nations Japan is out, and no wonder. We know the Hon. Mr. Rowell has been a leader in matters respecting the league, and his observations made last January concerning the action of the acting Prime Minister were as follows:

> It is the clear and inescapable duty of every member of the league to impose this prohibition and to do so without delay. If they fail to do so, they will be violating their solemn international obligations and betraying the league and the cause of international justice. I regret that the government is not entitled to the credit of proposing the prohibition of the export of oil and other key materials.

These were the words by the Hon. N. W. Rowell, K.C., who has taken the strong stand that Canada violated its treaty. May I say that Canada's position is most humiliating to a great many people in this country. We should get out of the league, while the going is good. Since 1919 it has been nothing but an institution for the promotion of strife, ill feeling and mischief between nation and nation. It has failed like similar leagues in the past. Formed to prevent war, by its mistakes it has brought about war; instead of sticking to its last, it has meddled in every petty state's internal affairs about labour and capital, and its meddling has caused the world to be in a perpetual state of unrest. After fifteen years we see the utter failure of Woodrow Wilson's plan of open diplomacy. The league is now in flight.

Of the great powers, four, namely the United States, Germany, Russia and Japan are now outside. At the present time we have little more than England and France which won the war, with Italy in a position where she should be thrown out and France in a position where she is wavering in the league as run now. The withdrawal of Japan and Germany means that the smaller states will in future exercise more influence at Geneva, as they have been the principal cause of international unrest for the last ten years, this development is not reassuring.

This deplorable situation the league is now in is the result of three things: the quest of compromise rather than of justice, the persistent refusal to face facts, as it did re Japan, China and Ethiopia, and the absurd insistence upon the theoretical equality of all nations. The league has failed every time it has had to deal with a problem of the first importance. Unfortunately a confession on the part of the world's statesmen as to the failure of the league is most unlikely, and instead we shall probably have the decaying corpse of the new diplomacy poisoning the air for several years to come. As the late Lord Salisbury once wrote, "The commonest error in politics is sticking to the carcasses of dead policies." As a result, where is the league to-day?

Neither the United States nor Russia will join the league until they can secure for the peoples within their sphere of influence a weight in the league councils at least equal to that exercised by the nations of western

Europe. Japan, again, will not rejoin the league until her demand for a far-eastern Monroe doctrine is accepted in principle. For our part we view with little more sympathy this scheme for five leagues of nations, loosely joined in a super-league, than we view the league as planned in 1919.

I am not opposed to the principles of the league; far from it. It should have been reorganized long ago in conjunction with the five great powers I have named. We can have no peace until those nations are in it. In Canada we have no foreign policy. The only policy we have is set out in some sections of the Militia Act of Canada, chapter 132 of the Revised Statutes of 1927. Section 63 is as follows:

63. The militia or any part thereof, or any officer or man thereof, may be called out for any military purpose other than drill or training, at such times and in such manner as is prescribed.

Then, section 64, respecting active service, states:

64. The governor in council may place the militia, or any part thereof, on active service anywhere in Canada, and also beyond Canada, for the defence thereof, at any time when it appears advisable so to do by reason of emergency.

And section 66:

66. Whenever the governor in council places the militia, or any part thereof, on active service, if parliament is then separated by such adjournment or prorogation as will not expire within ten days, a proclamation shall be issued for the meeting of parliament within fifteen days, and parliament shall accordingly meet and sit upon the day appointed by such proclamation, and shall continue to sit and act in like manner as if it had stood adjourned or prorogued to the same day.

I may say that I am friendly towards the league. The suggestion I make here is that it should be reorganized and made more useful. It should include the United States, Germany, Russia and Japan. Without these nations it can be of no use; the covenant would be broken. We have had several Locarnos, as I have shown, and they have all been broken. We in Canada can rely upon no more such pacts or agreements as we have had with Italy and other countries, without the possibility of war.

Mr. HANSON: What is the hon. member reading?

Mr. CHURCH: In its present form the league is not useful, and we should not continue to spend money upon it. Pacifist speeches have been made. In this connection may I describe to hon. members a cartoon which I now hold in my hand, and which appeared originally last February in the Toronto Telegram. It is headed "Advance of Civilization," and under a picture depicting the terrible effects of modern warfare, these words are credited to Haile Selassie: "And they are raising funds in Toronto for the league of nations society, because it prevents war." They were raising funds when hospitals were being bombed, red cross depots being bombed, and men, women and children were being poisoned or crucified. That was done by Italy without protest from the Christian church of that country.

I have in my hand another cartoon—

Mr. HANSON: I think hon. members are entitled to know what the hon. member is reading.

Mr. CHURCH: This cartoon shows a picture of the Suez canal—

Mr. CHAIRMAN: Order. I must ask the hon. member for Broadview to state what he is reading.

Mr. CHURCH: From a cartoon I am discussing Canada's foreign policy. After waiting for months we have heard what our foreign policy is supposed to be and we find that we have not any. We are just going around in a circle; we have no foreign policy.

The CHAIRMAN: I should like the hon. member to state what he is reading.

Mr. CHURCH: I was just showing and reading a cartoon and the writing on it.

The CHAIRMAN: I must ask the hon. member for Broadview to confine his remarks more closely to the matter under discussion.

Mr. CHURCH: A few moments ago I was quoting from the Militia Act and I am now referring to a cartoon which appeared in the Toronto Daily Star of October 22, 1935. The cartoon is a drawing of Haile Selassie, standing beside the Suez canal, with the League of Nations peace pledge in his hand, and with his eyes on a British battleship. His words are: "It's all right to be given this peace pledge, but I'd rather have Mr. Bull's battleships behind me than all the peace pledges on earth." I am sorry, Mr. Chairman, in my hurry I did not give the date. I shall send the two cartoons to you, sir.

The official records of the war show that as a result of it there were 10,000,000 dead, 20,000,000 wounded, 3,000,000 prisoners, 24,000,000 widows and orphans and 13,000,000 civilian dead.

The nations, notwithstanding the league covenants, are all quite ready to go behind one another's backs. Even the British empire

broke the Locarno treaty and made a secret treaty with Germany. Every large power and country has done the same thing. They are ready to sign covenants with the league, but then they turn around and make secret pacts behind the back of the league. We permit the murdering of little children of Abyssinia. How can the Christian church condone the use of poison gas? There is no need of a league if the nations would agree to a moral code. The league as it exists at present is of no use unless it can enforce the covenants which are signed.

I admit that in non-political matters the league has done a lot of good, but as far as political matters are concerned, it has brought the British empire to the verge of war. The league has made many mistakes. I condemn the secrecy which has been carried on in this house. Has the public had no rights for the past eight months to information as to Canada's foreign policy? We have been refused this information. Why has this house been, so to speak, tongue-tied for the past four months? We should know what the foreign policy of this country is; we should realize how undefended Canada is while the rest of the world is an armed camp. We should get out of the league and give more time to our domestic problems. This secrecy with regard to foreign affairs has found Canada totally unprepared. The disinclination of all parties in this house to criticize the government or to have any discussion about league or foreign policies has had a most unfortunate result. The people have lost confidence in the whole organization. The prestige of the empire has been destroyed all along the line. There should be more publicity in this house given to our foreign affairs. This country is in a perilous condition. The public should be told what is going on.

Mr. HANSON: Mr. Chairman, on a point of order. Some of us who are not so fluent in the use of the English language have not been permitted to read speeches, but now the hon. member rises and reads his speech right through. Is he entitled to do that when we cannot?

Mr. CHURCH: I did not. If the hon. member wants to give his opinion, he can do so. I am giving just my own personal opinion. If the hon. member wants to make a speech later on, he can do so. I can tell him that the province from which he comes owes its protection to the British fleet. Notwithstanding all the peace pacts that have been signed, the British fleet is the real protection of the British empire. I do not believe the policy of the British government would have been what it was if the government of Canada had not taken the action it did last December and made a right-about-face with regard to the oil sanctions. There are a great many people in this country who, I know, will agree with that statement. This dominion was placed in a most humiliating position by the government of the day. If Canada does not want to keep step with the mother country, let us get out of the British empire. Under the terms of the statute of Westminster, we are practically out of the empire at the present time. We have been sitting here for four months and yet no hon. member will be able to go home and tell his constituents just what is the foreign policy of Canada. Canada must rely upon the protection of the British fleet.

Item agreed to.

Canada's contribution to the expenses of the League of Nations for 1936, including secretariat, international labour organization and permanent court of International Justice, $194,390.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Chairman, I propose to detain the committee but a very short time. First of all, I should like to congratulate the Prime Minister (Mr. Mackenzie King) upon the statement he gave this afternoon. I should also like to congratulate the hon. member for Essex East (Mr. Martin) upon the address he has just delivered, which I think reflects very great credit upon his ability and studiousness in connection with matters which so deeply affect our country. I do not think any Canadian can look out upon the world at this time without some feeling of fear. That may seem to be a very strong statement, but I make it advisedly. The observations of public men of cabinet rank in Great Britain, as reported in the daily press, must be accepted at their face value. They say that the condition of the world to-day is as serious as it was in August, 1914. On the other hand, if we are to accept the refutation of those statements by those who are politically opposed to those who made them, this is but war-mongering. I cannot say that either view correctly describes the present situation, but no one who has followed the history of the world since August, 1914, can fail to be impressed with the very great difficulties that now confront the statesmen of the world.

We have the Far East situation, which is difficult to explain in a few words. Hundreds of millions of people scattered over one of the most ancient of the occupied communities

of which we have any historical knowledge are without any effective central government. Encroachments have been made upon their territory by a highly organized and skilful people who have undertaken more or less the stabilizing of Asia. This in itself is a very remarkable achievement, but that it should be undertaken alone gives cause for consideration. That there is in a part of Asia a new government established under a new sovereign, but in reality under the protecting aegis of Japan, is in itself a significant situation. When one recalls what one reads from day to day of conditions in China, one has a real appreciation as to the situation in the Far East.

In Europe there is a situation which I sometimes think we Canadians cannot visualize unless we have seen something of it. It is almost impossible for a Canadian to think in terms of European conditions. I recall reading after the war a small volume by Sir John Marriott, who had long been a member of the British House of Commons, in which he referred to a great battle as having represented the hopes and aspirations of a people for centuries. Now it is almost incredible to us on this continent that a people could nurse a grievance, a resentment, an animosity over centuries of time and find the fulfilment of their hopes and aspirations in a battle fought in the early part of the twentieth century. Nevertheless, as the author pointed out, that was the case. You have differences that have arisen from old causes; you have differences that arise by reason of racial descent; you have differences that arise from national ambitions; you have a small area inhabited by people of one type and across the boundary you find people of another type; and when you go further you find still another, so that the whole of Europe consists of a large number of states, many of them small. No wonder that men have described the Balkans as the cockpit of war! No wonder that men have not expressed great surprise at the inability of statesmen to steer a course towards peace through all these troubled waters.

In Palestine to-night there is an extremely difficult situation. There is Great Britain with a mandate. There are the Arabs and the Jews, and according to the last reports what is practically war is being carried on, aided and abetted by the gold of a foreign power. All that is disturbing. Some of us remember the Austria before the war; some of us have been in Vienna since the war. Some of us recall the ancient glories of the dual monarchy and now contemplate its shrunken boundaries. The peace treaty makes special provision as to how Austria shall be dealt with, and the situation there has developed some of the latent animosities and certainly stimulated some of the ambitions of one of the nations of the world. Then there is Germany. We are all familiar with the terms of the treaty; this house ratified them. We recall the provisions with respect to disarmament, conditional in their character. We woke up one morning and in the newspapers read that the Rhineland was no longer a neutral area but that it had German troops in the barracks and at the bridge heads. Side by side with that there is the constant fear of France, the fear of a people who look for security because they know that for centuries there has been a territory in which have been fought great battles and which has passed from the control of one country to another, sometimes with a century intervening, sometimes with less, the peoples in that area being uncertain as to what will be the result of the discussions and negotiations that take place between the nations of the world and the representatives of the particular sovereignty under which they previously lived. Under these conditions it is impossible for Canadians living here in peace and amity with their neighbours to understand such a situation.

When I take the year book of the nations of the world and realize the millions of dollars that are being expended in armaments by small communities, sometimes inland countries building war ships because they happen to be able to reach the sea through an indirect method; when I see reflected in these vast expenditures the fears of the peoples, I understand more than ever that we in Canada cannot appreciate the situation. I am sure that none of us understands it; none of us is capable of understanding this sentiment, this terrible fear that oppresses the peoples of the smaller and even the larger communities in Europe. When the war ended we all, of course, hoped for better things, for better conditions; and with the idealism of the president of the United States, and the ideal realism of the great South African statesman, General Smuts, and the vision of a trained English statesman, the present Lord Cecil, all uniting together as they did to formulate a covenant of the League of Nations, with the assistance given them by statesmen from every part of the British empire and of the world, we naturally looked for something better. I can recall reading for the first time the covenant of the League of Nations, and I am sure there is not a member of the com-

mittee who did not hope that, as a result, we might realize some of our aspirations and our hopes in that regard. What were we aiming at? We were aiming at peace. That is the hope of the people and the goal of all our efforts—peace internationally, peace because democracies cannot survive unless they have peace and an opportunity to develop their institutions and their country. One of the conditions that appealed to me most strongly when I read the covenant was the provision dealing with disarmament and the abolition of conscription. I had always felt that if you continued to supply the means you would inevitably secure the result. You cannot train millions of men to be soldiers and arm them, providing munitions of war, building fortresses and supplying artillery, without inevitably reaping the result of such efforts, which is war. That is the evidence of the world's history. But we had hoped that things would change.

No sooner, however, than we had joined the League of Nations as one of the charter members, so to speak, with other commonwealths of the empire, than we learned that the greatest American nation that was interested in it, the United States of Americaa, was unable to implement its signature. The people of the United States would not permit that country to become part of the League of Nations. That was a blow to the League of Nations the result of which it is not easy to estimate. For my own part, I cannot but think that when that event took place and the United States withdrew from the League of Nations the league had received a very, very great injury from which it would be difficult indeed to recover. During the years that have passed since, the League of Nations has failed notably on four great occasions. It failed in connection with the difficulties of Japan's encroachment upon the Manchurian areas. It appointed a commisison and the commisison under Lord Lytton reported. The report, as we all know, was adverse to the action taken by Japan, and in the end Japan retired from the League of Nations. The League of Nations, as the Prime Minister pointed out this afternoon, was powerless, or if it was not powerless, at any rate it did nothing. That is the fair way to put it. And then there is the position that developed in the Chaco, down in South America, to which the Prime Minister made reference this afternoon. In South America were two republics engaged in mortal conflict. One might say, "Those are small countries. Surely the League of Nations should be able to do something with respect to that." Yet the truth is that all they did was to talk about commission. I can recall the discussion that took place at one time, I think it was in 1934. Thousands of men were killed, millions of money expended, and much territory devastated; yet the League of Nations did nothing to lessen the conflict or to apply in any sense the principles contained in the covenent.

More recently we had the Ethiopian difficulty. I shall not traverse that field again. In 1923 Ethiopia joined the League of Nations. The Dominion of Canada was a party to Ethiopia coming into the league; it was represented at the assembly. Ethiopia made promises that were satisfactory to the members of the league, and became a member with exactly the same status as a member as Canada or Australia or Great Britain or France or Brazil. Italy was one of the charter members of the league. The purpose of the league was to provide for, shall we say, an effort at negotiation before there should be war, and a solution of differences other than by force. What happened? Italy made war upon Ethiopia, and Ethiopia, a member of the league with Canada, with Italy, with Great Britain and with France, has been crushed by one of its fellow-members by the use of force, by bombs from the air and poison gases, in violation not only of the provisions of the covenant of the League of Nations but of the definite international agreement which we in this house accepted with respect to the methods by which war should be waged.

In the face of that, the first question Canadians ask themselves is: What is our obligation? I agree on this point with what was said by the hon. member for Winnipeg North Centre (Mr. Woodsworth)—and it is about the only thing he said with which I do agree—that our obligation is exactly the same as that of any other nation which is a member of the League of Nations. Here is the analogy. When individuals in a civilized country have differences they resort to a court of justice. The plaintiff or the complainant files his claim; the defendant files his defence and the case is adjudicated upon. That did not come about hastily. Those who have read Maine's History of our Institutions will derive, I believe, great pleasure and satisfaction from the writer's description of how slow was the development of the institutions which we have so far evolved for the settlement of disputes. If the world is as old as has been suggested recently by scientists, perhaps the progress of humanity individually has not been quite so rapid as to enable us to complain very seriously about the slow progress of nations.

At any rate it is clear that the evolution of the institutions by which men settled their differences through resort to courts came about slowly. The idea of an international court to which nations would attorn is a very old theory. This question of universal peace engaged the attention of far-seeing statesmen and wise philosophers many centuries ago, but the evolution of the plan under which international differences would be determined by an international court, a body of trained jurists, has been lower still. To settle differences between nations, how difficult the ideal, and how slow must be its realization! Yet we have such a court. I think it is one of the great triumphs of civilization that we have that court.

When we in this country were confronted with the question of how far we would go in the direction of judicial settlement of international troubles, we went the whole distance. Canada as a new country was prepared to have any differences of ours settled by a great international tribunal, or what at least amounts to it, because whether you say it is by a system of arbitration or by judicial process that you settle your differences is not at the moment important. But it was impossible by this international court to settle the differences between Italy and Ethiopia. Why? Because in this covenant that we call the covenant of the League of Nations we have provided that those who are guilty of a breach of it shall suffer certain consequences. If I have a difference with my neighbour and break a contract or bond that has been executed, I am liable for damages, and my property can be taken under an execution for the purpose of satisfying the judgment for damages obtained against me. But when you deal with nations you are dealing with an entirely different situation; how nations attorning to an international court or submitting to international arbitration may be able to settle their differences by judgments against them is an entirely different problem, because they may or may not obey the judgment, and there is no sheriff to levy execution. But we have provided what the punishment shall be; we sometimes call it punishment, though we call it a judgment if we are dealing with a civil matter between individuals. We provide that, as between nations, when one state violates its undertaking, its covenant, its promise, its agreement, there is a punishment. We have used the word "sanction;" first economic sanctions, and provision has been made for sanctions ultimately by force.

Early in the history of this covenant, after the United States had withdrawn, the late Judge Doherty pressed very strongly for a revision of the covenant because he felt it was not fair that under existent conditions it should continue in its present form. The government of my right hon. friend endeavoured to support the same thesis, but with some success only; the extent of that success was mentioned by my hon. friend from Essex East, and I shall not again refer to it. When Italy invaded Ethiopia it incurred the penalty attaching to a violation of a contract. That penalty, which we have been calling sanctions, involved economic pressure being exerted against Italy, and there were certain provisions that recourse might be had to force. We eliminated force at the very start. The right hon. gentleman was quite right when, in a statement made in October last year, he pointed out that the preceding government had tied his hands to some extent, because the statement made by Mr. Ferguson, representing the government of Canada, as read by the hon. member for Essex East, represented the view of the government of the day as to the position which Canada should take. In other words, when the nations of the world, represented by their validly constituted representatives, had concluded that Italy had violated the terms and conditions of the agreement to which it had become a party, and was the offender as against Ethiopia, then the consequences, this assembly of the League of Nations said, should be visited upon Italy, the aggressor, the offender, the covenant breaker. But the language used by Mr. Ferguson was language which said that Canada would join in unanimous action with the other countries, and that was in order that there might be unanimity in the action which was taken, as there was. When we agreed to sanctions later, after a committee had studied the matter, that was an effort on the part of civilized humanity to punish one of the parties to a contract which had broken its word, violated its contract and incurred, as it would have done had it been a private individual, liability for damages.

The character of sanctions is something that has to be settled by each of the communities which have to do with that matter. The Prime Minister this afternoon dwelt upon that feature of it, which is very important. We in this country took the only action which we could take, namely, that of enforcing these sanctions or this punishment against Italy in the manner and form provided for by the agreement made between Italy and the other nations of the world, our Canada being one of them, cutting off imports and exports, declining to supply money in any shape or form, bringing pressure to bear upon trade and

lessening the opportunity of the Italian people to trade with us, and necessarily lessening the trade that we did with them. We were all agreed, after this small committee representing the whole had met, that there should be no military sanctions, so that question did not arise. I have always regretted the unfortunate incident that happened in connection with oil and Mr. Riddell. I have explained that before, and I am not going to do more than say that these things sometimes do happen, happen by accident rather than by design. It was not well that it should have happened as it did, and the comments of the press and of public men, of men of the political faith of the government, indicated that they did not approve what had thus happened.

Mr. LAPOINTE (Quebec East): They have changed their minds since.

Mr. BENNETT: Very few of them have.

Mr. LAPOINTE (Quebec East): They refuse to see, then.

Mr. BENNETT: That is exactly so. But to anticipate action and to say that the representative of this dominion should not have done so and so in a discussion which took place in a small committee was to give a wrong impression, unconsciously, to the peoples of the world; and when the great headlines in newspapers, not published in Canada, indicated the joy of Mussolini and Italy that Canada had taken a position which was in their judgment helpful to them, although in the end it was not, this left a wrong impression. Time, I think, has done much to cure that. It has done much to remove the false impression which was thus left upon the minds of the peoples of the world, but in removing that impression we passed through a phase which, speaking as a Canadian only, I wished we had not passed through. It left on the minds of the people of the world an impression which I should have preferred had not been left there, and which I believe did not represent the genius of the Canadian people or their hopes and aspirations with respect to this difficulty.

At any rate, what happened was that sanctions were imposed. Military sanctions were never suggested. In the end what occurred was this, and it could not be put more clearly than it was by the Prime Minister this afternoon when he stated that although Italy had hoped for success within a limited time, the other nations of the world believed that physical obstacles, plus other conditions, including a vigorous defence on the part of the Ethiopians, would have made success impossible within the period of time that was considered necessary. We must not forget that Napier of Magdala captured an Abyssinian fortress in a limited number of months, released his prisoner, and got the gold which was his aim, and it was thought that having regard to new conditions the expedition of Italy could be much more rapidly carried to a successful conclusion than in those earlier days. Events have shown that while it took a little longer, the Italians conducted a very sharp and vigorous campaign with the modern armaments at their disposal, and Ethiopia was crushed without making that defence which no nation in these days can make against highly developed armaments, especially in the air, and mechanized forces.

That being so, we have to decide two questions. The first one is very simple: Should we continue the sanctions or not? I have been greatly impressed by the attitude taken by General Hertzog. We are the premier dominion of the British empire. In South Africa Premier Hertzog has to deal with problems that we know nothing of. His position is entirely different from ours. At the moment, according to the press, he has expressed the idea that we should maintain sanctions. He believes it would be a very wrong thing for us not to do so, and I have been greatly impressed by reading the press reports, limited as they are, as to what his views on the subject have been. But if we withdraw, as England has said to-day she proposes to do, and as other nations have said they propose to do, from imposing sanctions against Italy, we undoubtedly have put a direct premium upon the violation of international agreements. There is no way by which we can escape that conclusion. We might as well face it frankly. We have said, once more in the language of the ancients, that might is right. One may have strong opinions regarding the Ethiopians; that has nothing to do with the matter. Ethiopia has been a member of the League of Nations since 1923. Italy has been a member since the inception of the league. Sanctions were properly placed in operation, and now Italy having succeeded in attaining her objective, having destroyed Ethiopia and set up and proclaimed supremacy over that country, declaring her king to be Emperor of Abyssinia, we are asked to say by the removal of sanctions that we acquiesce in that action.

Mr. MACKENZIE (Vancouver): What is the alternative?

Mr. BENNETT: I shall come to that in a moment. It means acquiescence; that is the unfortunate part of it, just as was said to-day in the House of Commons in England, by a member sitting on the opposite side of the chamber, according to the report to which the right hon. gentleman referred this after-

noon. Whether we like it or not, are we to say that punishment shall cease because the offender has had the force and strength to win? That is what it means. In that event we lie down, and in the language of Mr. Eden this afternoon, recognize a failure.

Mr. MACKENZIE (Vancouver): Britain could not do the whole of it.

Mr. BENNETT: I am not for a moment suggesting that the maintenance of sanctions by Canada is going to change in any sense the situation in the world, but in view of the fact that one of our great dominions which has always been friendly to this one, has urged that sanctions be not dropped—I refer to General Hertzog—I cannot but think that we should pause and consider every angle of the situation, whether in the interests of this young democracy, this nation with none of the difficulties that exist in European countries, where we have nothing to confront us that they have there, we should not as a new country say: We will blaze a pathway for ourselves; we will say to the world that one of our associates with us has committed an action that is an act of war against Canada. For that is the language of the covenant. It is an act of war when we say that nation has done this thing. We as a new country are going to say to the older nations of the world in the very language that Canning used in days long since past, that it may well be that as the new members of the commonwealth, South Africa and Canada, can stand side by side, and say: We are not relaxing sanctions. We have no difficulties such as England has to deal with; we have no complicated situation such as France has; we have no international complications such as other nations in the league have. Might we not say—I am putting this only hypothetically—as a new country, a new people, blazing for ourselves a pathway among the nations of the world, that we stand with South Africa?

Mr. MACKENZIE KING: Not unless we are prepared to back up our stand by military sanctions.

Mr. BENNETT: Not a bit of it, not a suggestion of military sanctions. The assembly said there should be none; that still stands. There has not been a suggestion from anyone that there should be military sanctions. The very first promulgation read by the Prime Minister this afternoon was sanctions other than military.

Mr. MACKENZIE KING: What would be the good of saying all this unless we were prepared to do this other thing?

[Mr. Bennett.]

Mr. BENNETT: The good would be that which results every time from a nation indicating to the people of the world that it will not approve and acquiesce in high-handed disregard of international obligations by any country with which it is associated. That is the point. Are we serious in the position which we take, realizing that there is no obligation for military sanctions, that having been swept out at the very initiation of the discussion? Why should I, if I were a private individual, relax my execution that I have obtained in an action for damages against a man who has broken his contract with me because someone else thinks it desirable to remove their execution against the individual who has also violated his contract with them? Each one must be the judge of what is best for himself. In our desire to maintain peace —not to punish—we can best do it, in the language of General Hertzog, as reported in the press, by taking the position that we shall not, because other nations have done so, become parties to the relaxation of these sanctions which were established by joint action of the nations of the world. I put the question to this committee, because it is one which has given me much concern: Why should we take some action just because some other nation has? Why should we determine that we shall abandon sanctions because some other nation is about to do so?

An hon. MEMBER: Because Great Britain has.

Mr. BENNETT: If Great Britain abandoned sanctions Great Britain has good reasons. What reasons are there that we should do the same? Our peace is not disturbed; our shores are not invaded.

Mr. MACKENZIE (Vancouver): It would be entirely ineffective.

Mr. BENNETT: Not as far as Canada is concerned. It would lessen our trade; it would prevent Italy from receiving from us certain commodities that she otherwise would receive, but we should stand as an example to the world that a new democracy is blazing for itself a new pathway of rectitude in regard to a position which she had accepted under the League of Nations. That is what it would mean. One may say that that is absurd; that one nation does not count, especially on the north American continent. Ah, well, example is very great. We being a small power in numbers, without military equipment that could possibly be utilized in any prospect of war, whether on sea or on land

or in the air, that was eliminated in the very first discussion which took place. Then why should we acquiesce when we have no complications in our national life such as the nations in Europe have?

That problem has given me much concern. I mention it to this committee because the government have taken a certain action. They say: We propose to relax and abandon sanctions. I am not complaining of the government taking that action; I am only pointing out what the alternative is. I have said that the problem gives me some concern personally, after reading General Hertzog's position. I am not saying for a moment that after weighing the pros and cons I might not, if situated similarly to this government, have had the same view. I am saying that to-night and for some days I have been thinking about the matter and my mind has been uncertain what course we should take. I am uncertain yet. Nothing said to-day has convinced me that it is a certainty that one should hold unhesitatingly. No cogent reasons have been given which induce me to believe that the economic sanctions imposed against a covenant breaker by the Dominion of Canada should be permitted to lapse because might is right. I am thinking a little of the fact that although black in colour, thousands of men and women have been ruthlessly destroyed with poison gas, bombs and artillery in violation of a distinct and positive understanding. And I cannot but remember that even in the life of nations there have been punitive expeditions for the purpose of making nations understand that such things should not take place, and of indicating the necessity for the maintenance in international relations of the sanctity of contracts made between nations and having to do with the life and liberty of peoples. I am not unmindful of all that.

The other point, which is the second one, to which the Prime Minister has not directed his attention yet, is the question of the recognition of the Italian proclamation under which Ethiopia becomes part of the empire of Italy. In the case of Manchuria and Japan we have not yet recognized Manchukuo. As far as we are concerned it is true that no sanctions were ever imposed by the league. But we have not recognized that new state. I already see in the press that Mussolini is not content now with the relaxation of sanctions but must have what is its complement, namely the recognition of Italian supremacy, Italian victory and the proclamation which makes Ethiopia part of the Italian empire. Well, the peace of the world, I suppose to some extent, depends upon that. We, this new democracy, are told again that we may be in the position of having to do what we did in the case of Manchukuo, that is, not recognize it, or we may be asked to recognize Italian supremacy. Now the first question we have answered. There may be a difference of opinion with respect to it. On balance the government may have taken the proper course under the circumstances; I have put the other alternative to this committee. On the second point, which will inevitably arise from the relaxation of sanctions, there must be a determination of the question whether or not we are going to recognize Italian supremacy in Ethiopia. To-morrow Ethiopia, according to the dictator of Italy, must become a part of Italy, and be so recognized by the nations of the world.

Those are the two problems that immediately confront us. One has been answered; the other will have to be answered shortly. I have no answer to the second because for the reasons which I have indicated my mind has been very uncertain as to the answer that should have been given to the first. I am not one who believes that in this country we should not be prepared to make for ourselves a pathway in international matters. I have never for a minute thought it impossible, although we are small in numbers and far removed from the great centres of warring conflict—because it practically amounts to that in Europe to-day—for this country to play an important part. But I have been one who believes that it is impossible for us to exercise that part in the way in which the older nations have; obviously we cannot do it. The reasons given this afternoon by the Prime Minister and by the hon. member for Essex East are conclusive of that point.

But there is a path which we may pursue. There is a way in which the influence and power of this dominion can be felt among the nations of the world. That power General Hertzog proposes his union shall exercise. He may for good reason change his mind. It may be that there will be reasons of state so impelling and compelling that he will. The same is true of Canada. But the place for Canada as the interpreter on this continent of the genius, the hope and the aspirations of the peoples of the world for peace, peace, peace, can never be realized unless we follow some course that will be to the peoples of the world an example of what a free people should do when they find that there has been a violation of undertakings by one of the ancient nations of the world.

I cannot get away from the fact that this possibly may involve the loss of a few dollars of trade, but it means more than that. It will always, as long as it continues, be an outstanding example to the peoples of the world of this attitude: Here we have a new land, a new people and a new democracy saying that when we sign a contract it means what it says and that those who violate it cannot openly do so and flaunt their victory in the eyes of the world without incurring at least the condemnation of a free people. That is the position I put to this committee.

There arises out of all this the question of the failure of the League of Nations to deal with the problems to which I have referred, its ineptness in dealing with the questions referred to by the hon. member for Essex East, its ineptness because, as he said, it is possible that if certain action had been taken at a certain date the results might have been different. I believe most men think that. Most thinking men are convinced that Mussolini thought he had a sort of tacit understanding which enabled him to proceed to extend his sphere of influence. It may have been that at the outset he did not contemplate a war of annihilation of the sovereignty of a people, but it evolved into that, with the results we now have.

Nevertheless while the league has failed—and it has—I think the Canadian people must first of all—and I hold this as strongly as I can hold any conviction—realize that the greatest assurance we have for the maintenance of our peace lies in the strengthening of every tie that binds the commonwealth of nations, the members of the British empire. That I believe firmly. I am confident that is so. And because I believe that, because I realize that and hold it strongly I still think that the League of Nations may, and I hope will, exercise a great and powerful influence upon the thought of the world.

The very fact that we find negotiation, conference and discussion among the representatives of fifty nations of the world is in itself the best assurance of understanding. There may and there will be differences, great differences, of opinion. But just as in this house in connection with non-political or non-partisan matters we may be able to arrive at conclusions after discussion, talk and negotiation which will result in the common good, and will mean an advancement towards perfection, so the representatives of the men and women from fifty states, and more, by the very fact that they do meet together, the very fact that they see each other, the very fact that they hear each other, the very fact that they shake hands, the very fact that they exchange points of view that you tell your troubles and he tells you his troubles acquire a fellow-feeling which they could not possibly get by reading history or newspapers. From such a conference much good must come.

If we remove the league entirely we have to ask what the result would be. That seems to be the other question we would have to ask. Conciliation would be gone; conferences would disappear and we would have no meeting together of the representatives of the peoples of the world. You cannot make the League of Nations a super-parliament or give it the power of a super-state, but it may still continue to be a medium through which the representatives of all peoples of the world can meet together. Of course this usefulness has been greatly lessened by reason of the fact that one of the leading members has withdrawn, two have withdrawn, three have withdrawn, four have withdrawn, and there is a threat of the withdrawal of the fifth. All these things lessen its possibilities for good.

Nevertheless I approve the vote for the maintenance of Canada's position at Geneva. I still believe it is worth spending the sum of money we spend. When I read, as every hon. member has read, that in a few hours at Vimy Ridge, where shortly a celebration and memorial services will be held, millions and millions of dollars went up in smoke and carried devastation and death to thousands of men, I ask myself to realize how small in comparison is the expenditure of a few hundreds of thousands of dollars for the League of Nations.

Why is the expenditure made? Its supreme purpose is that of peace, not punishment. Of course we have been told in scripture about those who cry, Peace, peace and there is no peace. Sometimes in these days we are reminded of that. This expenditure of a few hundred thousand dollars, but a fraction of the money our artillery used before Vimy Ridge, is surely warranted if for no other purpose than to indicate that the mind, attitude and purpose of the Canadian people are directed toward world peace.

I am not wholly in accord with the conclusions at which the government has arrived, because of the uncertainty created in my mind by reason of the attitude which has been taken in a most difficult part of the British empire by one of its great statesmen. But I know this, that the preservation of a certain form of strength in foreign policy is the best assurance this country can possibly have for its continued harmonious development. In Great Britain when that

was departed from, a difficulty of the first order arose.

I am satisfied that the passing of this vote toward the maintenance of the league, although it may be shorn of great authority, will afford an opportunity for a measure of continued permanence in our foreign policy which would be otherwise lacking. I do not think it is fair to suggest that any Prime Minister in these days could outline a foreign policy for this country; it cannot be done. No other nation can outline in detail a foreign policy, except under very limited conditions. But we all can do this: We can recognize that we are one unit among the many units which constitute the world's nations, and as such we have a part to play not by force but by high example. We have not force; it would not be available from the Canadian people, in any event, unless out of a country vastly different from what this one is to-day.

But we have something more, we have a people young and virile, the inheritors of great traditions, believers in the right, and I am confident that if we so determine, by our example we can accomplish what Pitt said his country had done. He said: England has saved herself by her efforts; she may well save the world by her example. So, small in number, we here on the northern half of the north American continent, far removed from the climatic conditions enjoyed by many countries, a virile, young people, by the force of our example and the determination to show to the world that those who break their obligations and violate their covenants have become ostracised so far as dealing with the civilized peoples of the world are concerned, may be able to show the pathway to ultimate peace and happiness among, not only our own people, but the other peoples of the world.

Item agreed to.

Progress reported.

MISCELLANEOUS PRIVATE BILLS

Mr. McPHEE: Mr. Speaker, I should like to move, with the consent of the house, that we revert to the order for motions, in order to file the fifth and final report of the standing committee on miscellaneous private bills.

Motion agreed to.

The house having reverted to the order for motions:

Mr. McPHEE presented the fifth and final report of the standing committee on miscellaneous private bills.

On motion of Mr. Mackenzie King the house adjourned at 11.12 p.m.

12739—248

Friday, June 19, 1936

The house met at eleven o'clock.

PRINTING OF PARLIAMENT

Mr. A. E. MacLEAN (Prince) moved that the recommendations contained in the first report of the joint committee of both houses on the printing of parliament, presented to the house on Wednesday, June 17, be concurred in.

Motion agreed to.

CRIMINAL CODE AMENDMENT

Hon. ERNEST LAPOINTE (Minister of Justice) moved the second reading of Bill No. 96, to amend the criminal code.

He said: I intend to discuss this bill on the second reading because of the principle involved in its main provision, namely, the repeal of section 98 of the criminal code. The repeal of that section was in the platforms of all the political parties during the recent election campaign, except the one led by my right hon. friend the leader of the opposition (Mr. Bennett).

Mr. BENNETT: Except the one that got the fewest votes.

Mr. LAPOINTE (Quebec East): This in itself is an indication of what the public feeling was with regard to this statute. If the vote is analyzed it is obvious that the repeal of that section has been recommended by a tremendous majority of the electorate of Canada, all those who elected members of parliament that do not sit as supporters of my right hon. friend. It was an issue everywhere. In my own province the candidates supporting the then government made it the main topic of their campaign. As a matter of fact, my right hon. leader (Mr. Mackenzie King) and myself were represented as friends of the disorderly elements in Canada, and cartoons were profusely distributed, some of which I even showed to the house in the debate on the address. The repeal of section 98, I may add, was one of the planks of the Liberal party's platform, one of the fourteen points, and this is another instance of the redeeming of a pledge, which has given birth to the present bill.

May I first give to the house a brief history of this enactment. During the war, in Canada as well as in other countries engaged in the struggle, there were, under war measures acts here and elsewhere, special rules, special regulations and special orders which were in themselves infringements of the liberty of the citizen. I do not complain about that, because in times of war such measures have to be

resorted to. But it must be done in such a way as to safeguard the liberties and the rights of private citizens. At all events, after the war was over, these enactments disappeared from the administration of other countries, but they were replaced in Canada in 1919 in section 98 of the criminal code. Hon. members will recall an agitation in Britain about that famous war time act called Dora—Defence of the Realm Act—which was finally repealed. The same thing happened everywhere. I call attention to some of the provisions of order in council P.C. 2384 of the Dominion of Canada, enacted under the War Measures Act.

Mr. CAHAN: Of what date, please?

Mr. LAPOINTE (Quebec East): This one is dated September 25, 1918. In this order in council the provisions of section 98 are recited almost word for word, but always with this qualification at the end of every section of the order, "while Canada is engaged in war." You find that in section (b) of the order in council, which speaks of associations or organizations the purpose of which is to bring about any governmental, political, industrial or economic change—almost identical with the phraseology of section 98, but with these additional words: "while Canada is engaged in war." You find the same thing in section 3—"any person who, while Canada is engaged in war, shall act or profess to act as an officer of any such unlawful association." Section 4 says that anyone who has "at any time since the beginning of the present war been a member," and so forth; and if it be proved that since the beginning of the war he "attended meetings of an unlawful association" and so forth. Then section 6 refers to anyone who knowingly permits a meeting in his building, and so forth. These are virtually the same provisions as are included in section 98, with the addition of clauses for the purpose of reaching those in Canada who would impede the success of the war or refuse to obey the military laws of Canada during the war, and things of that kind, which seem to have been put in the order for the purpose of getting at those who refused to submit to military service or to conscription. These of course have disappeared. The order in council was for two purposes, for military service and for the purpose mentioned in the present section 98.

In 1919, after the war, following the troubles that occurred in Winnipeg, the government of the day appointed a parliamentary committee to consider amendments to the criminal code, and that parliamentary committee brought in the report upon which section 98 was based. It has even been stated that this was unanimous. The former minister of justice, in the debate in this house in 1933, said that the report had been adopted by a majority of one. He even stated then that I was one of that majority, which was absolutely wrong, because I was not even a member of the committee. The late Hon. Charles Murphy was a member of that committee, and when the question was discussed in the House of Commons he spoke as follows—his words are in Hansard of 1919, page 3291:

> There was in the committee a very sharp division of opinion as to the necessity of amending the criminal code, and there was a further division of opinion whether, in the event of the committee being of opinion that the criminal code with reference to sedition and seditious propaganda should be amended —in view of the numerous strikes and the general unrest throughout the country—this was the proper time to make such a report to the house and to induce a discussion of matters that would inevitably be discussed by reason of that report and of any action that might follow the introduction of that report. It was on the latter ground principally—coupled with the fact that an opinion prevailed that the present criminal code was ample to cover the class of cases to which the attention of the committee was directed —that a portion of the committee, including myself, shared the view that this was not the proper time to introduce such a report as that, the adoption of which has now been moved by the Solicitor General.

However, section 98 was then enacted. Since then continuous attempts have been made for the repeal of that section. It is suggested occasionally, and it was suggested in the debate of 1933, that these applications come from disorderly elements. May I say that they come from all classes of the community, and more particularly from organized labour in Canada. The Trades and Labour Congress of Canada at every annual meeting has passed a resolution asking for the repeal of this section. While I was minister of the former government, whenever a delegation of the Trades and Labour Congress of Canada met the government of the day, the request was urgently pressed that section 98 should be repealed. All the railway brotherhoods, such as the engineers and conductors, have been asking the same thing. No one was more persevering in that demand and more eloquent in presenting it than Mr. Tom Moore, who was then president of the Trades and Labour Congress of Canada. Mr. Moore has, I believe, the confidence of everybody in Canada, including my right hon. friend and other hon. gentlemen opposite, who never missed an opportunity to appoint him to a responsible position where labour or social workers should be represented. I have myself presented to the house on four or five occasions a bill for the repeal of this section.

On two occasions the bills passed this house unanimously, and on the other occasions the debates were mild as regards the way they were conducted; but the bills were rejected by the other house.

What are the reasons for the repeal of section 98? First, we believe it is dangerous to perpetuate in peace time enactments which are war time measures and designed to meet special emergencies due to some extent to the natural panic which exists in time of war. The danger is mainly because of the precedent which it creates. If it can be done, if we can put aside the ordinary rules of law on a matter of this kind, why not put them aside on other matters as well? And this creates a precedent that might be harmful under other circumstances. There are things in that section which are not susceptible of defence. To say that the police may authorize any private citizen, on mere suspicion, to search my home or the home of anyone in Canada because they suspect they may find literature which is objectionable, is contrary to all principles of law the world over. It is mere suspicion. I think everyone will agree that the separation of powers is a necessary guarantee in the administration of justice. It is not right that the police, who are entrusted with the duty of carrying into execution the orders of the court, should become the court itself. The police are clothed with some judicial powers when they are permitted to authorize any private citizen to search premises for the purpose of finding literature. This cannot be defended.

This has given rise to many incidents which certainly cannot be considered as fair. In western Canada during the war under the provisions of a similar order in council people of foreign language saw their bibles confiscated because they were printed in a language which the police could not understand.

Mr. HEAPS: And bibles in the English language were confiscated also.

Mr. LAPOINTE (Quebec East): I did not know that, but it makes the matter so much worse. A man was arrested because he had in his possession a copy of Plato's Republic. In the United States, under a similar provision, a man was arrested because he had in his possession some literature that happened to have been written by Thomas Jefferson, who was one of the authors of the declaration of independence and later president of the United States. When the man told that to the officer who arrested him the officer replied, "Well, we will take care of you now and we will get that man Jefferson afterwards."

This shows the objection there is to a change of this kind in our legal system with regard to crimes. During the debate in 1933 I charged that this invasion of private homes had taken place during the course of that debate, and the then Minister of Justice agreed, but said it had happened only once. Well, once is too often; it should not have happened at all. If the provision was taken advantage of only once surely that is an additional reason for striking it out of the statute.

May I refer also to the presumption of guilt which appears here. A man is seen at a meeting of one of these so-called illegal associations, and he is presumed guilty. If he does not prove that he is not guilty he is liable to be sentenced to gaol for twenty years, and apart from that there are other objectionable features. It is prohibited, under possible penalty of twenty years, to import any book in which there may be something which defends revolution. Some people were afraid that the reading of a book in which the war of independence between England and the United States was justified would render them liable to imprisonment for twenty years under this section. I took the trouble to look up the legislation of a great many countries, and I did not find in any country provision for imprisonment for such a long period. Even under the war order in council the maximum penalty was five years, but because of that panic in 1919 a man who merely had a book in his possession might be sent to gaol for twenty years.

There is no sense of proportion in an enactment of this kind. I showed that provision to an eminent professor of law of the university of Paris only two months ago. He said to me, "This is a blot on the statutes of any land," and it is. We have said that we must protect ourselves against disorderly elements. I repeat what I have said many times before: We have in the criminal code, which is based on the common law of England, all the provisions which make English law and British justice sufficient to meet all emergencies. The common law relating to sedition is already in our criminal code and always has been. Section 133 says:

133. Seditious words are words expressive of a seditious intention.

2. A seditious libel is a libel expressive of a seditious intention.

3. A seditious conspiracy is an agreement between two or more persons to carry into execution a seditious intention.

Then section 134 states:

Everyone is guilty of an indictable offence and liable to imprisonment for a term of not more than twenty years—

That is the same as in England.

—who speaks any seditious words or publishes any seditious libel or is a party to any seditious conspiracy.

This crime of sedition has been discussed in Great Britain on many, many occasions. The commissioners who wrote the English draft code inserted a definition of some kind as to what constitutes sedition and what constitutes seditious words or seditious intentions. But after prolonged debate in the British parliament it was decided that it would be better to keep the word "sedition" not defined expressly but rather left there to meet all occasions and to apply to all cases where order is disturbed or where there may be danger in the land. When our own criminal code was enacted the same debate took place. There were some who wanted to define the offence of sedition more specifically but the parliament of Canada of that time, in its judgment, thought it better to follow the English practice and to remain with the common law operation in that regard.

May I read what constitutes sedition in the English and Empire Digest, 15th volume, at page 633:

An intention to excite ill-will between different classes of Her Majesty's subjects may be seditious intention; whether or not it is so in any particular case must be decided upon by the jury after taking into consideration all the circumstances of the case. Sedition embraces everything, whether by word, deed, or writing, which is calculated to disturb the tranquillity of the state, and lead ignorant persons to subvert the government and laws of the empire.

Where in a prosecution for uttering seditious words with intent to incite to riot, it is proved that previously to the happening of a riot, seditious words were spoken, it is a question for the jury whether or not such rioting was directly or indirectly attributable to the seditious words proved to have been spoken.

A meeting lawfully convened may become an unlawful meeting if during its course seditious words are spoken of such a nature as to produce a breach of the peace, and those who do anything to assist the speakers in producing upon the audience the natural effect of their words will be guilty of uttering seditious words as well as those who spoke the words.

Then at page 634:

Held: guilty of sedition and unlawful assembly; a speech urging the people to form themselves into unlawful associations, and inciting the insurrection, unlawful assemblies, breaches of the peace, and the forcible obstruction of the execution of the law is seditious, the circumstances of the time being such that the public peace is likely to be thereby endangered. A meeting convened to hear such a speech is an unlawful assembly so far as those are concerned who are parties to calling it or attending it for that purpose.

Mr. BENNETT: What court was that?

[Mr. E. Lapointe.]

Mr. LAPOINTE (Quebec East): This is the King v. Jones (1848), 6 State Transactions, N.S., 783. But it is the same thing throughout the history of criminal law in England. There is a multiplicity of decisions to the same effect. In Halsbury's Laws of England, second edition, volume 9, sedition is defined at page 302:

Sedition is a misdemeanour at common law consisting of acts done, words spoken and published, or writings capable of being a libel published, in each case with a seditious intention.

Where the words are oral the offence is called the speaking of seditious words; where the words are written, the offence is called the publication of seditious libel; where two or more combine for the furtherance of a seditious intention the offence is called seditious conspiracy.

At page 303:

Every person is guilty of the common law misdemeanour of speaking seditious words—

And this applies to us.

—who speaks and published words with a seditious intention.

Every person is guilty of the common law misdeameanour of seditious libel who publishes matter contained in anything capable of being a libel, with a seditious intention.

There the punishment is fixed at not exceeding two years. What I find in those decisions is rather that in Great Britain it has to be something constituting an overt act, not merely an opinion which people might hold. It is not until it is transformed into an overt act which might be dangerous to the peace of the state that it becomes an offence. The principle in that regard cannot be better expressed than in the words of Thomas Erskine in his celebrated speech on the trial of Thomas Paine. He said:

His opinions were adverse to our system—but I maintain that opinion is free, and that conduct alone is amenable to the law.

May I also quote what Macaulay said in his Essays on Hallam:

To punish a man because he has committed a crime, or because he is believed, though unjustly, to have committed a crime, is not persecution. To punish a man because we infer from the nature of some doctrine which he holds, or from the conduct of other persons who hold the same doctrines with him, that he will commit a crime, is persecution, and is, in every case, foolish and wicked.

I wish I had with me the words of a court in India where seventy people were convicted for seditious conspiracy. The chief justice took the pains to say:

These men are not punished for their opinions; the are punished for the deeds and the actions which they committed.

Coming back to Great Britain, the only exception, if it is an exception, was in 1934

when a special act was passed called the Incitement to Disaffection Act. This applied only to propaganda to seduce members of His Majesty's forces from their duty or allegiance to His Majesty. It was specially provided therein that the possession of any document could not be held as a presumption of guilt. The crown or the prosecution had to establish the guilt of the accused persons. And yet this apparently inoffensive legislation was challenged in the House of Commons and even in the House of Lords during the session of 1934, and anyone who wishes to consult the debates of the British parliament will find that no question was so extensively discussed as this one. There was strong opposition to anything which was a change from ordinary laws, for instance with regard to search warrants, although there was nothing there which could be compared to section 98. Nobody could be authorized merely by the police to go and search the home, but it was then stated that it was the thin end of the wedge and against all principles of British justice that this should be done. I mention that just to show how strong the feeling is in Great Britain with regard to the liberties of the subject.

May I say here and now why I propose to add a few words to section 133. I do not think they are necessary, but it is merely to make it clearer that nobody can by words or writing preach the use of force to bring about governmental changes. I do it because in some of the judgments the courts seem to have required that it must be proved that the words or the teachings were strong enough to lead to disturbance of order and trouble. This is merely to make it absolutely clear that nobody should be allowed to teach the use of force to bring about change of government in Canada.

I have said that war regulations should not be converted into peace statutes. The order in council which I have quoted shows that the liberties of the citizens were infringed. In time of war this has to be done, but to do it in time of peace is a precedent which should not be created. Liberty is like the air; we appreciate its value more when we are deprived of it. To govern is to foresee. After all it is possible that there may come a government with views and ideals different from those entertained by hon. members opposite and by myself, and they could use the precedent so created to prevent the freedom of the people in other directions. I remember reading two years ago about a prominent socialist in the British parliament who sat on the extreme left of the movement —as a matter of fact he was expelled afterwards from the labour unions—who said he was in favour of the then very restrictive orders in council prompted by the government because they would be precedents to be used by a socialist government in England for the purpose of doing away with the supremacy of parliament. Precedents are dangerous, and if this thing could be done in the present instance, surely other governments could use the same methods in other instances. The citizens of Canada and those of Great Britain have the right to be free in their own homes. It has been stated often that an Englishman's home is his castle; even the king cannot enter there without due process of law. This condition must be preserved in Canada as well as in England.

I come now to another phase of the matter. Those who hold the views I hold on this question have been and are being charged with friendship towards the communistic element. I am not a friend of the communists, and those who say that know I am not. I abhor, I hate the teachings and ideals of communism. But I want to fight them in a successful way, and I believe the way to fight them successfully is by argument, by attempting to have social justice everywhere and sound policies of administration. In 1934 I had the honour of being invited to take part in an anti-communistic campaign in Montreal. Obviously those who were in charge of the social work had a little more confidence in me than some of my opponents seem to have. On that occasion I used this language, which I shall translate:

> To ensure our political stability as well as our economic stability, to victoriously repel the attacks of the trouble makers we must rely not so much on the criminal code, the officers of justice and the gaols as upon the personal dignity, the individual effort and the social cooperation which are the substance and soul of a free nation. The adepts of the strong manner to the contrary notwithstanding ideas, whether they are good or bad, cannot be killed with guns or machine guns. There must be an enlightened acceptation of the changes to make and the reforms to accomplish to take away the weapons which certain abuses and certain mistakes have placed in the hands of the enemies of order.

The Reverend Father Levesque, one of the most energetic social workers in Canada, spoke at the same meeting as follows:

> Indeed it is good, even necessary, to attack communism in the front line by unmasking its errors, stigmatizing its vices and unveiling its nefarious consequences. But far more sure is the old strategy which endeavours to block the progress of an evil, to suppress the causes which determine the birth of that evil and finally its development. Communism was born of the misery of the people, and if our people sink in misery we cannot prevent

them from turning towards the apostles of Moscow, as though they were saviours. Thence the necessity of just and fair social reforms.

Sir, peace, prosperity, decent living conditions and religious and moral ideals will fight communism or wrong ideals with a greater degree of success than will concentration camps, arbitrary imprisonment and oppressive laws. A few days ago I was reading these words of an American university president:

No radical has ever been made in the United States by radical propaganda. The people who make radicals here are those who refuse to recognize the reality of change.

May I add that perhaps we are at fault in that regard, too, and that conditions which permit a small group of men to get together with a little sum of money, which with the help of privileges and of protective laws and insufficient social legislation became $15,000,000 after a few years, are productive of communism. Communism cannot implant itself in a country like Canada unless we refuse to give to our institutions a spirit of social economy and political justice. The Canadian labourer is not a communist. If he is given the choice he will always choose free labour, with a prospect of gain and his freedom, rather than being part of a huge mass where neither he nor his labour is free.

May I ask any fair-minded man in Canada whether section 98 has prevented any person from being a communist? I have been told there are some who claim they are communists because of section 98. But there is one patent fact: A man named Tim Buck was sent to gaol because of a breach of section 98. The government which enacted the legislation was responsible for his release after he had served only half his term. The first thing he did upon release was to hold meetings in Montreal, Toronto and Ottawa challenging any person to arrest him again and saying that he would continue the fight. What good did that do? As a matter of fact he ran for parliament. Did section 98 prevent communist candidates from appearing against other candidates in the last election? If the section is useless, why keep it? Laws that are not favoured by public opinion do not achieve any good, and as an instance of that I would refer to the late prohibition laws in some of the provinces. I never found as much antagonism on the part of Canadians to that legislation as I did when two years ago I took part in a debate at the University of Toronto conducted along parliamentary lines. The debaters were divided, as Conservatives and Liberals, and of course there were men who belonged to the communist, fabian and fascist groups. At the opening of the debate they were considered to be on my side. I was conducting the debate for Liberalism, with two young university students, and there were three university boys on the other side attacking Liberalism. One of my partners unfortunately said something that did not please my partners behind me who were not straight Liberals, and they rose and crossed the floor to the other side. I had to exert myself to get them back in order that we should have a majority vote, and we did have a majority in the end, but what struck me was the discussion on section 98, and the interest that all the university men there took in that provision. Nobody excused it. The Conservative debaters tried to fasten it on the Liberals and claimed that we were responsible for it, and I think it was so everywhere. How can you keep on the statutes a provision which is friendly to nobody and which everybody repudiates?

May I also call attention to this fact. Why should there be talk only of communists when it comes to this question? The fascists, the nazis in Germany, are just as violent when it comes to change of government as the communists. There is no question of that. Let me tell you, Mr. Speaker, that I am not in favour of the German or the Italian concentration camps any more than I am in favour of the Russian ones. They are all bad when it comes to preventing people from expressing their views. In those countries criticism of the head of the government is treason. Well, I would not like to have those conditions in Canada, and I think that we have in the criminal code, under the sedition sections, quite enough to meet the fascists and the nazis as well as the communists; for I include them all in my reprobation.

May I call attention, Mr. Speaker, to some who who do not like section 98? May I tell them they are also included in the hate of some people who are the protagonists of the strong methods. At the present time in the city of Detroit there is a new order called the Black Legion, which wants to have its ideas prevail by force everywhere, even to the extent of killing people, if necessary, and they want to do it not only to the communists but to the Catholics and the Jews as well. No, Mr. Speaker, liberty is the theory and the doctrine on which our nation has been based and predicated, and we must not do anything that will remove any guarantees we have that our citizens will not be subjected to any prosecution without the ordinary and due British process of law.

Benjamin Franklin said once, and I agree with this idea, that those who are ready to sacrifice liberty for the purpose of achieving some temporary safety deserve neither liberty nor safety. British justice, which holds every man innocent until he is proved guilty, is the surest safeguard against excesses, whether coming from communists or fascists, or an arbitrary dictatorship, whether from the left or from the right. We submit this legislation, Mr. Speaker, not because we sympathize with the revolutionaries but because we love and desire to protect the law abiding and the truth seeking citizens of this country.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, as many members of this house know, this is a matter in which I have been for many years very keenly interested, and I must congratulate the government on having introduced a measure providing for the repeal of section 98 of the criminal code. I think perhaps I most admire the Liberals when they are pleading for political liberty; on those occasions they show themselves to the very best advantage.

Section 98 has been used particularly against the communists in Canada. Perhaps it is not necessary for me to say that I am not a member of the communist party, and that I do not agree with many of its principles and methods, but I do not believe in putting my political opponents in gaol. I do not believe in depriving any section of the community of their rights as Canadian citizens.

The outstanding case, as the Minister of Justice (Mr. Lapointe) has said, in which this legislation was used, was that of the communists who were tried in Ontario. An appeal was taken, which was argued on February 13 and 14, 1932. The unanimous judgment of the court, upholding the conviction charges under section 98 of the criminal code, was delivered on February 19. The first part of the judgment deals with the legal argument advanced on the appeal as to the sufficiency of the indictment, and it then proceeds to deal with the evidence as follows—I quote one paragraph:

> The evidence proves that the communist party of Canada is a member of the Communist International of Russia and that instead of determining its own policies, purposes, teachings and aims, it adopted and adopts those of the Communist International, and, therefore, whatever are the policies, purposes, teachings and aims of the Communist International are also automatically those of the communist party of Canada.

I think it should be clearly recognized, as it has not been clearly recognized by the majority, that the communists in Toronto were not accused and were not convicted of any overt act of violence, nor were they accused or convicted of advocating violence. They were accused and convicted simply of belonging to a certain political organization, which was affiliated with an organization in Russia which did under certain circumstances advocate violence. That does not seem to be in harmony with the rights of the subject here in Canada. If mere affiliation is to be the basis, I wondered the other day when I read an advertisement in the Montreal Gazette of June 13, 1936, whether some other organizations might not be brought into this category. Here is an advertisement reading, Trips to the Soviet Union. Canadian Pacific, general representatives of Intourist, Inc. in Canada. I am not a lawyer but I am inclined to think that if the Canadian Pacific Railway Company had a less prominent position in Canada it might under this legislation be very well charged with being in affiliation with the Intourist agency of Russia which in turn is a recognized agency of the soviet government. That is the kind of argument that was used in Ontario with regard to the communists.

But the effect of this kind of legislation does not stop here. I hold in my hand a pamphlet entitled Communism in Canada, by Superintendent F. J. Mead, reprinted by the anti-Communist League of Canada, Flinflon, Manitoba, with the permission of Major General Sir J. H. MacBrien, of the Royal Canadian Mounted Police. I should like to know under what authority Major General Sir J. H. MacBrien permits—let me repeat that, permits—the publication of certain documents. And this document was used as campaign literature in the recent election in Manitoba. I was in Flinflon, and I may say that the whole community there is controlled by an American company, the manager of which is not a Canadian citizen; although he has been resident in Canada for some years he has never yet taken out Canadian citizenship, and yet on occasion he has presumed to say whether or not candidates for election to the dominion parliament shall or shall not hold meetings in that community. And we have this kind of literature published because presumably communism is an illegal organization in Canada—I take it the Ontario court judgment makes it illegal.

Think of the situation that results. As the Minister of Justice points out, it is nothing less than farcical. Communists belonging to an illegal organization have been running as candidates for parliament, as my hon. friend from Winnipeg North (Mr. Heaps) and my hon. friend from Vancouver East (Mr. MacInnis) know very well.

An hon. MEMBER: And lots of others.

Mr. WOODSWORTH: Yes, and lots of others all over the country. It is ridiculous that men should be declared criminals, that the communist party should be declared an illegal organization, and yet the government should permit them to run as candidates for parliament, openly to conduct a paper which can be found in the files of this library, and to hold meetings throughout the country. I say it is a farcical situation. I submit that if the communist party is illegal, then its papers, speeches and all that kind of thing should be considered illegal. But I venture to say that the government dare not press that point to its logical conclusion.

Let me give another instance of what this involves in practice. This came under my notice a few months ago. There was a small book shop in Montreal conducted by a Mr. Feigelman.

Mr. VIEN: The address?

Mr. WOODSWORTH: I have his personal address but that is immaterial; it is Montreal. He and his sister conducted this little book stall. He himself was an art student. On January 15, 1934, the police raided his shop under orders from Chief Louis Jargaille. His sister was in the shop. He states that quantities of books, magazines and newspapers were seized by the constables. When asked the reason, Constable Forget replied: "We are seizing all seditious literature under section 98 of the criminal code." The process of confiscation proceeded and copies of E. P. Oppenheim's books were seized. When asked why the latter were being taken one of the constables replied, "I don't read." This man and his sister appeared in court on January 16. Several other news dealers were arrested. They pleaded guilty under section 98 and were released on suspended sentence. This particular man Feigelman seemed to be more honest than the rest and he pleaded not guilty. He was expelled from the art school which he had been attending, and for a period between January 20 and October 17 he and his sister went through the monotonous procedure of frequently appearing in court, being compelled to close their shop for half days. At each appearance they pleaded not guilty and in each instance were remanded. The trial finally took place in the fall session of the king's bench, Mr. Justice Loranger being the judge.

An hon. MEMBER: A queer way of pronouncing these names.

Mr. WOODSWORTH: Yes, the pronunciation is bad; I quite recognize that. The result was that Feigelman was sentenced to one month in gaol, his sister being given suspended sentence. I should like to read a few sentences from the charge of Mr. Justice Loranger to the jury:

> We are here in Canada, inhabiting a Christian country, and we have been brought up in that way, and we have no need of those doctrines which are godless, such as communism and all such doctrines, which are spread before our youth, before our young men and girls.

Again:

> I read in one of the papers which have been filed here, La Vie Ouvrier, just one sentence which I will translate:
>
> "We must follow the teaching of Lenin, and particularly his teaching of state which he has shown us to be a good one ... follow his lesson as regards the materialistic war which we must transform into a civil war."
>
> Is that sedition or not? Trying to induce one class of people to war against another, and trying to put capital against the working classes?
>
> It has been decided by the court of appeal in Ontario, and you will have seen it in the papers, that these men of the Communist party have tried again and again to have this article removed from our criminal code by the parliament of Canada, but up to the present parliament has refused to strike out article 98 of the code, which is the protection of our people against such doctrines.

I am quite sure the Minister of Justice will appreciate that. Again:

> And this young girl, who seems to be intelligent, knew well these particular pamphlets concerning communism, and where they were, because the constable asked when he went in there for communistic papers, and she took him to the rear of the store and showed him a table and said "Here they are." She knew where they were, and if you or I had been there and had asked for communist literature, she knew where it was, and they were openly offering these to the people, and that is against the law.

What law, may I ask? I know of no such law. I ask the Minister of Justice if there is a law under which communist literature is prohibited. And yet this is how the judge charged the jury. Later he continued:

> It is for you to appreciate whether these books, papers, cards, etc. are of such a character as are forbidden by law.

And one other:

> On the other hand if you are convinced that the papers are of such a character as I have already said, and that they should not be published and circulated, it is your duty to say so. The court has nothing to do with that.

If those jurymen were at all like the ordinary jurymen I know, they would take that to mean, "Here you have some communist literature; all communist literature is bad; the communists are an ungodly party; we are a Christian country; if you think it is a bad thing to have this literature around, condemn these people." In my own words as a layman, that is practically what the charge to

the jury meant, and the defendants were convicted. May I supplement the statement of the Minister of Justice by quoting the well known words of Lord Camden?

Where is the written law that gives any magistrate such a power?

He is referring to that of search.

I can safely answer, there is none, and therefore it is too much for us without authority to pronounce a practice legal which would be subversive of all the comforts of society.... If suspicion at large should be a ground of search, especially in the case of libels—

That is, seditious publications.

—whose home would be safe?

The minister has taken the responsibility of urging the repeal of this section, but unfortunately, in my judgment, what he gives with one hand he partly takes away with the other. When he previously introduced a bill of this kind he said:

We have already in the code sufficient protection in the matter of sedition.

And he referred to sections 87, unlawful assemblies; section 130, regarding sedition, oaths or engagements in societies; 132, against seditious words, libel and conspiracy; 135, against libel on foreign sovereigns; 136, against publishing false news. If we then had sufficient protection, as he said, in the criminal code, I ask him why it is necessary to strengthen the criminal code at this time. It seems to me that the proposed section 4 goes altogether too far. Let me read it:

Without limiting the generality of the meaning of the expression "seditious intention" everyone shall be presumed to have a seditious intention who publishes or circulates any writing, printing or document in which it is advocated, or who teaches or advocates the use, without the authority of law, of force, as a means of accomplishing any governmental change.

That is very sweeping indeed; it would rule out a very large proportion of the literature which we find on our library shelves to-day. If the minister really wished to carry out what he stated was his intention, he would at least add the words: "in Canada." He used those words when he presented the case; I do not know why he did not incorporate them into the section itself. A man might advocate change by force in Russia or in Italy and yet not advocate change by force in Canada. The provision as it stands is very wide indeed and lends itself to serious abuse. Let me read this passage:

No nation—

Mr. VIEN: Where from?

Mr. WOODSWORTH: Will the hon. member first let me read it?

No nation ever became truly great save by successful sedition and revolution. The lamp and the torch and the tumult have overcome tyranny. The signature of King John was placed to the Magna Charta, wrenched from him by the nobles; revolution led King Charles to the block; the corn law riots—these were crimes against the law and seditions, but no one hangs his head in shame because of them. "Liberty, equality, fraternity," were no mere catchwords as in the French revolution, but the expression of the earnest striving for the substance that lies behind the words.

I suggest, Mr. Speaker, that under the proposed section such an article would be clearly seditious. Let me say that the statement was uttered by Mr. R. B. Graham, K.C., in proposing the toast to "England." Mr. Graham is a highly placed magistrate in my own city. Mr. Jackson Dodds, O.B.E., of the bankers' association, was in the chair. The occasion was the annual St. George's night dinner of the society over which the president, Mr. Jackson Dodds, presided, and music was furnished during and after the dinner by the regimental band of the Princess Patricia's Canadian Light Infantry.

Mr. STEWART: What is the date of that?

Mr. WOODSWORTH: I cannot, unfortunately, give my hon. friend the date of the clipping, but it was—

Mr. BEAUBIEN: I rise to a point of order.

Mr. WOODSWORTH: —it was read into Hansard.

Mr. BEAUBIEN: Mr. Speaker, I rise to a point of order. I understand it is against the rules of the house to quote from newspapers at any time. I believe—in fact I am sure—that the hon. member for Winnipeg North Centre (Mr. Woodsworth) is reading clippings from a newspaper.

Mr. WOODSWORTH: I am reading from an item which originally appeared in the Manitoba Free Press. It is not an editorial; it is a news item.

Mr. BEAUBIEN: The other night I was reading just two or three lines of an editorial in the Manitoba Free Press, but I was called to order.

Mr. DOUGLAS: A different thing altogether.

Mr. WOODSWORTH: Mr. Speaker, on the point of order: the objection, as is clearly recognized in the house, was taken to reading editorial matter that might influence the decision of the house. I am reading a news

item that appeared some years ago in a Winnipeg paper and was reproduced in Hansard on May 26, 1931.

Mr. BEAUBIEN: Mr. Speaker, I should like to have a ruling. The hon. gentleman's reading from a newspaper might have an influence on the fate of this bill.

Mr. WOODSWORTH: I suggest that the hon. member should have objected to the readings of the Prime Minister the other day, which occupied, I believe, fully half an hour. He read from newspapers. This is not against the recognized procedure of the house.

Mr. BEAUBIEN: I was called to order because I was reading clippings from a newspaper, and the chairman ruled that I was out of order.

Mr. WOODSWORTH: The hon. member was reading editorials.

Mr. BEAUBIEN: The hon. member is doing exactly the same as I did, and I think he should be ruled out of order.

Mr. VIEN: On the point of order, when the hon. member began to read a clipping that he desired to give to the house, I asked him what he was reading from. He objected to my interpolation.

Mr. WOODSWORTH: Oh, no.

Mr. VIEN: Yes. He said, "wait"; he refused to give it. I should like to have your ruling, Mr. Speaker, on this point, that when an hon. member gets up in the house to quote from a document he should first tell us what he is reading from, so as to enable hon. gentlemen to rise in time to a point of order. The hon. member for Provencher (Mr. Beaubien) is now being told by the hon. gentleman who had the floor that the objection was not raised in time.

Some hon. MEMBERS: No.

Mr. VIEN: Well, Mr. Speaker, on the point of order I suggest that no member of this house should be allowed to quote anything without first stating what he is reading from.

Mr. CHEVRIER (Ottawa): Mr. Speaker, on the point of order we might as well try to settle this rule once and for all. Paragraph 306 of Beauchesne says:

> It is not in order to read articles in newspapers, letters or communications emanating from persons outside the house and referring to, or commenting on, or denying anything said by a member or expressing any opinion reflecting on proceedings within the house.

Mr. WOODSWORTH: This does not do that.

[Mr. Wermenlinger.]

Mr. CHEVRIER (Ottawa): Any time a member refers to or reads articles from newspapers, letters or communications emanating from outside the house which refer to, comment on or deny anything said by a member, or express any opinion reflecting on proceedings within the house, he is out of order. What are proceedings within the house? If one looks through Beauchesne the only reference to proceedings within the house appears in paragraph 13, which reads:

> The proceedings of the houses (Senate and Commons) are governed by statutes, by rules and orders adopted by themselves, and by those usages which have grown up in the course of time and consequently become a part of their own practice or are derived from the common law of parliament by which they have consented to be guided in all matters of doubt.
>
> All "rules" are not "standing orders"; they may be sessional orders or merely precedents; but all "standing orders" are "rules."

That is to say, in my interpretation if an hon. member reads a newspaper article that does not refer to or comment on or deny anything said by a member, or that does not express any opinion reflecting on any proceeding within the house, he is in order, and I submit that we should have a clear understanding of that rule since it has created such an amount of discussion in this house.

Hon. FERNAND RINFRET (Secretary of State): Mr. Speaker, as an old newspaper man I should like to say a word on this point of order which has been raised so often in the last few years. I remember very well, not only from my experience as a member of this house but also from my experience in the press gallery, that in the olden days this rule, which has been in the book for many years, was interpreted in a very broad way and no objection was taken to the reading of newspapers except when they did, precisely and strictly, come within the usages to which the hon. member for Ottawa East (Mr. Chevrier) has just referred. During the last parliament, however—and I am not blaming the previous government for that—the Speaker and Deputy Speaker of that time suddenly became very strict in their interpretation of this rule, and the reading from newspapers was practically forbidden in all circumstances. I resent that, Mr. Speaker, because I still have a great fondness for the profession to which I belonged, and I believe that reading from newspapers should be forbidden only in exceptional cases. There are many good opinions expressed in the newspapers, sometimes even in the editorials, and I believe there are many newspaper men who are just as wise as, if not wiser than, we in the house.

At the same time I believe the same rule should be applied to all, and as this session is just about over I suggest that you should rule again as both your honour and the Deputy Speaker have ruled previously during the course of this session. There is no doubt that the hon. member for Provencher (Mr. Beaubien) is asking for fair play; he merely wants the rules to be obeyed, and desires that the hon. member who had the floor should be treated as the hon. member himself for Provencher was treated previously.

Mr. BENNETT: No, no.

Mr. RINFRET: I do not insist on that point; it is not mine. I suggest, Mr. Speaker, that during the recess—and I would also ask my genial friend the clerk of the house to listen to me now—some study should be made of that point, because I maintain that during the last three or four years an interpretation has been given this rule having to do with the reading of newspapers in the house which is absolutely contrary to the custom that previously obtained for a great number of years.

Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, since the hon. member for Winnipeg North Centre (Mr. Woodsworth) has already read what he wanted to read I think this discussion is purely academic. I suggest that this matter of the right to read newspapers should be submitted to the same committee to which the proposal of my hon. friend for Winnipeg North (Mr. Heaps) will be submitted next session, and that we proceed with the business of the house, since time is passing.

Mr. SPEAKER: Do any other hon. members wish to speak to the point of order? I do not think the point is well taken; I think the hon. member for Winnipeg North Centre (Mr. Woodsworth) may continue to read the article. I do not think he is contravening the rule.

Mr. WOODSWORTH: Mr. Speaker, I was trying to point out that there are a great many writers and speakers who advocate or at least defend the use of force under certain circumstances, and they would readily come under this section. Several years ago someone prepared quite a long list of books of this kind. I do not intend to read the whole list, but I should like to mention a few. The Spanish Jesuit, Mariana, devotes an entire chapter of his De Rege et Regis Institutione to a defence of tyrannicide. A whole host of Huguenot writers preach rebellion as a religious duty in such works as Duplessis-Mornay's Defence of Liberty Against Tyrants, Beza's Rights of Magistrates Over Their Subjects, and the anonymous Whether it is Lawful for the People and the Nobility to Take up Arms. So does the Roman Catholic Rossaeus—probably the Bishop of Senlis—in The True Power of a Christian State. Buchannan, a Scots Presbyterian, follows suit in his De Jure Regni Apud Scotos. Milton contributes to the list no less than four works justifying the rebellion against Charles I—the two Defences of the People of England, Eikonoklastes, and The Tenure of Kings and Magistrates,—and Locke's Treatise of Civil Government is a defence of the "glorious revolution" of 1688. Any competent political scientist could no doubt produce at a moment's notice a similar index twice as long.

I come now to modern historical works. Macaulay's History of England is another attempt to justify the revolution of 1688. Motley's Rise of the Dutch Republic and the Reverend J. N. Figgis' From Gerson to Grotius, contain glowing panegyrics on the revolt of the Netherlands against Spain. G. M. Trevelyan's England Under the Stuarts traces all our liberties to the revolt against Charles I. A. W. Tilby's British North America, Sir George Trevelyan's American Revolution, and George III and Charles Fox, Ramsay Muir's Short History of the British Commonwealth, Basil Williams' Life of Chatham, and the Cambridge History of the British Empire are all so incautious as to praise the American revolution.

It would seem to me, Mr. Speaker, that it is an extremely serious matter lightly to put on the statute books any legislation that might be used against certain sections of the community. I hold in my hand a book obtained from the library, where I gathered quite an armful descriptive of the doctrines and history of communism and fascism. This particular volume is typical; it is The Defence of Terrorism, by Leon Trotzky, from which I will read just a sentence or two:

> But the revolution does require of the revolutionary class that it should attain its end by all methods at its disposal—if necessary, by an armed rising; if required, by terrorism. A revolutionary class which has conquered power with arms in its hands is bound to, and will, suppress, rifle in hand, all attempts to tear the power out of its hands....
>
> In this sense, the Red Terror is not distinguishable from the armed insurrection, the direct continuation of which it represents. The state terror of a revolutionary class can be condemned "morally" only by a man who, as a principle, rejects (in words) every form of violence whatsoever—consequently, every war and every rising. For this one has to be merely and simply a hypocritical Quaker.

I do not in the slightest agree with the sentiments expressed by Trotzky, but my point

is this, that under section 98 of the criminal code as it now stands, Mr. Hardy, who handed me this book, might be held guilty of belonging to an unlawful association, or at least of coming under the provisions of that section. But I am afraid that he could also be held guilty under the proposed new section, because this outstanding declaration from Trotzky which I have just read is being circulated by the librarians of this house. I think it is a very good thing that it is in the library, so that we may know what people are thinking. But it could come under the proposed section as I read it. No one suggests that we are going to arrest the librarians of this house, but if this same book were found in a little book store in Toronto or Montreal the operators of that store would come under the proposed subsection 4 of section 133. That is not as it should be.

I am glad that the Minister of Justice recognizes that a rule of this kind might work both ways. In a recent review of Social planning for Canada, a L.S.R. book, Mr. V. W. Bladen in the Canadian Journal of Economics and Political Science has this to say:

> The writers surely underestimate the resistance likely to be put up by the owners of property and by all those who still hope to own property or are dependent on such owners. The fundamental assumptions of the writers are quite evidently based upon a conception of the capitalist class as nice quiet people anxious to cooperate in carrying out the will of the people.

Suppose by any stretch of the imagination that the Cooperative Commonwealth Federation came into power with a mandate to carry out a socialist program, and suppose there were certain people highly placed, such as those described by the Minister of Justice, who made an investment of half a million dollars and in the course of some thirty years reaped a reward of something like $15,000,000. Supposing the Cooperative Commonwealth Federation undertook to deal effectively with a situation like that. Possibly there might be some resistance. There might be some at least who would advocate armed or forcible resistance. Under those circumstances they would come very definitely under this section. So that perhaps it might be well for this parliament not to go too far at this time. I remember the old scriptural motto: with what measure ye mete, it shall be measured to you again.

I do not think there is much more that I need say. It strikes me as very strange that this strengthening of section 133, subsection 4, should come from the Liberal party. I was looking the other day over some notes with regard to the trial of Joseph Howe in 1835, and this is what he was charged with in those days:

> The jurors of our Lord the King upon their oath present that Joseph Howe, late of Halifax in the county of Halifax, printer, being a wicked, seditious and ill-disposed person, and being a person of a most wicked and malicious temper and disposition....

That is taken from his speeches, volume 1, page 28. Nothing harsher could be said concerning those who to-day are regarded as radicals.

I go back now one hundred years to a time when in Ontario an agitator, an immigrant by the name of William Lyon Mackenzie, published a paper that had very harsh things to say about the government. This is a matter concerning which something is known by those of us who come from Ontario, hence we are coming into modern history. As a matter of fact my own people, at that time Wesleyans, stood with Egerton Ryerson against the rebels.

Mr. LAPOINTE (Quebec East): Shame!

Mr. WOODSWORTH: It might interest my hon. friends to the right to know that I treasure my grandfather's sword with which he joined some of the loyal citizens who were armed in 1837 to keep William Lyon Mackenzie in order.

Mr. BENNETT: His descendant is not doing badly in that regard.

Mr. LAPOINTE (Quebec East): Hear, hear.

Mr. WOODSWORTH: I suggest that the reversals in judgment which history brings about warn us to consider carefully the legislation we propose to place on the statute book. Some of us may not altogether agree with the action taken by William Lyon Mackenzie in those days; we think that if he had been a little more patient he might have accomplished by peaceful means what he sought to accomplish by force. But in any case most of us are disposed to think that he did a great work. Does this kind of judgment apply simply to the past? Some of the great movements of history have been initiated by men who advocated force. I happen to be one who does not advocate force, either in the international or in the national sphere. I am very frequently condemned for taking that position. But it does seem to me passing strange that it remains for the Liberal party under the leadership of the grandson of William Lyon Mackenzie to put on the statute book this clause:

> ... everyone shall be presumed to have a seditious intention who publishes, or circulates any writing, printing, or document in

which it is advocated, or who teaches or advocates, the use, without the authority of law, of force, as a means of accomplishing any governmental change.

Mr. BENNETT: Presumption of guilt.

Mr. WOODSWORTH: I would ask the minister to reconsider his decision. I have not spoken about Quebec.

Mr. LAPOINTE (Quebec East): If the leader of the opposition supports my hon. friend I would probably consider it.

Mr. WOODSWORTH: I recognize the fact that some of the old Rouges of Quebec look back upon those who advocated force as being among those who broke the tyranny of the old regime. I do not believe we should be lenient in our judgment of those who lived in the past and at the same time refuse to recognize the desperate plight which forces many to-day to use extreme language or advocate extreme measures.

I do not want any misapprehension; I believe in bringing about these changes by orderly and peaceful methods. That is the belief of the organization with which I am associated, but I am forced to protest against this kind of legislation which may be used against particular sections of the community.

Hon. C. H. CAHAN (St. Lawrence-St. George): Mr. Speaker, the Minister of Justice (Mr. Lapointe) has referred to an order in council passed in September, 1918. Whether for good or ill, I believe I drafted that order. Exceptional circumstances had arisen in Canada prior to the termination of actual fighting at the front. I was asked by the Canadian government to return from the United States, where I had been chairman of an executive in charge of about fifty factories manufacturing munitions for the Allies, a work which I had been requested by the British government to undertake. Those factories having been taken over by the United States government, after it entered the war, I was asked to take the position of director of public safety in Canada.

I believe I must have bundles of documents in my possession, among my souvenirs, disclosing that at that time sedition of the worst kind was being advocated throughout Canada, such advocacy being sustained through the expenditure of hundreds of thousands of dollars which were being sent to Canada in part through Finland and in part from Germany through the United States. Secret printing presses had been established throughout the dominion for the publication of seditious documents. Within a few weeks I was able to ascertain the exact location of thirty or forty of these printing establishments which were secretly turning out seditious documents and circulating them throughout Canada, partly among the population of the west, whose maternal language is different from our own. Then, the printing presses were used partly for the output of seditious documents to be circulated elsewhere. For instance, there must be records in the Department of External Affairs showing that at one time the government of France made a protest to the government of Canada in which they stated that the Y.M.C.A. huts at or near the front, and certain other soldier aid societies, the work of which was being carried on chiefly by Canadian women in France, were circulating among French soldiers as they returned from the front the most seditious literature written in the French language, which was causing a great deal of irritation in the French army. We found that a public appeal had been made in Canada for literature to send to the soldiers at the front. Large packages of this seditious literature had been prepared by those carrying on the agitation in Canada; it had been sent to the Y.M.C.A. and to the soldiers' aid societies as literature suitable for circulation among soldiers near or returning from the front. Our societies were being used to circulate that literature among the French soldiers who were welcomed at Canadian Y.M.C.A. huts and canteens.

We found, too, that a large amount of alien money was being used for this purpose. And so finally in order to deal with it effectively under the War Measures Act the order in council, to which the Minister of Justice has referred, was passed. There was inserted the provision, of course, that it should continue in force only while Canada was engaged in war. The substantive statute under which the order in council was made was one of the war measures acts and therefore the period in which the order in council could be enforced was the duration of the war and until the final termination of war activities.

Reading section 98 as it now stands on the statute books one may have certain objections to some of the sections dealing with procedure. I suggest that the seizure of property on order of the Royal Canadian Mounted Police may be an exceptional measure at this time. I suggest that the right to search, as outlined in the section, may be more than ample, and should be reconsidered by parliament. If the Minister of Justice had made a reasonable redrafting of the section so as to conform with similar provisions in other laws I believe the modifications could be adopted by the members of the group to which I belong. But I do say that anyone who seeks to bring about any governmental, industrial or economic

change within Canada by the use of force, violence or physical injury to person or property, or by threats of such injury, or who teaches, advocates, advises or defends the use of force, violence, terrorism or physical injury to property should be amenable to the law of Canada. In my opinion the continuance of democratic institutions in Canada depends upon the prohibition of such evil attempts to overturn any government in this country. If in due time the leader of the Cooperative Commonwealth Federation obtains a majority in Canada and in accordance with the will of the people forms a government, then certainly any body of the minority who might undertake by force or violence to put that government out of office, or by threat of violence to intimidate it from taking such action as the parliament of that day may desire to take, should become amenable to the criminal law of Canada. I feel profoundly with regard to that; we must protect democratic institutions in Canada, and if there are some provisions of procedure or otherwise in section 98 which should be amended, let us have an amendment of them, but let us preserve the main purpose and intent of the statute as expressed in section 98, subsection 1, and also in section 98, subsection 8. Now what the minister has done, in order to camouflage what purports to be a complete repeal of section 98, is to make an addition to section 133 dealing with sedition.

Let us consider the matter fairly. There is no codification of the criminal law in Great Britain, and the criminal law of Canada was the common law of Great Britain until 1892, when the Canadian criminal code was first drawn and enacted.

Mr. BENNETT: Plus statutory cases.

Mr. CAHAN: Plus statutory cases, and the code has been amended from time to time, but the common law of Great Britain applies so far as it is not repugnant to the criminal code of Canada. In England it has been felt impossible to codify and express in exact terms the common law of England in regard to sedition, and Sir John Thompson and those who engaged in 1892 in the work of preparing the criminal code of Canada also decided that such codification was impossible of accomplishment at that time. But in dealing with the advocacy and use of force to bring about governmental changes in Canada it has been deemed advisable, and I think it is advisable from the experiences we had in the early years after the termination of the war, to place on the statute book this section of the criminal code dealing with that particular crime. And it is there. I grant that if I were drafting this section again, in view of the present conditions, I would advise that the right of searches should be restricted and certain other procedure that is therein provided should be limited, but I believe that the main purpose and intent of the statute should be continued in force.

Although the Minister of Justice has gone a certain distance in amplifying section 133, so as to camouflage the results accruing from the repeal of section 98, I do not think he has gone sufficiently far, and I do not think the section which he proposes, section 4 of this bill, which adds a new subsection to section 133, is sufficiently broad or sufficiently comprehensive to prohibit the actual use of force for the purpose of overturning the government of the country. Therefore I think that prohibition not only of the advocacy of force and intimidation, but also of the use of force and intimidation, should be placed upon the statute book, whether in 98 or in section 133 is immaterial to me, but it should be there, and it should be expressed in language so clear and indubitable that any magistrate in a country district who is first called upon to investigate with regard to the application of this law will not have to search through a thousand cases and hundreds of decisions of the British courts to ascertain what the law of sedition really is. In accord with the purpose of parliament in codifying the law in 1892 we, in now amending it, should make clear that the use of force or the advocacy of force for the purpose of overturning the government of the country is made a criminal offence, in terms so clear that the ordinary justice of the peace and the magistrate of the country district will thoroughly understand the law. We should make the way for him so clear that even a man of ordinary intelligence could not err in the pursuit of that path.

At one o'clock the house took recess.

The house resumed at three o'clock.

Mr. J. R. MacNICOL (Davenport): The new subsection 4 of section 133 as proposed by the bill before the house may well be characterized by that well known slang expression, "That is a mouthful"; and if two words are added to that one may say, "That is a mouthful of teeth," because subsection 4 of section 133 puts back into the criminal code a great deal of what has been taken out of it by the repeal of section 98.

I wish to associate myself with some of the remarks made by the Minister of Justice (Mr. Lapointe), and also with some made by the former Secretary of State (Mr. Cahan). I have spoken previously in support of section 98, having taken the opportunity on more than one occasion to express the view that a number of the subsections were unnecessarily severe. I had occasion to worry a little myself last summer in connection with section 98. When I returned from the United States, bringing with me a few expositions on communism, I felt a bit nervous and I went to see the deputy minister of justice, who, after looking wise for a moment or two and turning over the pages, assured me that I was within the law in bringing them into the country. The sections in that regard were unnecessarily severe and I felt that the onus of proof being on any one attending a meeting to show that he was not committing an unlawful act was perhaps a little strong, and also the subsection pertaining to owners of halls and people attending meetings. In the main, however, the whole section was a defence for those who believe in law and order and who are not disposed to advocate force or any other measure to upset the present governmental system.

I was amused at the hon. member for Winnipeg North Centre (Mr. Woodsworth) pointing out to the minister so early that subsection 4 of section 133 might not be too popular, not only, I assume, with himself, but perhaps with his group. I propose to support the minister in putting in subsection 4 of section 133, but I would point out that all of those organizations which he had in mind this morning and to which he referred generally as having denounced the late government for maintaining section 98, will now howl their heads off against subsection 4 of section 133. A good many of the organizations did protest against section 98, and as one reads over the initials representing their names one cannot help thinking that they look like a lot of alphabet soup instead of the names of parties. We shall likely see them continue to do what they did before. Take, for instance, U.L.F.T.A., Ukrainian Labour-Farmers' Temple Association. I have no doubt they will protest against subsection 4 of section 133, and the N.U.W.A., National Unemployed Workers' Association, who have protested before, will likely protest again. The Workers' Ex-Service Men's League protested before and will undoubtedly protest again, and so will the U.F., the United Front, the C.L.D.L., the Canadian Labour Defence League, and the Y.C.L., the Young Communists' League. I hope the minister will not pay attention to their protests but will maintain subsection 4 of section 133.

During the last election all the candidates I came in contact with who opposed the Conservative party denounced section 98, making a bogey out of it, and reading into it much that is not there. They held it up as something to be feared. In my own riding the communist candidate was particularly loud in his attack upon section 98, but in due course he retired from the field, throwing his support over to my Cooperative Commonwealth Federation opponent. I am not charging the C.C.F.'ers with communism or anything of that sort. Since they have been sitting so close to the gentleman on their immediate right they have more or less got rid of such characteristics. But subsection 4 of section 133 does restore to the act practically all of what subsections 3, 4, 8 and 9 of section 98 contained. For instance, subsection 3 of the present section 98 pertains to speaking, writing and publishing seditious articles or words and subsection 4 refers to the distribution of literature of that description. Subsection 8 has to do with the printing, circulating and distributing of communistic or revolutionary literature or words, and subsection 9 again refers to circulation. If we read the new subsection 4 we shall find in it, in the main, those features I mentioned as being at present in subsections 3, 4, 8 and 9 of the present act. The proposed subsection 4 of section 133 reads:

> (4) Without limiting the generality of the meaning of the expression "seditious intention" everyone shall be presumed to have a seditious intention who publishes, or circulates any writing, printing or document in which it is advocated, or who teaches or advocates, the use, without the authority of law, of force, as a means of accomplishing any governmental change.

I propose to support that, because I feel that it will go a long way towards preserving law and order in this country.

The Minister of Justice more or less intimated that everyone in Canada, or that all organizations in Canada except the Conservatives were against section 98. Well, there were many people who were against section 98 but there were also many broad-minded people, not all Conservatives, who were in support of it; and none supported section 98 more strongly and brilliantly than did the late editor of the Toronto Globe, who in the last session of parliament frequently sat in the press gallery of this house. He took a very prominent part in defending section 98 against the attacks of the fellow-

ship—I have forgotten the name of the organization—with which a number of the professors of Toronto university were associated.

Mr. LAPOINTE (Quebec East): Was that Mr. Anderson?

Mr. MacNICOL: I am now referring to the late Mr. Anderson. He took a very strong stand against the attitude of that fellowship, the full designation of which I have forgotten, and those associated with it who were denouncing what they regarded as interference with free speech and asking for the repeal of section 98. In view of what you, Mr. Speaker, said this morning I suppose I am in order in quoting some words from the Toronto Globe on January 16, 1931:

> This matter of "free speech" which is agitating the fellowship and has brought forth the protests of sixty-eight college professors is but a red herring across the trail.... The police have taken action to protect the community against the invasion of foreign propaganda, openly promoted to supplant Christianity by atheism. . . . Pages of evidence from soviet publications could be quoted to show how this propaganda is being advanced in all foreign countries, with the object, first, of causing trouble of every kind, and then of setting up a soviet administration.

The abolition of section 98, as it stood, would have permitted them to do that. Under subsection 4 of section 133 they will still be restrained. I continue to quote from this article:

> Call it "freedom of speech" or anything else, it is still Bolshevik propaganda, which has no place in an honest and upright country.... The communists seeking "freedom of speech" are the aggressors, trying to introduce here and elsewhere an alien cause by talk, text, and force of arms. It is not British, Canadian, or Christian. Why should red-blooded Canadians soft pedal and back away before their machinations? Why should they be asked to do so?

A well known paper in western Ontario, independent I believe in politics, namely the Woodstock Sentinel-Review, refers to this subject in an issue published during December, 1934. I am not going to quote the article, but it is a strong and intelligent pronouncement, entitled, Section 98 Necessary.

Something was said this morning about the labour organizations. One of our best known labour papers is the Labor Leader. It has a very wide circulation—I believe, about 30,000 to 40,000.

Mr. HEAPS: Where is it printed?

Mr. MacNICOL: It is printed in Toronto.

Mr. HEAPS: Nobody knows about it.

Mr. MacNICOL: Well, labour workmen know about it.

Mr. HEAPS: No, they don't.

[Mr. MacNicol.]

Mr. MacNICOL: And I myself know a good deal about working men, having worked with them for many years. This paper heads a very strong article, published in October, 1935, under the caption, Section 98 Must Stand. I admit these articles were written before the Minister of Justice introduced, in this present bill, subsection 4 of section 133, which, as I said at the beginning, puts back in the criminal code much of what section 98 contained.

Then the Lindsay Warder of November 14, 1935, quotes something that struck me very forcibly, a pronouncement made by the Rev. Father Bryans of Montreal.

> Father Bryans was addressing a meeting in Toronto last week and while he was in the city Father Lanphier had an interview with him on this question.

That is, on the question of the repeal of section 98.

> In answer to queries from Father Lanphier he emphatically stated that, in his opinion, ninety-five per cent of the agitation for the repeal of section 98 during the last campaign came from communists—

He is quite right in making that statement —or communist organizations and those of the great Liberal party who listen to the claptrap from those organizations.

> —or communist-inspired sources and that practically all of the propaganda in pamphlet form on this question that flooded the country was of "red" origin. Father Bryans also expressed his firm conviction that it would be a foolhardy, ill-advised and very dangerous move for the new government to make any move to remove this section of the criminal code.

Of course subsection 4 of section 133 puts back into the criminal code much that section 98 had in it, and I doubt whether, were these writers writing to-day, they would complain as strongly as they did in the articles I have quoted.

Then the Mail and Empire of February 21, 1936, has an article headed Section 98 of Criminal Code Protects the People. I have said, and it is worth emphasizing as frequently as possible, that subsection 4 of subsection 133 has the merit of putting back in the act much that was contained in section 98.

Subsection 1 of section 98 refers to unlawful associations. I have been wondering whether the people will have under subsection 4 of section 133 sufficient protection against the propaganda of what otherwise would be unlawful associations. One of the books to which I referred a few moments ago and concerning which I visited the office of the deputy minister of justice—entitled Why Communism?—gives a complete argument and outline of how to start revolution, not only

in this country but also in the United States, and tells how it is being organized in many other countries. We read almost every day in the papers about troubles in France, in Belgium, in Spain, in Mexico, in Uruguay and other states as well as in a great number of cities. I am convinced that a great deal of that trouble is being organized by unlawful associations or associations that should be unlawful. On page 32 of this book I find these words:

> We communists say that there is only one way to abolish the capitalist state, and that is to smash it by force. To make communism possible the workers must take hold of the state machinery of capitalism and destroy it.

How are we going to prevent the publication of propaganda such as that? On page 33 I find these other poisonous words:

> The working class is placed in this capitalist society in a position where to live it must fight. This fight, to be effective, must be aimed not only at the capitalists but also at their state. And once the fight is effective enough it must inevitably lead to the smashing up of the state.

That is the objective—the smashing up of all states outside of Russia. And then another paragraph on page 33:

> Not much acumen is needed to realize that economic struggles can not remain purely economic. When you strike, when you form a picket line, the state in the shape of policemen and armed thugs rushes to the aid of the employers.

That is not very good language to use regarding the enforcement of law in civilized states. Then on page 51 we have this statement:

> We communists say it is the duty of the workers to fight against capitalist terror, against manifestations of fascism, against the oppression of other nations. We say it is in their interests to fight. We appeal to the class interests of the workers and the exploited masses of the population. Stand guard. Offer resistance to capitalist terror. Fight for your right to organize, to assemble, to strike. Break the capitalist dictatorial rules directed against you. Do not submit. Strike back. In unity is your strength.

I shall not read any more, but the book is full of these arguments on how to commence a revolution. They are subtle arguments and very appealing to those who care to fall for them. In the course of their argument they make a strenuous attack on organized labour. I am one of those who believe in organized labour. I am not a member of any labour organization but I have seen some of the good work that has been done by organized labour. Anyone who has had to do with thousands of men must have come in contact with the well known labour leaders, and I have always found them to be gentlemen of the first order, imbued with the best possible feelings towards labour generally, generous in their attitude and ready to cooperate and discuss matters. Here is what they have to say in a second book entitled Programme of the Communist International. They describe organized labour in this way:

> A cynically commercial, and imperialistic secular form of subjecting the proletariat to the ideological influence of the bourgeoisie is represented by contemporary "socialist" reformism. Taking its main gospel from the tablets of imperialist politics, its model to-day is the deliberately anti-socialist and openly counter-revolutionary "American Federation of Labour."

The American Federation of Labour has been a safeguarding influence, not only in connection with employment and better working conditions but also in regard to law and order in both the United States and Canada. As between the communists and the American Federation of Labour I certainly would support organized labour.

In conclusion I wish only to say that I support the action of the Minister of Justice (Mr. Lapointe) in putting back into the act many of the protective parts of section 98. He has inserted them in subsection 4 of section 133, and I congratulate him on having done so. I feel quite confident that he will be strong enough to resist the pressure that may be brought to bear on him by communistic and semi-communistic organizations to have these provisions repealed.

Mr. A. A. HEAPS (Winnipeg North): I wish to make just a few observations in connection with this bill, Mr. Speaker, and to say a word or two in reply to the hon. member who has just taken his seat. In my opinion there is a great deal in common between the communist party and the hon. member for Davenport (Mr. MacNicol). They have both calmed down to such an extent that they are hardly recognizable. When you compare the speech just made by the hon. member for Davenport with the speeches he made in this house on the same subject a year or two ago you would hardly know it was the same member.

Mr. MacNICOL: We did not have the amendments to section 133 then.

Mr. HEAPS: And so it is with the communist party; since they wrote the articles from which my hon. friend has quoted their attitude has changed completely in regard to public matters. Anyone who reads what they publish to-day and observes their actions will hardly believe they are the same people of a year or two ago. May I point out to the hon. member for Davenport that to-day the com-

munist party belong to and support the American Federation of Labour, so if my hon. friend says he is a supporter of that organization he is in pretty good company as far as the communist party are concerned.

I should like to make one other reference to the remarks of the hon. gentleman, who claimed there was a newspaper published in Toronto, called the Labor Leader, with a circulation of about thirty thousand. Well, Mr. Speaker, I have been in this country quite a number of years and have been associated with the labour movement for a long time. With the exception of a few people in Toronto hardly anyone knows anything about that newspaper. It is published now and then, as a rule on the eve of an election or when some important issue is being considered, and when an election campaign is in progress this newspaper is usually found to be supporting high tariffs and the Conservative party. Further than that, I would suggest that perhaps my hon. friend who has just taken his seat might know where the funds come from with which that newspaper is published; I do not know.

Now I desire to say a few words in regard to this bill. I am extremely glad that the government have seen fit to repeal section 98 of the criminal code. I do not think that section ever should have been placed on the statute books of this country. It has given power to the police which I do not think was ever warranted and which has not been contemplated in other parts of the British empire. The police have authority under section 98 to search premises without warrants or, as we say, without the due process of law. Why should the authorities, the police, be permitted to search a person's home or store and confiscate property without knowing, in some instances, what they are confiscating, without following the ordinary process of law? I do not think anyone in this house can defend a measure of that kind. When the raids took place throughout this country in 1919 I know the police went into homes without search warrants and took possession of whole libraries, which were not returned to the rightful and proper owners. A number of books were taken from my own home, books which could have been found in almost any library in Canada. I do not think there can be any justification for an act of that kind remaining on the statute books of the Dominion of Canada.

The word "sedition" is not and cannot be defined and is not defined in any of our statutes. It is an indefinable offence; as has been stated time and again in this house, sedition depends very largely upon the time and place the act is committed or the statement is made. When we look back over some of the things that the crown have claimed to be seditious within the last few years I think it must be agreed that a most ridiculous interpretation has been placed on section 98 of the criminal code. I should like to indicate what some people in Canada have said on which they have been charged with sedition:

> Woe unto them that decree unrighteous decrees, and that write grievousness which they have prescribed;
>
> To turn aside the needy from judgment, and to take away the right from the poor of my people, that widows may be their prey and that they may rob the fatherless.

The following words also were part of the charge against a person whose name I will mention in a moment:

> And they shall build houses and inhabit them; and they shall plant vineyards, and eat the fruit of them.
>
> They shall not build, and another inhabit; they shall not plant, and another eat: for as the days of a tree are the days of my people, and mine elect shall long enjoy the work of their hands.

Those are quotations from the book of Isaiah, yet it was the hon. member for Winnipeg North Centre (Mr. Woodsworth) who was accused of sedition in the courts of this country for quoting from the bible what I have just read. That was done under section 98 of the criminal code, and if it was done at that time it is quite possible it might be done again if the section remains.

Some of my hon. friends are timid about individuals using language which might be regarded as seditious. After all, who ultimately is the judge of what is seditious? Is it not for a jury to decide? Who is the final jury? Is it not the people of Canada? In 1919 a number of people in Winnipeg were charged with seditious utterances and seditious conspiracy and were convicted of that charge, yet immediately after their conviction they were returned by enormous majorities to the legislature of Manitoba. They were elected to that legislature while they were incarcerated in the gaols of that province. And the present mayor of Winnipeg, who has been elected for two terms by fairly large majorities, majorities representative of all the people of that city, is one who was sentenced to gaol for seditious conspiracy in 1920. The thing becomes ridiculous when a few people set themselves up as judges of the law and send people to gaol who after all represent the viewpoint and convictions of a majority of the people of any community.

It has been claimed by some that we should not allow certain statements to be made. There are, I think, no hon. members of this house who believe in the advocacy of physical force. I think we are all opposed to that. The very fact that we run candidates in elections, that we try through our limited means to bring the majority of people in Canada to our way of thinking, is in itself a vindication of our ideas on this question. But we do say that if you want to stop people from giving vent to seditious utterances the best way to do it is to remove the causes of dissatisfaction. At the present time there are a good many causes for people in this country to be dissatisfied, yet we find very little advocacy of force from any source, even from the communist party.

Ideas cannot be killed by force. If an idea is not worthwhile it will die, and ideas that are worthwhile will grow in spite of all opposition; for in the final analysis that which is right and logical is bound to come out on top. Ideas are like a seed planted in the ground. If the seed is good and it has the sunshine it will sprout and grow, perhaps into a beautiful flower; but if the seed is bad the same sunshine will kill it. Let all ideas come out into the open and I am satisfied that ultimately the logic and good sense of the people will determine what is right and what is wrong. If we try with any sedition laws to suppress freedom of speech it is a grievous mistake; consequently I am glad that the Minister of Justice and the government have taken the responsibility of doing away with section 98. But I regret to observe that while doing away with section 98, in which there are certain definitions as to what the authorities may do, they bring in a wide clause the interpretation of which is so indefinite and uncertain that I would ask the Minister of Justice at a later stage to state to the house whether he himself can give an interpretation of what the clause actually means.

The second line of the new clause reads:

... every one shall be presumed to have a seditious intention ...

Does that mean that a person who may be charged under this clause is presumed to be guilty?

An hon. MEMBER: No.

Mr. HEAPS: Well, that depends entirely on the interpretation that is placed upon it by the judge. According to my understanding of the interpretation given to it even by lawyers, it is that the presumption of guilt is upon the accused instead of its being incumbent upon the prosecution to prove him guilty.

It is also unfortunate that "force" has not been more clearly defined. Again it is a question of interpretation. In 1920 a glance would have been interpreted by a judge in Manitoba as the use of force. I am wondering whether the law as we have it without this subsection 4 would not have been sufficient to cover the situation. There are quite a number of sections in the existing law that would take care of a person who advocates the use of force for the overthrow of government. It is a mistake to put into any act a clause such as this, so ambiguous and capable of being interpreted in so many different ways. Perhaps when we come to the committee stage the Minister of Justice will be good enough to give to the committee his interpretation of this particular section, because for myself, having at times listened to the interpretation of sedition by judges and lawyers, I have a feeling that if a person were brought before the courts of this country and charged under subsection 4 he would be likely to have as much difficulty in proving his innocence as he might have had under section 98.

Mr. H. E. WILTON (Hamilton West): Following the remarks of the hon. member for Winnipeg North Centre (Mr. Woodsworth), for whom I have a very high personal regard, I should like to make a few comments on what he said. The hon. member says he does not agree with all the policies of the communists—one noted his emphasis on the word "all." Personally I find it very hard to understand how any good Canadian citizen can agree with anything that the communist party stands for in Canada or elsewhere, a party whose chief aim and object is the overthrow of organized government and absolute disrespect for law and order.

It seems to me the only people who need to fear section 98 are those who are likely to break it. Reference was made by the hon. member who preceded me to a mayor who had been sentenced to gaol because of a breach of this section. I do not know why even a mayor should be exempt from the laws; if he breaks them he should be penalized. We do not make our laws only for the common man, or the man in a lower position, and there is no reason why we should exempt the mayor of any city.

Mr. HEAPS: He was not mayor at the time he was sentenced.

Mr. WILTON: You said so.

Mr. HEAPS: No.

Mr. WILTON: My knowledge of communistic effort has been extensive because I have come into close contact with it in public

municipal life. Having watched its development over a period of two or three years I know something about the organization. I know they hold secret meetings in private homes; I know they are teaching their children to have no respect for law and order. They are advocating everything that is disrespectful to the social structure and laws of our country. When the police are not watching they distribute seditious literature, which is prepared for them in a basement headquarters within a stone's throw of Times square, New York. That literature is transmitted to them by some means throughout different parts of Canada where their efforts are concentrated. It is found on city streets in the mornings. They come out of their places like rats out of holes in the middle of the night, and distribute it throughout the cities. They post boys at factory gates to hand it to the workers, and they get away with it until they are caught by the police. Those are the people whom section 98 is designed to cover. No law abiding, self-respecting Canadian citizen need fear section 98. The communist party as I know it and as I have seen it operate are leeches on society in every manner, shape and form of which it is possible to conceive. They refuse to acknowledge allegiance to their king; they stand in groups in public places and refuse to remove their hats when the national anthem is sung; they bury their dead without religious rites, and they ignore everything that is decent and right in the laws of our land.

There is a tendency on the part of many good citizens to treat the communist agitation lightly. Some say, "Oh, why raise an agitation? They are not very strong; they cannot do much harm; perhaps it is better to leave them alone. Let them say what they like and do as they like; they will never be able to become the law makers of Canada or break the structure of our legal system. Why bother with them"? I feel keenly in this matter, and I urge that it is one to be considered seriously. It is a matter of much more serious import than the average Canadian realizes. Many years ago a man named Noah walked about on the face of the earth telling the people to come into his ark, that it was going to rain. He told them there was going to be a flood and that they would be drowned. They laughed at him and called him an old fool. When he began building the ark they gathered around and watched him, persisting in calling him an old fool. But when they were in water up to their necks, standing on the highest points they could reach, they realized the truth of Noah's statement.

[Mr. Wilton.]

Not many years ago a man named Lloyd George stood in his place in the British parliament and warned parliament against the war preparations of Germany which were being carried on under the very nose of that parliament. They laughed at Lloyd George; but when they were in mire and muck up to their knees, and when they stood in the blood of their fellow human beings, they realized that little Lloyd George had been telling them the truth.

The red movement in Canada is a menace which must be taken seriously, if we are to prevent the downfall of responsible government. No loyal Canadian wants to see the downfall of Canadian government; we prefer law, order and civilization. But we are heading for a downfall unless we treat the red menace seriously and do not choose to sit back and laugh at it. The red menace in Canada is not to be laughed at. People now living will live to see and realize its seriousness. There are those who say that red policies will never come in our time. I say they are coming in our time unless we are prepared to take the menace seriously.

Section 98 of the criminal code is in existence to take care of those who defy our law, who defy our social progress and who would tear down and wreck our civilization. I say to hon. members that the red movement is a menace within reach of us; it is something against which we must protect the public and our children, otherwise we may go through the same process as did the people in Noah's day.

Mr. C. E. JOHNSTON (Bow River): Mr. Speaker, when the hon. member who has just taken his seat (Mr. Wilton) referred to Noah's invitation to the people of his day to come into the ark lest they be faced with chaos brought about by a flood, I could not help recalling what took place during the last election campaign. It was said that those who did not vote for the Liberal party would be faced with chaos.

Mr. McLEAN (Melfort): They took the warning this time, but they did not in Noah's time.

Mr. JOHNSTON (Bow River): Let us interpret the word "chaos." It seems to me that chaos would indicate a chaotic state, and a chaotic state must necessarily be one in which there is terrorism. As I read the section I wonder why some who preached the doctrine to which I have referred were not prosecuted under it. Well, that did not happen. My point is that because of the ambiguity of the section and its multiplicity of words and expressions, it could be made

applicable to almost any one or any condition, and I believe the government should be commended most highly upon repealing it. In my opinion it is a violation of private privileges. It seems to me to be in the nature of a warlike emergency, as was intimated by the Minister of Justice (Mr. Lapointe). I do not think we are so much in danger of anything so terrible as some speakers would have us believe as to need the drastic warlike emergency measure contained in section 98. There is another thing that should be considered. The power is given to the police to appoint anyone to go into a private residence to confiscate literature. The home is the sacred possession of every citizen, and as this section now stands, homes may be invaded by outsiders on practically any excuse they may wish to present. This certainly needs repealing.

Paragraph 4 of section 98 refers to meetings. I am of the opinion that it would be hard to enter any meeting which in some way did not come under this section. This practically prohibits anyone advocating a change in the form of government. During the last election there was considerable cry for reform, especially monetary reform. Some very strong statements were made by all parties in connection with this. There were some very strong references by the Liberal party to the Conservative administration, and similar statements were made by the Co-operative Commonwealth Federation in regard to both the Liberals and the Conservatives. Social crediters had something to say about all the others, and I think it was coming to them. It is hard to tell just how serious all these statements might have been when considered in the light of section 98.

As I listened to the speeches this afternoon I was convinced that the purpose of this section was to get after the so-called communists. I should like to make it quite clear that this party is not associated in any manner or form with socialism of communism. That being so, we have nothing to fear from section 98, but our endeavour is to see that all citizens are treated fairly. One of the most essential things in a democratic country is freedom of speech. If we represent a policy which is so weak that it cannot stand the test of argument and fair debate, then I think it will automatically go down. It is the consensus of opinion that all these subjects should be debated from all angles. If this section is allowed to remain, I believe it will curtail the expression of opinion and thought. As the minister indicated not so long ago, a man should not be condemned for expressing an opinion, but he should be punished for deeds and acts. I do not think this is made clear in the legislation under review.

I did not intend to deal with this matter at any great length, because it has been gone over pretty thoroughly. But I think I should say something in view of the fact that I have received so many representations from different groups and organizations all over Alberta and in other parts of Canada. I have had complaints from labour organizations. I have attended the meetings of a great many labour organizations, and with the exception of one, held in Banff about a year ago, I never heard any indication whatever of violence. Reforms of one kind and another were advocated, but only on the one occasion did I hear anything that could be interpreted to be at all in the form of violence. I think this legislation could have been applied to that particular meeting. I have had representations from railway employees' organizations in different parts of Alberta, and I do not believe anyone can accuse those men of any criminal intent or anything of that kind. I have had them from farmers' organizations, and I have had them from individuals in every occupation.

After I read section 4 of the bill I went down to the library where I found a great many socialistic books. I read portions of them, some of which were similar to those referred to by the hon. member for Winnipeg North Centre. The thought came to my mind that if this section were allowed to stand the library and all those associated with it would necessarily come under its provisions. The section refers to those who circulate such literature. Many of the news stands and those people who publish periodicals of different kinds would come under this section if a literal interpretation were put upon it.

Perhaps it might not be well to have this bill sent back to the committee to be reconsidered, but the minister should give some consideration to this section. I think the original intention of section 98 was to apply to any extreme acts, and perhaps insufficient consideration was given to the wording. With a little further thought it seems to me it could be changed to cover fully such actions as have been mentioned.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, in view of the character of the debate I feel I should make at least a few remarks. May I say at once that the maintenance of national liberty is dependent upon the restraint of individual liberty. That is a strange statement which at first may appear to be contradictory, but it is not. There can be no such thing as the maintenance of national liberty among the peoples of this country unless there is a

restraint of individual liberty. Further, the extent to which the nation enjoys freedom and liberty depends upon the extent to which restraint is carried out. If the restraint is undue upon individual liberty, then there is resentment. On the other hand, if it is inadequate, liberty becomes licence. I do not think it can be gainsaid that that is a fair statement of the situation.

Further, the laws which thus restrain the individual liberty for the well being of the nation as a whole are enacted not for the law abiding citizen but as restraints upon citizens who would convert liberty into licence. We have a statute which was passed in 1919, some seventeen years ago, which is still in full force and efficiency. During the last few years it has been openly defied because under our jurisdiction the provinces must maintain criminal proceedings. The dominion can only take certain preliminary steps, and it rests with the attorneys general of the provinces to say whether or not the law shall be carried into effect.

In the midst of political disturbance and difference it frequently happens that men ally themselves to a particular course of action from which they find it exceedingly difficult to separate themselves when their better reason and stronger judgment tell them they should. I have read declarations with respect to section 98 on the part of those charged with responsibility, stating what course they would pursue, and I know perfectly well that in their saner and calmer moments those who made the declaration, if they were correctly reported, would have had no intention to aid and succour and abet those who had been openly defying the law. During the last few years we have had open expressions of defiance of the law. In the leading case to which reference was made this morning by the minister, namely, the Buck case, Chief Justice Mulock, speaking for the whole appellate division of the Ontario court, indicated that the opinion of that court was that what had transpired constituted an offence under the provisions of section 98. Let us see whether or not we have any adequate safeguards outside of that statute—I am talking about the substantive provisions of it. What does it indicate? May I answer that question by saying that it does not indicate anything that the people have been led to believe it does. There has been so much misrepresentation as to what this section means—because in the very nature of things it is somewhat longer than a statute intended to convey that meaning ordinarily would be—that I am sure there has been a great deal of misapprehension on the part of many people. First of all it aims at unlawful associations; and the Chief Justice of Ontario pointed out that we had in Canada determined, by the verdict of a jury as well as by the admissions made by those who were charged and who in some instances conducted their own defence, that it took its direction from another organization, which organization had its foundations and its home in a foreign land, and that it was part of the declared purpose of that organization to effectuate by force the ends intended or purposed. Notwithstanding what my opponents may say to the contrary, none of us for a single moment desire to restrict or curb liberty of speech. The address of Erskine, the advocate, is hardly conclusive as to the judicial interpretation of a statute. Erskine, the advocate, was one of the greatest of his time, but in arguing his case upon the evidence submitted to a jury it can hardly be contended that he is making declarations of high principles of law. In the advocacy of the so-called iniquities of section 98 men have been led to believe that it is much more harmful and restrictive than is necessary to maintain national liberty. Let us look at it for a moment:

> Any association, organization, society or corporation, whose professed purpose or one of whose purposes is to bring about any governmental, industrial or economic change within Canada by use of force, violence or physical injury to person or property, or by threats of such injury, or which teaches, advocates, advises or defends the use of force, violence, terrorism, or physical injury to person or property, or threats of such injury, in order to accomplish such change, or for any other purpose, or which shall by any means prosecute or pursue such purpose or professed purpose, or shall so teach, advocate, advise or defend, shall be an unlawful association.

I venture to think that in the quiet calm of his own home, if I were discussing the matter with any hon. member sitting opposite me who thinks differently than I do on large public questions, he would say, "I think it is a perfectly sound and proper thing, Mr. Bennett, that we should have this definition of unlawful assemblies or associations; and I agree with you, Mr. Bennett, that there should be a law against men carrying on, by association, efforts to destroy by force and violence and injury to persons the institutions of the country." I feel perfectly certain that my bitterest opponent opposite, in the quiet calm of a room discussing the matter, would agree that this is desirable—highly desirable.

The next section deals with a matter of procedure with which I am not in sympathy

and never have been since the end of the war, because it provides for the seizing and forfeiture of property on the warrant of the commissioner of the Royal Canadian Mounted Police. That is not the general purpose of our law, to clothe an official with that authority under a special act of this significance. But what amused me was this. One would think that there were no such similar provisions in the laws of the country. What about gaming devices? What about houses of ill repute? What about the question of the right of police officers and chiefs of police to seize property, with or without a search warrant in some cases? What about the issue of warrants by magistrates, justices of the peace, and judges of county courts? All these things are provided for in the statute. To us some of them seem trifling because our attention has never been directed to them, but they have been there ever since we have endeavoured by statute to clarify the criminal common law since the days we started, in 1892, to codify the law consequent upon the report primarily of a British commission and the work of Sir James Fitzstephen. But leaving that out, I wonder whether hon. members would take the trouble to turn up the code and look at the sections with respect to search warrants, the right to enter a property and seize things, to arrest people, and matters of that kind. All this is so simple that we take it for granted and do not for a moment give thought to it when we are dealing with section 98.

Subsection 2 of section 98, to which I have just referred, is an extraordinary section, and my personal view would be that as a matter of procedure, in view of present conditions, it would be better if it were removed. But when we come to subsection 3, which relates to persons who act as officers of these unlawful associations, does anyone suggest that it is not desirable to have punitive power, so far as this country is concerned, with respect to them?—not so much for the purpose of punishing in the first instance as for the purpose of ensuring, by placing on the statute books this legislation restricting our individual liberty to that extent, that the nation as a whole may have that measure of liberty which is synonymous with our institutions. Then you go to the next: what constitutes evidence of membership in an association. That is a matter that is debatable. Whether or not these clauses are adequate, or whether we might not amplify them, as to what constitutes evidence that one is a member of an association, I will not further labour. But these provisions of that subsection indicate that if certain conditions exist there is a presumption that a man is a member of that association, a presumption that may be rebutted by cogent evidence.

Subsection 5 is only an amplification of what we have had as the law of the country for a very long time. If a man rents a house knowing that it is to be used for prostitution, he cannot recover rent. That is fairly clear and the reason is obvious. If he rents his house for the purpose of having it used as a gambling joint, he is in the same position, and we have merely said in this subsection that the owner of a building who knowingly permits meetings to be held in it for the promotion—the promotion, mark you—of the destruction of our institutions, by force and injury to people, makes himself liable. But he must have knowledge, and unless you can prove that he has knowledge there is no responsibility. In other words, it is the old story: If a man has knowledge of the fact that certain things are to be done, improperly or illegally, or that certain property of his is to be used for improper or illegal purposes, he cannot escape the result of his own acts, and we have here said that he should be liable.

Subsection 6, which also is a matter of procedure, provides for a search warrant being issued, and there is nothing in that subsection that derogates from the general principles with respect to the issue of search warrants. It is a statement of the conditions under which a search warrant may be issued for a given purpose.

There follow further provisions in clause 7 as to the procedure to be adopted. Then you pass into the realm of sedition, about which the minister was speaking this morning. Here we have provisions against the publication of seditious books and the circulation of books and newspapers, and obviously, if we are going to have these provisions, against the importation of such books and newspapers. The next clause deals with the duty of government employees, who have had brought to their attention evidences of the commission of the offences to which I have referred, to take immediate steps to remedy the conditions so far as it may be within their power so to do.

Apart only from the procedure indicated in the subclause to which I specially directed attention, is there anything in section 98 which reasonable citizens should desire to have removed? Is there in this chamber any reasonable citizen who will say: I am not prepared to make that sacrifice of my individual liberty for the preservation of the liberty of the state as a whole? That is the test. Is there a single individual sitting

here who will say: It is not right that I should make this surrender of my unquestionable complete liberty for the purpose of advancing the interests of the nation and which I do in the manner that is indicated, by passing this statute? It is true that some of our friends connected with labour organizations at one time believed this section capable of being used against strikes, and I understand that a legal opinion was given that there was some question of that kind. I have always said, and I repeat, that if there were any doubt upon that point it could easily be removed, but for my own part I believe, and I think the law officers of the crown, that is the Department of Justice, were clear on the matter, that there is nothing therein contained that could be regarded, by any possible stretching of language, as capable of being utilized against those engaged in a strike which under our law is lawful.

The minister proposes to repeat the section in its entirety. If his purpose were to amend it along the lines I have suggested, or any lines that his judgment might indicate as being more desirable, I would not for a moment question it. But in these days is it desirable to repeal that section? Take this city of Ottawa. On the staff of Ottawa university is a very learned professor who has given a great deal of time to the investigation of this situation, and whose pamphlets are worth reading. I wonder if it is known to what extent there exists in this very city, according to evidence that is now available, if any hon. member desires to ascertain by investigation what the situation is, a condition to meet which certain associations are being promoted and men are giving of their money to combat to the best of their ability. In one or two parts of this city will be found what are known as friendship houses, which are endeavouring to improve the situation by bringing home an adequate appreciation of conditions to the minds of those who are filled with, shall I say, very extreme views as to the desirability of remedying by force present day conditions.

There would have been no progress in this world unless there had been freedom of speech, unless the ideas of men of broad vision had been communicated to their fellows. The communication of ideas which are advanced, extreme, radical, has never been restrained in this country unless the direct result has been that which is contemplated by sections 131 and 136 inclusive of our law, that is sedition. This morning the minister was speaking on the subject of sedition. As a matter of fact we have on our statute book to-day a law against seditious words, which are punishable by imprisonment up to two years. The minister complained that under section 98 the punishment is extreme. But the punishment is only what may be, not what has to be, and when you say that a man "may" be punished by imprisonment for twenty years you might just as well have said forty, as far as the section is concerned, because the discretion rests with the court, after a verdict of guilty has been found, as to what the measure of the punishment shall be. In the case of those to whom he alluded this morning the punishment, of course, was far removed from twenty years.

I am correcting only one thing the minister said during his remarks to-day. He said that Buck was released by the same government or kind of government that was responsible for this section. I believe on analysis he will find that that is not quite correct. What happened in Buck's case is an exemplification of the very principle to which I have referred, that one prisoner should not be treated differently from another because of the character of the offence for which he has been committed. Buck was committed under section 98. He was in the penitentiary. The report on his case was just the same as on a man who was convicted, let us say, for stealing. The report was of good conduct within the terms of the penitentiary regulations, and when a prisoner has served half his term, which is the usual time, whether the conviction be for theft or for any other offence, if the other conditions have been complied with, the executive power has the privilege, which under regulation is the general rule, of giving him a ticket of leave or permitting him to be released on parole. That was done with Buck. It was done for two reasons: one, because he came within the regulations; two, because if he had been treated differently from others it would at once have afforded an opportunity for those who desired to say, and who prepared themselves to say, by communications they sent to the government of the day, that we were treating this man differently from other prisoners and that we, the executive, were imposing upon him a punishment that was not imposed upon other prisoners lodged in the penitentiary who had earned for themselves a ticket of leave or release on parole. Unfortunately I happen to know that that is the attitude that was taken by those who had to deal with him in that respect.

Under these circumstances we ask ourselves whether a case has been made out for the repeal of the section, or for its revision. Along

the lines indicated by the hon. member for St. Lawrence-St. George (Mr. Cahan), embodying views which I think have been held by many of us for a long time, it may well be that the procedure could be improved, and that with regard to the power conferred upon the commissioner of the mounted police it could be said with great truth that in these days, a long time after the condition that existed in 1918 or 1919, a search warrant issued in the ordinary way would be ample protection of the people of the country as a whole.

There remains one other matter. In 1928 the same minister who is now Minister of Justice was dealing with this matter. I think he said that he had moved five or six times that the section should be repealed. At that time he proposed to restore the section which dealt with freedom of speech. He said, on April 23, 1928, page 2303 of Hansard:

> At the same time section 133 which existed at that time was repealed and I intend to move an amendment in order to reinsert section 133. This was done last year and in the years previously, and it is only due to a mistake that this bill did not contain that provision. I think the house will see that parliament obviously went too far in 1919 when the section which I am now going to read was repealed.

That section reads as follows:

> No one shall be deemed to have a seditious intention only because he intends in good faith,—
> (a) to show that His Majesty has been misled or mistaken in his measures; or
> (b) to point out errors or defects in the government or constitution of the United Kingdom . . . ; or
> (c) to point out, in order to their removal, matters which are producing or have a tendency to produce feelings of hatred and ill-will between different classes of His Majesty's subjects.

If we look at the law as it now stands, Mr. Speaker, we find that since then there has been a change to some extent and that the sections dealing with seditious offences are sections 130 and following. Section 133a is now part of the criminal code of Canada, and in terms it is substantially the same as the amendments the Minister of Justice proposed to move in 1928. Section 133a reads:

> No one shall be deemed to have a seditious intention only because he intends in good faith,—
> (a) to show that His Majesty has been misled or mistaken in his measures; or,
> (b) to point out errors or defects in the government or constitution of the United Kingdom, or of any part of it, or of Canada or any province thereof, or in either house of parliament of the United Kingdom or of Canada, or in any legislature, or in the administration of justice; or to excite His Majesty's subjects to attempt to procure, by lawful means, the alteration of any matter in the state; or,
> (c) to point out, in order to their removal, matters which are producing or have a tendency to produce feelings of hatred and ill-will between different classes of His Majesty's subjects.

That is a part of the criminal law of Canada, and therefore it is unnecessary to reenact it. That was placed in our statutes in 1930. But the minister, no doubt intending to say, "I have repealed section 98 but I have enacted a provision that will be equally effective," proposes to provide for cases of sedition under the sections to which I have referred. I do not agree with the hon. member for Davenport (Mr. MacNicol) that under any circumstances this section can be regarded as equivalent to section 98, for section 98 does a great and useful purpose by defining unlawful associations and providing methods of dealing with them. Section 130 and the following sections deal only with seditious offences; that is the heading in the criminal code. After defining the various offences for which adequate punishment is provided we find the following words in section 133:

> Seditious words are words expressive of a seditious intention.
> 2. A seditious libel is a libel expressive of a seditious intention.
> 3. A seditious conspiracy is an agreement between two or more persons to carry into execution a seditious intention.

Now the minister proposes to add, as paragraph 4, these words:

> (4) Without limiting the generality of the meaning of the expression "seditious intention" everyone shall be presumed to have a seditious intention who publishes, or circulates any writing, printing or document in which it is advocated, or who teaches or advocates, the use, without the authority of law, of force, as a means of accomplishing any governmental change.

In other words by this proposed subsection we create a presumption that anyone who does what is indicated here is guilty of a seditious intention. That is, anyone who (1) publishes; (2) circulates (a) writing (b) printing or (c) a document in which it is advocated, or who teaches or advocates the use, without the authority of law, of force as a means of accomplishing any governmental change, shall be presumed to have a seditious intention. That, of course, is a rebuttable presumption but it places upon the man at once the onus of satisfying the court and jury, if there be a jury, that the intention which is presumed against him does not in fact exist. But that does not deal with the sections that have to do with unlawful associations. As was stated this morning, though not at length, by the former Secretary of State (Mr. Cahan), these are illustrations but they do not constitute an all-embracing definition of sedition or of

seditious offences. The common law of England is elastic and not rigid in that sense, and when the effort was made in Great Britain, as in Canada, to provide a definition for sedition or seditious offences it was felt that to endeavour to confine these offences within the narrowing boundaries of a definition would be against the best interests of the state. Therefore we have left the common law provisions as they are, but in at least several instances we have undertaken to indicate what are within that definition. We have not defined but we have said that certain offences fall within that definition, and those offences are indicated by the law.

In section 98 as it now stands we have provisions with respect to unlawful associations and the activities of officers of such associations which I do submit in all sincerity should not be repealed at this time, though one might desire to repeal some of the provisions that deal with procedure in that regard.

That is all, Mr. Speaker, that I desire to say with respect to the matter. I protest against this change in these days of uncertainty and unrest, knowing as I do the conditions right in this city and knowing of the activities that are going on and how much those activities have been modified, as the hon. member for Winnipeg North (Mr. Heaps) said this afternoon. Why have those activities been modified? Because of the arrangement recently made between Russia and France. Apparently, according to the information that has been given me, instructions have been issued that there must be a modification of the attitude of the Third International and those who spoke for certain interests in Russia, as indicated in the judgment of Chief Justice Mulock in the Buck case. That has been modified, and the reason is clearly apparent to everyone. But what assurance have we that that modification will continue? We have no assurance whatever, and the repeal of this legislation will be accepted by those who have been carrying on propaganda in this country so actively during the last four years as giving them added opportunities and greater scope for their seditious operations.

The finding, for instance, of the four judges in Saskatchewan should not be overlooked in this regard. That was a commission, certainly not friendly to the late administration by any stretch of the imagination; the conduct of the proceedings did not indicate any friendliness on the part of those responsible for it. But the finding of that commission—and I was surprised that they went as far as they did—made it perfectly clear that there existed a common purpose and that if necessary force was to be relied upon to accomplish certain ends. In the light of that fact; in the light of the conditions that exist in this city to-day, to my knowledge and the knowledge of many members of this house; in the light of what we read from day to day of the literature that is circulating and the secret gatherings and meetings that are held, is it desirable to leave this country without any provision to take the place of section 98, if you do not like it in its entirety, with nothing that will have a similar effect in dealing with unlawful associations and those who are associated in the creation and maintenance of such association?

Mr. ROGERS: Would the right hon. gentleman permit a question?

Mr. BENNETT: Certainly.

Mr. ROGERS: Does he believe that the penalties imposed by section 98 would be effective either to prevent or to arrest the growth of unlawful associations as defined by section 98?

Mr. BENNETT: I have not the slightest doubt that they have been and will continue to be, if they are allowed to continue on the statute book. I will agree at once if the Minister of Labour (Mr. Rogers) desires me to say that if I were drafting the statute I would not have set the penalty at a maximum of twenty years, but we know that penalties and sentences are wholly within the discretion of the judge who administers the sentence. I know also that in the case to which reference was made this morning the sentence was for a very much shorter period than the limit set by the statute. It does not follow, unless the statute says "not less than," that the sentence indicated has to be imposed. For instance, under the Post Office Act there is a very drastic provision which in some instances leaves no discretion to the court as to the sentence that must be given. But in this case it was left entirely free and in the discretion of the presiding judge to determine the punishment, the maximum being twenty years. As I said, it might just as well have been forty; for no judge would think it desirable to impose a sentence of twenty years for the offence in question. There is a disparity between the sentences under section 98 and those under the other sections of the act, but that cannot be taken to militate against its effectiveness.

When the minister asks whether I think the continuance of the section would have a salutary effect, I say yes, beyond peradventure. It is a matter of individual opinion. I may have drawn wrong conclusions from

the manifestations of what I regard as seditious activities which have come to my notice. I may draw a stronger conclusion than my hon. friend the Minister of Labour would draw. That is a matter of individual opinion. But there is one thing that is not a question of opinion: are these efforts being made? Does there exist in this country any assembly or body of men and women who are urging upon their fellow citizens that force should be used for the purpose of accomplishing their end? The answer obviously must be in the affirmative. I will undertake to prove to the Minister of Justice this very night in this city, if he will give me time and come with me, that they exist. It may be that their force and effect has been overstated; about that there may be difference of opinion. There is a tendency on the part of some to exaggerate their importance. I am not doing one or the other; I am not minimizing, nor am I magnifying. I state the fact. Now, under these conditions, should we leave the Dominion of Canada in 1936 without any provision against that type of unlawful assembly and those who constitute its membership? That is the real issue. The proposed subsection 4 of 133 does not touch that. It merely says that one who does certain things is presumed to have a seditious intention. But that does not touch this question at all.

I regret that the minister has seen fit to make so sweeping a change. Had he at an earlier point in the session afforded an opportunity for a more complete discussion I have little doubt that hon. members of this house on every side would have been glad to cooperate with him to the full in endeavouring to provide in an intelligent way against what I think every hon. member will admit is an evil. And getting back to my original observation, if it is thought that the provisions are too drastic, if the restraints imposed upon the individual are greater than are necessary for the purpose of maintaining liberty in this nation, then we of course could take appropriate remedies to deal with that situation. If on the other hand the evil exists, then it is our duty to place such appropriate restrictions on the individual liberty of those who are threatening our institutions by force as will ensure to the body politic that measure of liberty the maintenance of which is essential if our civilization is to be preserved.

There are those who say it would be a good thing if that civilization were done away with, and force is the only way it can be accomplished. That is what they said in Russia. Those who deify Lenin and those who follow in his footsteps say: Unfortunately you will find there is only one way to deal with the situation, and that is by force. I recall the night that the report came out of the revolution in St. Petersburg. As I came out of the old museum building I happened to meet Sir Wilfrid Laurier and we stopped and discussed the matter for a moment. I pointed out that the last dispatches indicated that they had gone to the point of carving up the body of an old admiral into cubes and dropping them under the ice as food for the fishes. I always remember the answer he gave. He said: Yes, these excesses are similar to what happened in the days of the French revolution; the very excesses will in themselves bring about the inevitable reaction. We now know that the excesses have brought about a reaction. But the period of time that elapsed between the commission of the offences against—shall I say, using a mild term—the amenities of civilization, and the day that the reaction began, was so prolonged that the effect upon the world as a whole has not yet been measured. I am not fearful at the moment that we are going to have an uprising in this country which will bring about by force similar results; not for a moment. Neither do I desire in any sense to magnify the possible result. But I do desire to point out as strongly as is within my power that unless we make some provision against such unlawful assemblies and those who constitute the membership in them we have not taken the steps to restrain individual activities and individual liberty that are essential to the maintenance of our national liberty. That in my judgment is quite clear.

Of course I am not unmindful of the argument that prevails in some quarters: "Let the commons repeal it; there is another chamber." But I am not impressed with that argument. The evidence of history is that after the commons house of parliament has acted in a matter five or six times, or after a government which has come fresh from the people with a great majority has passed certain legislation, neither in England nor on the continent or elsewhere has there ever been manifest a desire on the part of another chamber differently constituted as to views upon public issues to take action sharply different from that taken by the commons. There has always been in second chambers that recognition, which is sometimes designated by harsh critics by another name, that recognition of the will of the people having asserted itself in a particular way, and the willingness to follow the pathway blazed by the commons.

I do not believe the Canadian people, if the question were submitted to them to-day by a plebiscite and they understood section

98, would desire to have it repealed. They would undoubtedly desire to have it modified, and I think along the lines I have suggested. I can do nothing with respect to the passage of this legislation. The government has announced that it proposes to repeal section 98. It has the power, and contends that it has the mandate to do so. I shall content myself with merely making this protest and asking the clerk at the table to record that the second reading of the bill was carried on division.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, before the bill is given second reading I should like to say a few words. First of all may I say that from observations made this afternoon by hon. members to my right I am more and more convinced of the similarity between the Conservative and communist minds. The hon. member for Hamilton West (Mr. Wilton) could not understand anyone supporting views advocated by communists. He seems to forget that soviet Russia, the only country which has made any approach to the communist state—and of course it is not communist; they admit they are neither communist nor socialist—and the only country about which one thinks when he hears a reference to communism, was invited by the nations of the world, at a time when the leader of the opposition (Mr. Bennett) was representing Canada, to participate in the activities of the League of Nations. That is clear proof that even a communist state or representative may have something of value to offer at this time.

Shortly after the leader of the opposition made his now famous radio talks prior to the session of 1935 I made a statement which appeared in the press to the effect that I was glad the then prime minister was going to do some of the things we had advocated for so many years. For that announcement a vote of censure came from communist sources. I believe it is time we departed from such childish attitudes of mind.

In connection with this legislation we of this group find ourselves in much the same position as we have been when other legislation has been before us. I am convinced that the present measure is an improvement, despite the language of section 4 of the bill, which I hope the Minister of Justice (Mr. Lapointe) will find his way to amend before final passage of the measure. The repeal of section 98 is desirable. People will have less difficulty in giving expression to their thoughts, even in regard to our so-called institutions, without fear of being punished for so doing.

[Mr. Bennett.]

Beginning his observations the leader of the opposition said that the maintenance of liberty depends upon the restraint of individual liberty. That is true. To some extent the liberty of the mass depends upon the restraint of the liberty of the individual, and I am convinced that any government should, and must have sufficient powers to maintain order. But after I say that I must add that governments have functions in addition to that of the maintenance of order. They must find out why disorders arise, and must remove the cause not by repression but by making the necessary social and economic adjustments which will make disorder unnecessary. People do not become disorderly just for the mere joy of doing so. Of course some may, but I suggest the great majority do not. It is very difficult indeed to get people to act in an orderly fashion to remove an injustice in legal ways, let alone in a disorderly manner.

On various occasions in the debate reference has been made to Russia. That which took place in Russia was the inevitable thing which would take place in any country governed as Russia was governed. The masses in Russia had no other recourse, no other possibility of making changes except through the use of force. I shall read briefly from the works of an author for whom I have great regard. Lord Macaulay, in his essay on Milton, dealing with the situation in England during the civil war of 1649 makes a case analogous to the situation in Russia in 1917. He writes:

> Many evils, no doubt, were produced by the civil war. They were the price of our liberty.

Many evils undoubtedly followed the revolution in Russia, but is there anyone to-day who would want to put Russia back under the czars? There is not.

> Has the acquisition been worth the sacrifice? It is the nature of the Devil of tyranny to tear and rend the body which he leaves. Are the miseries of continued possession less horrible than the struggles of the tremendous exorcism?
>
> If it were possible that a people brought up under an intolerant and arbitrary system could subvert that system without acts of cruelty and folly, half the objections to despotic power would be removed. We should, in that case, be compelled to acknowledge that it at least produces no pernicious effects on the intellectual and moral character of a nation. We deplore the outrages which accompany revolutions. But the more violent the outrages, the more assured we feel that a revolution was necessary. The violence of those outrages will always be proportioned to the ferocity and ignorance of the pepole; and the ferocity and ignorance of the people will be proportioned to the oppression and degradation under which they have been accustomed

to live. Thus it was in our civil war. The heads of the church and state reaped only that which they had sown. The government had prohibited free discussion; it had done its best to keep the people unacquainted with their duties and their rights. The retribution was just and natural.

Is that not an accurate picture of the situation which maintained in Russia prior to the revolution of 1917? If in Canada we wish to make changes orderly, as they must be made, then we shall have to seek the causes of disorders, and not try to repress them by unwise laws. Lord Macaulay continues:

If our rulers suffered from popular ignorance, it was because they had themselves taken away the key of knowledge. If they were assailed with blind fury, it was because they had exacted an equally blind submission. It is the character of such revolutions that we always see the worst of them at first. Till men have been sometime free, they know not how to use their freedom. The natives of wine countries are generally sober. In climates where wine is a rarity intemperance abounds.

And at a later point:

Ariosto tells a pretty story of a fairy, who, by some mysterious law of her nature, was condemned to appear at certain seasons in the form of a foul and poisonous snake. Those who injured her during the period of her disguise were forever excluded from participation in the blessings which she bestowed. But to those who, in spite of her loathsome aspect, pitied and protected her, she afterwards revealed herself in the beautiful and celestial form which was natural to her, accompanied their steps, granted all their wishes, filled their houses with wealth, made them happy in love and victorious in war. Such a spirit is liberty. At times she takes the form of a hateful reptile. She grovels, she hisses, she stings. But woe to those who in disgust shall venture to crush her! And happy are those who, having dared to receive her in her degraded and frightful shape, shall at length be rewarded by her in the time of her beauty and her glory!

I think it behooves hon. members to read those sentiments. In doing so they will realize that we can make progress only by continually seeking out the things that cause unrest. We have on our statute books a great many laws for the maintenance of order, but we have very few to prevent the exploitation of our people. We can make any law in this parliament to maintain order, but let us try to make a law that seeks to prevent the exploitation of the masses of the people and immediately the question of its constitutionality is raised. Immediately it is taken to the courts.

Mr. ROGERS: There is obviously a distinction between the two types of statute. No one has ever questioned the competence of the dominion parliament to deal with criminal law, but when we consider the other type of legislation to which the hon. member has referred, that is, social legislation, a considerable doubt as to competence has been entertained by the Department of Justice over a very long period of time.

Mr. MacINNIS: That is the very point I wish to make. If this parliament had been intent on bringing about a better social organization, more economic equality and more social justice, then long ago it would have had the necessary constitutional authority to pass the necessary social legislation.

Mr. ROGERS: By consultation with the provinces.

Mr. MacINNIS: By consultation with the provinces and by necessary changes in the constitution. Where there is a will there is a way, and these things can be done. What is the government going to do with the reform legislation passed last year which has been declared ultra vires? Is it going to let it go at that and say that nothing can be done about it? We will not get over these difficulties by increasing the military and police forces and building more penitentiaries. You can remove those conditions only by removing the social conditions which give them birth. I quote again from the same author:

There is only one cure for the evils which newly acquired freedom produces; and that cure is freedom. When a prisoner first leaves his cell he cannot bear the light of day; he is unable to discriminate colours, or recognize faces. But the remedy is, not to remand him into his dungeon, but to accustom him to the rays of the sun. The blaze of truth and liberty may at first dazzle and bewilder nations which have become half blind in the house of bondage. But let them gaze on, and they will soon be able to bear it. In a few years men learn to reason. The extreme violence of opinions subsides. Hostile theories correct each other. The scattered elements of truth cease to contend, and begin to coalesce. And at length a system of justice and order is educed out of the chaos.

Many politicians of our time—

This is about one hundred years ago, but the same is true to-day—

—are in the habit of laying it down as a self-evident proposition, that no people ought to be free till they are fit to use their freedom. The maxim is worthy of the fool in the old story, who resolved not to go into the water till he had learnt to swim. If men are to wait for liberty till they become wise and good in slavery, they may indeed wait forever.

If men are to continue to live under the exploitation and misery which obtain under present economic conditions without making a protest, they will surely wait forever. It is only by protesting and by drawing attention

to these conditions that you can get parliaments and governments to act.

Mr. BENNETT: There is no limitation on that right.

Mr. MacINNIS: None whatsoever, but a person would almost think there was a limit because of how little of it has been done.

I do not want to occupy the time of the house in speaking further in this connection. I have not the necessary legal training with which to judge the value of the present bill. As I said in the beginning, I believe it is an improvement, but before the bill passes I hope the Minister of Justice (Mr. Lapointe) will find some way to define more clearly section 4. We will have so much accomplished, but it will not prevent our asking for more if more is necessary.

Mr. J. T. THORSON (Selkirk): Mr. Speaker, I shall be very brief in what I have to say. I support entirely the remarks of the Minister of Justice (Mr. Lapointe) when he introduced this measure. I should like also to commend the right hon. leader of the opposition (Mr. Bennett) for the very moderate tone of his contribution to this debate. I am opposed to the retention of section 98 in our criminal code on two grounds. In the first place, I think it constitutes, if not directly then by implication, a threat to the right of free association. In the second place, I think it has been demonstrated through the course of time that this section is neither effective nor necessary for the safety of the state.

Our democratic system and our democratic institutions are under attack the world over, and it ought to be the duty of every person to maintain our existing democratic institutions so far as it is within his power to do so. The continued existence of these democratic institutions depends upon the maintenance of certain fundamental and precious rights. These are the rights of freedom of thought and speech, freedom of religion and freedom of association and assembly. These are the springs of progress and reform; they constitute the most precious heritage that we have derived from Great Britain, which has always been the home of individual liberty. In recent years we have seen the devastating results of the dictatorships that have been set up in various parts of the world, with their destruction of free institutions and their negation and denial of personal liberty. We must resist every encroachment upon every one of these fundamental rights.

I think we are all agreed that freedom of speech is essential to progress. New ideas are necessary to reform. Our social system is far from perfect and we ought not to be too quick to find anything seditious or revolutionary in new ideas that may be advanced. Anyone who has read history knows that rebellion has often been the father of liberty, and that the rebel of yesterday is often the patriot of to-day. Indeed, the greatest reforms that have taken place have been the result of courageous attacks against existing institutions and what was then constituted authority. We ought to preserve in this chamber the right to criticize; we ought to preserve that right not only for ourselves but for every free citizen of this country, because freedom of opposition is essential to good government, just as essential as the government itself. Freedom of criticism outside this chamber is something that ought not to be curtailed in any way.

We have guaranteed freedom of religious thought and religious observance, and have gone a long way in this country to see that this great right is maintained. Yet there are people in Canada who would like to take away that right of religious freedom. Once you take away one right who can say when the next will disappear.

Perhaps the most valuable of the rights I have referred to is the right of free association, and it is because we feel that this right is threatened that we are opposed to the retention of section 98.

Mr. BENNETT: But the hon. gentleman would say that it would have to be association for a lawful purpose, would he not?

Mr. THORSON: It is difficult to draw the line as to what is meant by force. The threat to the right of free association may not perhaps be directly contained in section 98, but it is there by implication, and on the part of organized labour there has been a continuous desire ever since the enactment of the measure to bring about its repeal. It has been repugnant to organized labour, for they regard it as a threat to their right to organize. What would have been the position of the workmen of this country if the former attitude that existed towards trade unions had been maintained? It is not long since trade unions were regarded as illegal organizations and were opposed and resisted upon that ground, but I think there is now general agreement that perhaps the greatest influence there has been for the improvement of the condition of the workers of Canada and of other countries where they have organized has been the trade union. Trade unions involve in essence, if not directly then by implication a certain amount of force; for the right to organize carries with it the right to strike. We recognize the

right of collective bargaining, and collective bargaining involves the right to strike under certain circumstances; while the right to strike may be technically the right not to work, there is involved in the right to strike an element of force, an element of mass action; workmen organize themselves into trade unions so that they may have the benefit and the value of the mass action that results from the unity of their forces. We now recognize trade unions; we no longer regard them as illegal associations We recognize the doctrine of collective bargaining; we recognize that it involves the right to strike. We have tried to devise legislation that will bring about conciliation between employer and employee under certain circumstances, preliminary to there being a strike.

Progress has always been a continuous struggle between opposing forces; when there is a struggle between opposing forces those forces that are not organized always lose in the contest with those forces that are organized. I should like to see various groups and classes in this country organize themselves for the preservation and maintenance of their rights, just as workers in Canada and in the old land have organized themselves into trade unions for the betterment of their condition. I believe that various classes of primary producers must organize if they are to see that their rights are properly maintained. I think there must be organizations of consumers in this dominion for the purpose of fighting the forces of monopoly that are themselves well organized. I would not like, therefore, to see retained in our statutes any law that threatens in any way the right of free association, which is the essence of the right to organize.

Mr. BENNETT: Surely the hon. gentleman does not mean his statement just as he has said it, because that would mean unlawful associations. I think he must intend some limitation.

Mr. THORSON: I would allow the right of association, and would not wish to see any interference with that right. If any member of an association is guilty of a breach of the peace, the law of sedition and the general law of the country relating to the preservation of the peace will be sufficiently wide to cover his particular case. There are certain rights that we possess, such as the right of free speech and free association, rights that are so valuable—

Mr. BENNETT: But free speech is limited.

Mr. THORSON: Exactly. It is limited in the same way that the right of free association is limited when it comes to a question of the individual who breaks the law. The point I wish to make is that reforms can come only as a result of organized effort, and we ought not to put any obstacle in the way of those who seek to associate with one another for the prosecution of necessary reforms. When it comes to breaches of the peace and questions affecting the safety of the state, we have ample legislation to ensure our interests in that regard. I shall deal with that aspect of the matter in a moment.

I think it will be generally agreed that, so far as this subject is concerned, this is the mildest debate that has taken place in this house and that speakers throughout the debate have adopted a more moderate tone than in similar previous discussions. This legislation has passed the House of Commons, I believe, six times, and been rejected by the Senate. On a number of occasions in former debates the opposition to the repeal of section 98 was based upon the ground that the section had never been used and that, therefore, there was no harm in its retention. But it has recently been used.

In the course of this debate a good deal has been said about communism, and I should like to add a few words on the subject. In my opinion communism in this country is a bogey. I do not believe we need have any fear of it if we insist upon the maintenance of our individual rights and liberties. I also suggest that communism will never be put down by what may be described as the iron heel of ruthlessness; any attempt to suppress communism by force will strengthen communistic activities rather than weaken them, for martyrdom begets sympathy and it creates followers; that has been the history of such movements in the past and it has been our experience in recent years. The most effective course to follow in our combat with communism and the best weapon we can use is to remove the causes of discontent, for communistic leaders feed their followers upon discontent. The next best course is to bring communism right out into the open. I say to the right hon. leader of the opposition that the release of the communist leaders on parole was a more effective step towards the diminution of communistic strength than was their arrest and conviction. When they were arrested and convicted, the effect was to drive their activities underground. When they were released and were free to appear on every platform as leaders of communism, the people had an opportunity of listening to them and their activities were brought out into the open. We know the result at the last election. They had, I believe, eleven candidates in the field in the dominion. Nearly

all of them lost their deposits; many of them got very few votes. I recall my own experience in meeting communistic activity in the constituency which I now represent. At the end of my speeches we had question time. At that time the communist agents were there; they followed me from place to place, particularly in those polls which had been strongly communistic. The people enjoyed immensely the questions and the answers that were given those questions. In polls where communistic activity had been strong, so strong in 1930 that the votes in such polls were almost solidly communistic, the people had been listening to communistic propaganda for the past five years, had heard the promises made by the communist leaders, had been examining what had been placed before them by the communists. At the last election support of communism almost disappeared, or if it did not disappear, it dwindled in many cases to negligible proportions. I think that indicates the best course to follow.

In my opinion the right hon. leader of the opposition made the best argument in support of the repeal of section 98 that could possibly be made when he said that the provincial authorities had refused to enforce it. The reason they did so is, no doubt, that public opinion was against the enforcement of the legislation. When a statute reaches the point where it no longer holds the support and approval of public opinion the time has come for its repeal.

Particular use has been made of the bogey of communism to frighten the people of Canada against the activities of communists, particularly in districts where the people are of foreign origin. While I am speaking on this subject I desire to say a few words on behalf of one class of foreign-born Canadians, the Ukrainians. There is a good deal of communistic activity among the Ukrainian people of this country, but nowhere is there fiercer opposition to the progress of communism than among the Ukrainian people. Their organizations are fighting it ceaselessly and are carrying on against it a more intense drive than anyone else. It is out in the open; in my opinion, there is no need to fear in the least the progress of communism so long as we maintain and insist upon our full rights of individual liberty and freedom. I would also point out that the main leaders of communistic activity in this dominion are not of foreign origin; they are of English or Scottish origin.

The danger of communism has been magnified particularly in the province of Quebec, where the Liberal party has been pictured as though it were in league with communism. Nothing could be farther from the truth. Nothing could be falser than the cartoon on this subject which was published widely in the province of Quebec, portraying the Liberal party as being the friend and the ally of communism. The principles of Liberalism are fundamentally different from those of communism.

Mr. THORSON (Translation): On this subject, sir, I wish to say a few words in French to my friends from the province of Quebec. They know that the great principle of Liberalism is individual liberty and that the Liberal party will safeguard the rights they hold sacred. The hon. members from the province of Quebec, whose speeches in this house I have listened to with pleasure, express themselves sometimes in French and sometimes in English. But when using the French language, they too often create the impression that the right to speak French in this house is the exclusive privilege of Canadians of French origin. I feel that I should protest against that claim because this right belongs to every hon. member of this house irrespective of his origin.

Mr. LAPOINTE: Hear, hear.

Mr. THORSON: This is the first time that I venture to address this house in French, but, sir, when I endeavour to do so, I exercise a right which is as much mine as yours.

What are our most valuable rights? I think you will agree with me that they are freedom of speech, liberty of creed, and the right of free association. My hon. friends the members from the province of Quebec will allow me to tell them one thing: If you tolerate any encroachment on these rights, even on that of free association as was done in section 98 of the criminal code, the door will be wide open to attacks against other rights which you prize even more dearly. Who could then tell where such encroachments would stop? If you are careful to safeguard all individual rights, you will have no cause to fear the inroads of communism.

(Text) We are in even greater danger in this country, Mr. Chairman, of falling into fascism than of being overcome by communism. There may be some value in the philosophy underlying some of the teachings of communism, much as we may be opposed to the manner in which communism was sought to be established in Russia, but I can see no value in the fundamental philosophy of fascism. Men give up the struggle for democratic government when they lose faith in themselves. It is then that they want action. It is then that they demand strong men to carry on

government. It is then that they are prepared to surrender their personal liberties. When men have reached that stage they are in a state of despair. I do not believe there is any need for despair. I believe that under our democratic system of government we can bring about necessary reforms if we give proper attention to them and if we allow full and free play to the force that we should derive from the full exercise of our rights of free speech, freedom of assembly and freedom of association.

We have now had section 98 in the criminal code for some seventeen years. The provincial authorities have ceased to enforce this section. Labour organizations are opposed to its retention. There are serious defects in many of the details of the section. It has not proved an effective means of combatting the advance of communism. It will not be an effective means of combatting the advance of fascism, nor is it necessary for the preservation of the state. We have ample other legislation for the purpose. If any member of any association or organization is guilty of endangering the state the general law is wide enough. Certain offences against the state are provided for by the law of treason. The general law of sedition is as wide as it is safe for such a law to be. It is elastic; its application depends upon circumstances. We have sedition generally; we have seditious libel and seditious conspiracy, all designed for certain circumstances and certain occasions. We have laws against riots, riotous assembly and unlawful assembly. I would say that the legislation we already have is quite sufficient for the preservation of the state without making any unnecessary encroachment upon fundamental rights which are essential to progress and reform.

For this reason, and for the reasons I have already mentioned, I feel that section 98 constitutes an unwarranted interference with the right of free association; that it has not been effective in accomplishing its purpose and that it is not necessary for the preservation of the state. I am very glad indeed to support the Minister of Justice (Mr. Lapointe) in everything he said, and will support the second reading of this bill.

Motion agreed to on division, bill read the second time and the house went into committee thereon, Mr. Sanderson in the chair.

Section 1 agreed to on division.

Section 2 agreed to.

On section 3—Permits.

Mr. LAPOINTE (Quebec East): I have an amendment to this section, which has been suggested by the attorney general of British Columbia. After the word "property" in the third line of page 3 the word "or" should be inserted, so that the section will read, "or for use in connection with his profession or occupation."

Mr. BENNETT: I think that is right. I was looking at this section the other day, and I thought the word "or" was lacking.

Mr. MACKENZIE (Vancouver): I move accordingly.

Section as amended agreed to.

On section 4—Seditious offences.

Mr. LAPOINTE (Quebec East): In order to clarify the language, as well as the meaning, of this section, I would add the words "within Canada" at the end of the section, which then would read, "any governmental change within Canada." I have found that in the United States that is the wording used, "against the government of the United States."

Mr. BENNETT: It will be recalled that the original section of the act provided for a case where efforts were made to destroy the constitued government of the united kingdom, or of Canada, or of any of the provinces. "Within Canada" is not quite as broad as that provision of the section, which was generally accepted as not being an unfair provision as far as that phase was concerned.

Mr. NEILL: Would this not very much weaken the possibility of conviction? All that would be needed would be for the seditious language to be in general terms; then the accused could plead: Oh, I was referring to any governmental change not in Canada, but in some other country. As long as he used such words as "overthrow the government," that is all right, so long as he did not say "overthrow the government of Canada." Even if the language used were related to a neighbouring friendly state I do not know whether we particularly want to give shelter to those who, perhaps just within the border, want to carry on an extensive propaganda against the government of a neighbouring state. But I particularly call the attention of the minister to this point; as long as they couch their seditious utterances in general languge could they not plead that this section did not apply, if it contains the words "within Canada"?

Mr. LAPOINTE (Quebec East): The language used will certainly serve to interpret the meaning. I really believe it is better to restrict the section in that way. If somebody talks about Haiti or some other country in

distant parts of the world where there may be trouble, I do not see why our law should make that a crime. And as I said, the legislation of other countries contains a similar limitation; they restrict the scope of the provision to their own country.

Mr. BENNETT: The section I had in mind is section 133A:

No one shall be deemed to have a seditious intention only because he intends in goor faith—

(a) to show that His Majesty has been misled or mistaken in his measures; or

(b) to point out errors or defects in the government or constitution of the United Kingdom, or of any part of it, or of Canada or any province thereof, or in either house of parliament of the United Kingdom or of Canada, or in any legislature, or in the administration of justice; or to excite His Majesty's subjects to attempt to procure, by lawful means, the alteration of any matter in the state; or

(c) to point out, in order to their removal, matters which are producing or have a tendency to produce feelings of hatred and illwill between different classes of His Majesty's subjects.

I think there is a point to what the hon. member for Comox-Alberni (Mr. Neill) has said. It seems to me, having regard to our geographical position, that we are making matters a litle difficult, if we have some of the highly skilled persons with whom I came into contact during the last few years in dealing with the question. I shall not mention names, but they will say: Oh, I was not saying a word about Canada; I had not the slightest intention of saying anything about Canada; I am just saying that this is a rotten way to govern a country. That is exactly what they will do.

Mr. WOODSWORTH: For many years England was an asylum for political refugees, from Italy, Austria, and was even used as a base from which they carried on their political propaganda. They were welcomed even by ministers of the government. For example, if anybody thought that Haile Selassie had been improperly put out of his kingdom I do not know why there might not be some people in this country or in England who might do something to assist in restoring him to his throne. I assume the Italians are now the de facto government of Ethiopia. I think the united kingdom can look after itself without our worrying about what some might say about what might happen in Great Britain, and as for the country near by, I was reading just a little while ago that book of Sinclair Lewis's, It Can't Happen Here. Some may recall that the nazi people, or some acting very much along nazi lines, are portrayed as having set up a gouvernment in the United States. In that story Canada is represented as being an asylum for those seeking to get away from the outrages that prevailed in the United States. If anything of that kind happened I do not know but what a good many of us would welcome such refugees, and it might be difficult to prevent them from carrying on political propaganda. Surely the whole purpose is to protect anything that may need protection here in Canada. As I said this morning, as the clause now stands it would mean that we would have to rule out of our libraries a great part of the histories now found there. It would mean that all except convinced pacifists would have a great deal of difficulty in expressing their opinions as to the possibilities of force.

Mr. BENNETT: I think that is hardly a correct statement. But is there not some international law that creates an obligation upon us in this regard? The minister will no doubt recall that when there was organized in London a conspiracy against Napoleon III, considerable discussion arose, and it crosses my mind that the general rule of international law among friendly peoples is that those who are agitating against the destruction of an existing form of government in other countries shall not find opportunity to carry forward such propaganda in a friendly country.

Mr. LAPOINTE (Quebec East): There is another section of the code which relates to offences against foreign sovereigns. There is a provision relating to His Majesty the King and his countries or dominions; there are sections 78, 79, 80 and 81. There is a section somewhere that makes it an offence to use offensive language towards sovereigns of other nations. But what I rise to say is that if we have nothing in the criminal code, the ordinary law would apply with regard to sedition. As the hon. member for St. Lawrence-St. George (Mr. Cahan) said this morning, anything under the common law which is not repugnant to any statute of Canada applies in this country. Everything which, under the common law, relates to seditious offences in Great Britain, applies to Canada, except when we have something which would be repugnant to it. I do not believe that this amendment was necessary at all, except to make the section clearer. As we say in the section, the provision has not the effect of limiting the generality of the meaning of the expression "seditious intention." Anything that is seditious outside this provision continues to be seditious. But when the offence is that of circulating or printing a

document in which is advocated the use of force as a means to accomplish governmental change in Canada, we have a special offence for which provision is made in the amendment before us. But it has not the effect of taking away other seditious offences. For instance, reference was made to provincial legislatures. The provision in that regard will still exist. May I call the attention of the committee to the fact that in section 98, which is being repealed, the words "within Canada" are used. I want to repeal section 98, but I do not wish to replace it by something which will be more strict.

Mr. CAMERON (Cape Breton): I believe the addition of the words "within Canada" serve to clarify and carry out the law. The criminal code expressly states that where we have not legislated by parliamentary enactment, the law of England as it stands to-day and as it stood at that time applies. If there are any omissions in a statute we still have the common law of England to fall back upon. It is my opinion that cases of sedition will not be tried before county magistrates as was suggested by the hon. member for St. Lawrence-St. George. They will be tried in courts before trained judges.

Mr. CAHAN: I did not say "tried"; I used the word "investigated."

Mr. CAMERON (Cape Breton): There are other provisions in the criminal code which cover what should be our friendly relations with other countries. I do not think it is competent for us to legislate what is sedition in another country. In fact, I cannot recall the name of the case—if I had the memory of the leader of the opposition, I might do so—but I cited it within the year, and I remember that it dealt with a distinguished Frenchman who was tried in England for uttering seditious language against—

Mr. BENNETT: Napoleon III.

Mr. CAMERON (Cape Breton): The Frenchman was acquitted because it was held that he had the right of free speech in England. In defending him his counsel said, on behalf of the prisoner, that one of the greatest sights injured innocence could see was the prisoner in the box looking upon twelve jurymen of his country, of which country they were for that trial. Right nobly they maintained that tradition and the man was acquitted.

I believe the section covers all any person could ask for by way of protection against seditious utterances calculated to overthrow the government of Canada. One argument was made to the effect that by repealing section 98 we were weakening our law and offering an invitation to evilly disposed people to continue preaching seditious doctrines. May I remind those who make that argument that our law, even section 98, does not begin to compare with the law as it stood in Russia in 1917 or in France before the revolution. The laws of neither country, harsh as they were, in the slightest degree prevented the revolutions; on the contrary I believe they contributed largely to bringing them about.

Amendment agreed to.

The CHAIRMAN: Is section 4 as amended agreed to?

Mr. HEAPS: Would not the Minister of Justice be good enough to try even to a limited degree to give us some idea of what he means by the use of the words "everyone shall be presumed to have a seditious intention." This expression is causing a great deal of perturbation and even lawyers who have read it believe it could be interpreted widely. If the clause carries in its present form, unless we have some explanation from the Minister of Justice there may be placed upon the clause an interpretation which would place the presumption of guilt upon any person arrested for sedition. Then, possibly he would express his ideas upon the words dealing with the advocacy of force. The interpretation by some judges has been far from satisfactory, and when the clause was inserted in the present bill I was wondering whether the minister had in mind only physical force.

Mr. LAPOINTE (Quebec East): As to the first point raised may I say that in any prosecution it will be the duty of the prosecutor first to prove an overt act. The prosecutor will have to prove that the accused person has published or circulated a writing or document in which force is advocated, or that by words that person has incited the use of force. When this is done the seditious intention is presumed. Perhaps the wording might have been different, but first of all there will have to be proof that the accused person has advocated the use of force; he is not presumed to be guilty of having advocated force, until that has been proved. When such proof is offered, seditious intention will be presumed from the fact that he has committed the act. That places a different complexion upon the objection of the hon. member.

I know what the hon. member has in mind in connection with the second point he raises. My right hon. friend referred to a legal opinion offered by counsel for the labour organization, in which it was stated that the

word "force" in section 98 might be interpreted as other than physical force. For instance, in strikes there would be picketing and that sort of thing. The reason this particular counsel held that opinion was that after the Winnipeg strike Mr. Justice Metcalfe said the prisoner had stated that he wanted to use force to obtain redress for labour, and that he was referring to the moral force employed by the labour organization during the strike. Surely that would not apply in this section; this applies only to governmental changes. The word "force" as it appears in this section means physical force only.

Mr. STIRLING: Would the minister indicate whether the words "publishes or circulates" would apply to a person who sells the article?

Mr. LAPOINTE (Quebec East): Yes, it would.

Section as amended agreed to on division.

Section 5 agreed to.

On section 6—Nuisances.

Mr. CHURCH: I had intended moving an amendment to this clause, but I shall not do so. While I have no objection to the technical change being made in this case, I think something should be done about what are commonly known as common nuisances. There is one form of common nuisance which takes the form of night noises in our residential districts. During the recess I hope the minister will look into the amendment in the British laws to deal with this matter. There is nothing so hard on the human system as noises at night. There are many people in our asylums to-day who should not be there. They are there because of nervous disorders and diseases, in some cases brought about as a result of the depression. In the old country amendments of this kind are brought down in the first week of the session. I do not say that the minister is to blame, but I think these bills which refer to the liberties of the subject, should be brought down early in the session. Some of the officers of the department should look into the law with the idea of dealing with these noises at night.

Mr. LAPOINTE (Quebec East): I shall be pleased to consider my hon. friend's suggestion. I would be ready to extend the time, because it is at six o'clock in the morning that I suffer most.

Mr. BENNETT: I see only one difficulty in this section. How can you say that an offence under the criminal code is not a criminal offence?

[Mr. E. Lapointe.]

Mr. LAPOINTE (Quebec East): I see the point raised by my right hon. friend. Of course I am not responsible for this, as the section is already in the statute. Possibly this defect can be remedied in some other way.

Section agreed to.

Section 7 agreed to.

On section 8—Vagrancy.

Mr. CHURCH: I think this clause goes a little too far, so far as our young people are concerned. If the minister will look at the criminal code I think he will find that paragraph (a) of the vagrancy section will cover everything which it is sought to cover by this clause. I should like to say a word or two about the high school youths who go to northern Ontario. The other day I read in the house a letter which I had received from a reputable commercial traveller. This gentleman said that he had been at Kirkland Lake, which some of the members visited recently, and he had found many of these young boys stranded there and unable to get work. Many of them have been arrested in these places as vagrants. Paragraph (b) of section 238 of the code is being widened by the insertion of the word "or." These young people are ready to take any work they can get.

Mr. LAPOINTE (Quebec East): They do not come under this provision.

Mr. BENNETT: This helps them.

Mr. CHURCH: I had a letter from a clergyman there who tells me that many of these young people left home with the honest intention of getting work. Many of these mines use European labour to a large extent and there are no jobs for these young people. I think paragraph (a) of section 238 of the criminal code is sufficient so far as these single young people are concerned.

Mr. NEILL: Would the words "or family" refer to a man's wife and children or to his parents?

Mr. LAPOINTE (Quebec East): The words would refer to his wife and children.

Mr. NEILL: Only?

Mr. LAPOINTE (Quebec East): Yes.

Section agreed to.

Section 9 agreed to.

On section 10—Possession of instruments or disguise.

Mr. CHURCH: I should like to revert to clause 9. I believe that clause should be redrafted. The amendment is to add the

words "or street, road, highway or other place." I know of three Toronto high school boys who belong to the baseball team but who took a friend's car.

At six o'clock the Speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

CONSIDERED IN COMMITTEE—THIRD READINGS

Bill No. 104, for the relief of Harry Candlish Coughtry.—Mr. McPhee.

Bill No. 105, for the relief of Jean Malkinson Goldenberg.—Mr. McKay.

Bill No. 106, for the relief of Edith Lillian Astroff Nevitt.—Mr. Jacobs.

Bill No. 107, for the relief of Lillian Gladys Cheney Perry.—Mr. Plaxton.

Bill No. 109, for the relief of Albert Leonard Johnson.—Mr. Ross (Moose Jaw).

Bill No. 110, for the relief of Reva Marcus. —Mr. Factor.

Bill No. 111, for the relief of Ethel May Luckie Atkinson.—Mr. Factor.

Bill No. 112, for the relief of Edythe Mary Ross Brown.—Mr. Jacobs.

Bill No. 113, for the relief of Joseph Paul George Marcoux.—Mr. Jacobs.

Bill No. 114, for the relief of Adjutor St. Jean.—Mr. White.

THE ORDER OF ITALO-CANADIANS

The house in committee on Bill No. 101, to incorporate The Order of Italo-Canadians—Mr. Denis—Mr. Sanderson in the chair.

Sections 1 to 12 inclusive agreed to.

On the title.

Mr. CHURCH: I do not oppose this bill. No doubt this society exists for many good purposes, but it will be seen that the powers and the objects are all provincial. I do not see why this parliament should be asked to incorporate this society when it can get all its powers from the province. I think it is a mistake for parliament to interfere with property and civil rights in this way. As I say, I am not opposing the bill, but I think it is a mistake to follow such a course. The objects in view are almost entirely provincial, and in my opinion this is a matter for the province of Quebec.

Mr. RINFRET: I know of this society. It is in the city of Montreal and has had a provincial charter for a number of years. It merely wishes to extend its activities to other provinces. I do not think the fact that the powers are provincial is an objection. The senate went into the bill carefully and I commend it to the committee. The society is a very worthy one.

Mr. CHURCH: I have no doubt that the society does a good deal of commendable social work, but in my opinion it is very largely provincial.

Title agreed to.

Bill reported, read the third time and passed.

QUEBEC AND MONTMORENCY RAILWAY COMPANY

Mr. W. A. WALSH (Mount Royal) moved:

That the order of the house for the second reading of Bill No. 88 (letter O2 of the Senate), intituled: "An Act to incorporate Quebec and Montmorency Railway Company," be discharged, and the said bill be withdrawn.

He said: Mr. Speaker, in connection with this bill, I ask your permission and the permission of the house to withdraw it for this session. Evidently there has been some slight misunderstanding in connection with the bill and the object it has in view, and in order to allow those who are interested in securing the passage of this bill an opportunity to educate those who are at the present time, apparently, somewhat opposed to it, I would withdraw it for this session, and hope to have the privilege of reintroducing it at the next session.

Motion agreed to and bill withdrawn.

FREE FOREIGN TRADE ZONES

Hon. H. H. STEVENS (Kootenay East) moved the second reading of Bill No. 108, to enable the establishment, operation and maintenance of free foreign trade zones.

He said: This bill was introduced in the other chamber. The only reason I mention that is to shorten my own remarks, by saying that it was before a committee of the senate that examined into the matter very carefully and reported it unanimously, and it was forwarded to this house in due course.

A brief statement of the bill is to this effect, that it authorizes the government by licence to permit provinces, municipalities, or public agencies to establish in any suitable port of Canada what is known as a free port zone. Some had the idea that a free port meant a port free of charges. That, of course, is not correct at all. It simply means an area within a port where goods may be received without entry through customs and may there be reprocessed, manufactured altered in any

way and reshipped by export or admitted to the country under the usual customs regulations. I suppose the most outstanding free port in the world is that of Hamburg. Many others have been established in various parts of the world. I believe it was nearly twenty-five years ago that I personally brought this question up in the house and on several occasions during the next ten years I suggested or urged the establishment of free port zones in Canada, but parliament prior to some years ago had not seen fit to approve. However the idea or the policy of free port zones has considerably progressed since those days, and there are many such zones established in various countries of the world, detailed information regarding which may be found in the printed evidence of the senate committee which has been distributed to all members of the house. The bill does not impose any charge on the state. It is a permissive measure authorizing the government to license these public agencies to establish such a free port zone if, when and as the government may decide. As section 19 of the bill reads:

> No provision of this act shall be read as imposing or intending to impose, directly, indirectly or consequentially, upon His Majesty or upon the public revenues of Canada any expenditure or expense—

And so on. So, without delaying the house at all, I would ask that the bill pass its second reading, and, I hope, pass at this session of the house.

Hon. J. L. ILSLEY (Minister of National Revenue): This bill is a very important measure; it has come to the House of Commons at a late stage in the session, and the government has not had an opportunity of considering it in all its implications. I have read the bill, and I have read some of the representations—very strong representations—made against the bill to the senate committee that considered it, but I do not propose to go to-night into the subject of its merits. It has manifestly come to us at so late a stage that we cannot consider it as we should consider a bill of this importance. I therefore, Mr. Speaker, beg to move the adjournment of the debate.

Motion agreed to and debate adjourned.

CRIMINAL CODE AMENDMENT

The house resumed consideration in committee of Bill No. 96, to amend the criminal code—Mr. Lapointe (Quebec East)—Mr. Sanderson in the chair.

Mr. CHURCH: At six o'clock I was saying a few words about section 9.

[Mr. Stevens.]

The CHAIRMAN: I am in the judgment of the committee, but my recollection is that section 9 was passed and that we were at section 10.

Mr. CHURCH: No, Mr. Chairman. At six o'clock I was speaking on section 9. It could not have been carried. I was speaking when you rose.

Mr. LAPOINTE (Quebec East): That is a mistake; the section carried; but I should be quite willing to let my hon. friend go back to section 9.

On section 9—Motor cars.

Mr. CHURCH: I do not wish to be unfair. I am trying to put this bill through. Later on I propose to help the house a little to hurry along. I think this section is an improvement, but I hope that in the recess of parliament the minister will consider the position of first offenders in the matter of what I was referring to at six o'clock as joy-riding. I mentioned the case of three young people belonging to a baseball team. They took out for two or three hours the car of a gentleman who was connected with them, and on coming back they were arrested; under the present law they are liable to imprisonment for a year. They have never been in any trouble before. I suggest that during the recess of parliament this motor car question should be referred to the law officers of the crown and something done to take care of matters of this kind. I believe this bill should have come down in the early days of the session, because it is a law reform affecting the most important thing we have, the liberty of the subject. In the dying days of the session many of the lawyers have gone home, and this bill does not get the consideration it should. I hope in the recess the minister will look into the matter carefully.

Mr. LAPOINTE (Quebec East): I have much sympathy with those who want to enjoy themselves in the way my hon. friend suggests, but if this section is not amended as provided in this bill those young people who, without any right, take motor cars for the purpose of joy-riding are liable to be charged with theft, which carries a much heavier penalty. On the whole I think it is better to make the amendment.

Section agreed to.

On section 10—Possession of instruments of disguise.

Mr. LAPOINTE (Quebec East): I have an amendment, inserting the word "vault-breaking" after the word "housebreaking" in line 27.

Mr. ELLIOTT (Middlesex): I move accordingly.

Section as amended agreed to.

Sections 11 to 20 inclusive agreed to.

On section 21—Defence of insanity.

Mr. BENNETT: Is there not still a six man jury in Alberta? The number in Manitoba and Saskatchewan was reduced to six, and if the Alberta jury is still six in number I think that province should be mentioned also.

Mr. LAPOINTE (Quebec East): I know the law has been changed as far as Saskatchewan and Manitoba are concerned, but I could not say as to Alberta.

Mr. BENNETT: I am told that the number is still six in Alberta, so I think we had better add that province also.

Mr. LAPOINTE (Quebec East): I am advised that there has been no change in Alberta.

Mr. BENNETT: Then Alberta should be included also, if there is a six man jury there. This question of the sanity or insanity of an accused who sets up the plea of insanity under the old section of the code was decided by a jury of twelve, which is the usual number. But if Alberta still has a jury of six this section should read, "or in the provinces of Saskatchewan, Alberta or Manitoba by any six jurors." Otherwise you would leave Alberta with the twelve jurors trying an issue of insanity while in that province there is no provision for more than six jurors.

Mr. TUCKER: In Alberta all juries are and have been composed of six men. This amendment provides that if there is an insanity issue directed before the trial proceeds, it shall be tried by twelve jurors except in Manitoba and Saskatchewan. If you do not specifically include Alberta in this section it will, I think, be found that the insanity issue will have to be tried by twelve jurors in Alberta, because this is a special provision for the trial of an insanity issue before the accused is given in charge to a jury. Of course, after he is given in charge on the main issue, there would be no necessity for mentioning Alberta, because they have always had juries of six in that province. That point of course is covered elsewhere.

As far as I am concerned I should like to see twelve jurors try these issues in all provinces. I do not want to hold up the committee but I am very much against six man juries in criminal cases. Of course, if you are going to have a six man jury try the main issue, I suppose it is logical to have a six man jury try the insanity issue as well, but I think many lawyers in Saskatchewan and Manitoba now agree that the twelve man jury is the right jury to try people, charged with serious crimes, rather than a six man jury which really is not a jury at all under English law.

Mr. BENNETT: The other day the appellate division of the Supreme Court of Manitoba decided that a six man jury was valid.

Mr. TUCKER: Yes, because the parliament of Canada had enacted that a six man jury should try cases in Saskatchewan and Manitoba. As far as I am concerned, however—and I think many lawyers in Saskatchewan would agree—a six man jury never should have been established for criminal cases. Most lawyers held the opinion that it was quite all right to establish six man juries for civil cases, but when this was done that was used as the basis for asking that a six man jury should be established for criminal cases. I believe the experience has been that when you cut your jury from twelve to six the tendency is towards trial by judge and no longer trial by judge and jury, because six men are more readily subject to the influence of the opinion of the judge. It will soon be commonly urged that since you have got down to six man juries the next step should be to do away with juries altogether and have trial by three judges sitting together. Personally I see no reason why, when citizens accused of a crime in the rest of Canada can demand that they shall not be found guilty except by a jury of twelve men, we in the west when so accused should be in the position of being liable to be found guilty by six men. Anyone can see that the chances of being found guilty unanimously, as must be the case in criminal matters, by a six man jury are practically double the chances of being found guilty by a twelve man jury. Ever since the beginning of Anglo-Saxon jurisprudence the jury has been composed of twelve men, and personally I should like to see that practice brought back. I do not agree with the six man jury system for criminal cases. I hope the Minister of Justice will secure the opinions of some of the organized legal bodies in Saskatchewan and Manitoba during the next year or so, and I think he will find that the opinion of most lawyers is that in criminal cases we should go back to the twelve man jury.

Mr. LAPOINTE (Quebec East): I understand that this change, which was made under the former administration, was brought about

at the request of the provincial authorities of both Saskatchewan and Manitoba. As far as Alberta is concerned, under the Alberta Act that province had the right to keep the jury procedure as it was in the old Northwest Territories, and that is still the case, so it does not come under the present section.

Mr. BENNETT: But will it not come under the present section?

As it is now it covers all Canada except Manitoba and Saskatchewan, in terms which are exact and precise:

If such issue is directed before the accused is given in charge to a jury for trial on the indictment, such issue shall be tried by any twelve jurors, or in the provinces of Saskatchewan or Manitoba by any six jurors.

Mr. LAPOINTE (Quebec East): Of course it was the same drafting before, and still Alberta was under special laws. But my right hon. friend is right when he says that as the section appears the whole of Canada except Manitoba and Saskatchewan would require twelve jurors. I am told by my officer that Alberta does not come under this section at all.

Mr. BENNETT: I do not know how it is possible to legislate for all Canada and leave out one province.

Mr. LAPOINTE (Quebec East): I believe that all the provinces which are excepted could be named in this section. However I shall take that into consideration, and possibly next year we shall do as we have done this year, correct these little anomalies as they appear. We have corrected many this year, and I know some still remain. This appears to be one.

Mr. BENNETT: I do not want to delay the work of the committee, but I find it difficult to accommodate myself to this. Here is a section which reads as I have indicated; when a plea of insanity is set up, as seldom arises, the law of Alberta says there shall be six jurors. Counsel will say: No, it is provided by section 21 of a federal statute passed in 1936 that except in Saskatchewan and Manitoba the number shall be twelve.

Mr. LAPOINTE (Quebec East): I agree with my right hon. friend that it seems anomalous.

The CHAIRMAN: Shall section 21 carry?

Mr. BENNETT: No; it is either right or wrong. The minister says he agrees with me. Let us include Alberta; that is the short way to do it.

[Mr. E. Lapointe.]

Mr. LAPOINTE (Quebec East): I am afraid it will necessitate other changes. Alberta is dealt with—

Mr. BENNETT: Yes, under the Northwest Territories Act.

Mr. LAPOINTE (Quebec East): It looks strange but that is the position as it exists. If we change it, there may be no bad effect, but I would rather postpone this clause and see whether the matter could be dealt with in the way my right hon. friend suggests without interfering with some other clause.

Mr. BENNETT: Far be it from me to stand in the way of a minister of the crown.

Mr. LAPOINTE (Quebec East): I shall undertake to see whether this can be done, and, if so, have it done by the senate.

Section agreed to.

Section 22 agreed to.

On section 23—Commencement of act.

Mr. NEILL: Why the delay?

Mr. LAPOINTE (Quebec East): I am informed that it is the usual practice to give notice to the various provinces of amendments to the criminal code.

Mr. CHURCH: Before the committee passes the bill I have the consent of the Minister of Justice to bring up an amendment. The amendments are set out in Bills Nos. 5 and 57. I did not discuss this on second reading because there was so much discussion. But these are two of the most important bills dealt with this session. The minister promised me that the bill would be given consideration and in the committee I could add Bills Nos. 5 and 57. Owing to the length of the session I do not wish to delay the committee more than four or five minutes.

Bill No. 57 relates to motor cars. We have spent considerable time discussing one clause of an act which concerns only eight or nine people in Canada, and here is Bill No. 57 which concerns the lives of nine thousand people who will be killed and of more thousands wounded, yet we stand still and do nothing. I would urge consideration of this bill. I do not believe many hon. members have ever seen it. The bill did not get the consideration it should have had. It relates to level crossings, driving under the influence of liquor; it proposes to stop racing and cutting in; it provides that a person having caused death shall not drive for two years, and for women jurors on the trial of a woman accused, and it deals with cases where a charge of manslaughter arises out of the operation of a motor vehicle, providing that there may be

a conviction for culpable negligence, a jury to decide whether the accused is guilty or not guilty.

The other bill had to do with giving people time to pay fines. I propose to substitute for the present law the law of England, known as "time to pay."

I am not asking the committee to adopt these bills to-night, but I say that the country from coast to coast is crying out to this parliament to stop this slaughter on the highways. It is one of the crimes of this age. Some of us here may be knocked down by a motor car and not be able to come back next session. Transportation should be the means to an end, and not an end in itself. What I suggested early in the session was that we should have real law reform in this country. Constitutional, parliamentary, cabinet and law reform are among the most important matters before us. The minister told me that he would not oppose it if I added some of these amendments to the bill. He was most sympathetic in regard to this question. I ask him if he will be kind enough during the recess to have his law officers look into this question of death on the highway. Hundreds of thousands of people are killed every year all over the world. They do not get a chance; they are just sent to eternity in five seconds. Our law is away behind the times; it was made about the time the motor car came into use. The minister requested me to let the bill stand. Some hon. members want to discuss the bill.

If no action is taken this session I am going to continue to press this bill and I hope at the opening of next session a committee of both houses of parliament, as was the case in England, will be appointed to take up this question of law reform, death and accidents by motor cars, the terrible toll of life and the question of the level crossings, and bring the law up to date. In England by taking action they have reduced these accidents fifty per cent. I admit that this matter is partly in the control of the provinces, but the criminal law is federal. Some people driving motor cars are not fit to drive them. In these days a motor car or a motor truck is a death dealing instrument in the hands of those who do not know how to handle it. As evidence of that fact we need only read the lists of week end fatalities during the summer months. We could fill these 245 seats five times over with the people badly injured since the first of January in the city from which I come, and of that number there were twenty-four deaths.

I am asking the minister to give this matter careful consideration; he has promised to do that. I would ask that it be considered early in the next session and that a committee of both houses be appointed to see if we cannot get some relief from the great numbers of tragedies on our highways. Dear knows we are far enough behind the times as it is, and while I do not want to press the matter at this time—I would like to see prorogation come quickly; the house cannot close quickly enough for me—I should like to see something done. The minister told me that if I withdrew Bill No. 5 he would give it consideration. I am asking him to do so, because I do not want to see him knocked down, and in view of the speed with which motor cars pass this building it is possible that he could be. I would like to see him live a good many more years.

Mr. LAPOINTE (Quebec East): So far as Bill No. 5 is concerned may I tell the hon. member I have communicated with the attorneys general of the provinces. Six of them have replied, and generally may I say that they are not in agreement with the delayed payment of fines suggested by the hon. member. Under section 739 of the criminal code, which deals with summary convictions, under the law magistrates have the discretion to allow a limited time for the payment of fines. That provision may be sufficient to meet most of the cases the hon. member has in mind. However I am prepared to give the matter full consideration during the recess and to discuss it again with him at the next session.

The other bill to which he has referred deals with an important matter, and it too will be fully considered. The hon. member would make it an offence to cross railway tracks without first having come to a stop, and having started again in low gear. There are many objections to the proposal. We have received strong objections from almost every automobile association including the Manitoba Motor League, the Canadian Automobile Association, the Hamilton Automobile Club and the Nova Scotia Motor League. They state that the provision would be unfair to motorists, particularly to visiting tourists, and would be impossible of enforcement. They claim, too, that the danger would be increased, because after starting their engines in low gear the motorists might have a tendency to stall their motors in the middle of railway tracks. However, it is a fact that in my own province of Quebec this is one of the traffic regulations, although it may not always be observed by motorists. I would hesitate at this time, however, to make it an offence not to abide by such a regulation.

The other proposal of the hon. member is to make it an offence for a driver to operate

his motor car while under the influence of alcohol. The present law states that he shall not do so "while intoxicated." This proposal would involve an important change and would also involve difficulties in connection with the interpretation of the expression "while under the influence of liquor." If, by some magistrates, a man who has had one drink were ruled to be under the influence of liquor, such a law would be dangerous. Of course, when prohibition was in force in Canada conditions might have been different, but in these days the liquor traffic is legal, and one drink taken by a man who drives his car should not, according to the judgment of many, be considered a crime. I do not know whether my hon. friend has a chauffeur, but if such a law were enforced those people who can afford the services of a chauffeur would be in a better position than the poorer people who cannot afford chauffeurs and would have to abstain altogether from having even a drink of beer, when in charge of their motor cars. I believe it would be well to give this matter more consideration, and again I promise the hon. member that I shall be pleased to do so.

Section agreed to.

The CHAIRMAN: Shall the title carry?

Mr. CAMERON (Cape Breton): I beg the indulgence of the committee to revert to section 19. I am sorry I did not notice how drastic it was when it was passed.

An hon. MEMBER: You are too late.

Mr. CAMERON (Cape Breton): Perhaps I am; but there are some lawyers in the house who will be kicking themselves when they go home if some change is not made. I refer to the fact that by section 19 it is made obligatory upon a person committed fourteen days before the sitting of the court to make his election within ten days of that sitting as to whether he is to be tried by a jury. I think that is a provision which is entirely too drastic in its scope and effect.

Mr. LAPOINTE (Quebec East): This change has been requested by eminent legal authorities in various provinces, and more particularly by the Attorney General of Nova Scotia. It is for the purpose of avoiding heavy expenditures by the crown and to compel the crown to summon witnesses and to submit the case to the grand jury. When a true bill is found the accused elects whether he will go before the district judge rather than before a jury. I think on the whole the change commends itself because the accused person will have all the time necessary to make his election, and the crown will not be compelled to incur heavy expenditures.

Mr. TUCKER: Might this also apply to a case where a person might elect for trial by a magistrate under part XVI of the code? Would he have to elect within the time specified in this measure? I have not had time to look the matter up. Can the minister tell me whether a person desiring to be tried by a magistrate under part XVI would be required to elect within the time specified in this section.

Mr. LAPOINTE (Quebec East): No; that would not apply; it would apply only to those who are on bail.

Mr. STEWART: Who are committed.

Mr. TUCKER: A provincial magistrate in Saskatchewan can try any case a district court or county court judge can try. I would like to know whether this would require an election ten days ahead in cases where prisoners desired to be tried by a magistrate, under part XVI.

Mr. LAPOINTE (Quebec East): A man has to be committed or sent for trial.

Mr. TUCKER: After a person has had a preliminary inquiry in Saskatchewan and is committed for trial, he can then elect to be tried by a district court judge or by a magistrate under part XVI. I would like to know whether he must elect within the time specified in this section if he wishes to be tried by a magistrate.

Mr. LAPOINTE (Quebec East): This applies only to a case that comes before a jury. He has to make an election to go before a jury or to be tried by either a magistrate or a district court judge.

Title agreed to.

Bill reported.

Mr. LAPOINTE (Quebec East) moved the third reading of the bill.

Motion agreed to on division, bill read the third time and passed.

DOMINION ELECTIONS ACT, 1934

CONCURRENCE IN SENATE AMENDMENTS

Hon. FERNAND RINFRET (Secretary of State) moved the second reading of and concurrence in amendments made by the senate to Bill No. 78, to amend the Dominion Elections Act, 1934.

He said: These amendments will be found on page 520 of the votes and proceedings. There are some slight changes made by the senate to conform with the amendments to the Dominion Franchise Act in connection with qualification of voters. These amendments have been submitted to the chief electoral officer and approved. The senate also suggests an amendment to the title of the bill, which would read "provide for dominion by-elections". I do not think there is any objection to that.

Motion agreed to; amendments read the second time and concurred in.

NATIONAL HARBOURS BOARD

NON-CONCURRENCE IN SENATE AMENDMENTS

Hon. C. D. HOWE (Minister of Marine): Mr. Speaker, I beg to move:

That a message be sent to the senate acquainting their honours that this house disagrees with their amendments to Bill No. 17, an act respecting the National Harbours Board, for the following reasons:

1. Amendment 1 makes impossible reemployment of many officers and employees of present harbour boards who have long years of service, and in addition would seriously handicap the board in the conduct of its many competitive business operations.

2. Amendment 2 arises out of amendment 1, and is not otherwise required.

3. Amendment 3 proposes restrictions that serve no useful purpose and which are not presently imposed on other government services.

4. Amendment 5 is permissive only and confers on the board no new authority. The government holds the view that the step specified by this clause is not desirable at this moment.

Mr. NEILL: Where are these amendments to be found?

Mr. HOWE: In the votes and proceedings of Wednesday, June 17.

Motion agreed to.

CUSTOMS ACT AMENDMENT

CONCURRENCE IN SENATE AMENDMENTS

Hon. J. L. ILSLEY (Minister of National Revenue): These amendments are to be found in votes and proceedings commencing at page 468 and continuing to the middle of page 470. I do not think it will be necessary for me to go over these amendments in detail. We are prepared to accept nearly all the amendments; perhaps I should say we are prepared to accept all the amendments, with one qualification. It will be noted in the middle of page 470 that a clause A is added to the bill, which clause amends section 257 of the Customs Act in such a way as to impose a maximum penalty of one thousand dollars instead of a maximum penalty of two hundred dollars. That is acceptable, but the clause which was amended contained the minimum penalty of fifty dollars, which we regard as very important. The senate omits any minimum penalty. Therefore, I beg to move:

1. That with the exception of clause A, the amendments made by the senate to Bill No. 67, an act to amend the Customs Act be concurred in.

2. That with regard to clause A, that clause be amended by inserting therein immediately following the words "one thousand dollars" in the substituted section 257 the following words "and not less than fifty dollars."

Mr. NEILL: Would it not be advisable to say "not exceeding one thousand dollars?" Is that not the customary language used?

Mr. ILSLEY: This is the senate's amendment, and we are accepting it.

Mr. NEILL: Under this amendment a man would be fined one thousand dollars or nothing.

Mr. ILSLEY: It is quite possible that the hon. gentleman is right about that. We have taken it to mean not more than one thousand dollars and not less than fifty dollars. I think the hon. gentleman is right, but there are two views. I remember quite distinctly that sections of that kind are open to the construction that they mean not more than the amount mentioned. We shall either have to change that or to let it go through as it is.

Motion agreed to; amendments read the second time and concurred in.

INCOME WAR TAX ACT

NON-CONCURRENCE IN SENATE AMENDMENTS

Hon. J. L. ILSLEY (Minister of National Revenue): There are fifteen amendments made by the senate, most of which are very minor; but a few are of some importance. I move:

That a message be sent to the senate to acquaint their honours that this house agrees to their fifth, sixth, tenth, eleventh, twelfth, thirteenth and fourteenth amendments to Bill No. 75, an act to amend the Income War Tax Act, and disagrees to their first, second, third, fourth, seventh, eighth and ninth amendments for the following reasons:—

Because, respecting the first amendment, paragraphs C and D of the first schedule of the act are "enacted" by section two of chapter forty of the statutes of 1935, not reenacted. To "reenact" is to enact again in the same terms. These paragraphs were enacted by the act of 1935 in terms different from that of the repealed paragraphs.

Because, respecting the second amendment, the first schedule of the act is repealed in precise words by the act of 1932-33, and a new schedule "enacted." The schedule is, therefore, not "amended."

Because, respecting the third, fourth, eighth and ninth amendments, the reasons for disagreeing to the second amendment apply equally to these amendments, and further, because these changes would have the effect of substituting a new and incorrect method of drafting the enacting words in a clause of a bill, a method contrary to that which has constantly been followed up to the present time, and would further have the effect of disrupting the uniformity of our statutes.

Because, respecting the seventh amendment, the word "and" would be substituted for the word "or," which is already in the act, and the effect would be contrary to the desired intention of the section, which is that a company shall be liable for the tax "if it should fail to file the annual return or to pay the said filing fee," that is, the company shall be liable in either case.

And further, that this house, with respect to the fifteenth amendment made by the senate agree to their amendment with an amendment to their amendment as follows:—

For the words "of said subsection (8)" substitute the words "of this subsection," for the reason that the words "of said subsection (8)" would be part of subsection (8) itself. As the words are incorporated in the subsection, it is preferable to use the words "of this subsection"; and

That the clerk of the house do carry the said message to the senate.

Motion agreed to.

CANADIAN BROADCASTING CORPORATION

PROVISION FOR NATIONAL BROADCASTING SERVICE AND REPEAL OF ACT OF 1932

Hon. C. D. HOWE (Minister of Marine) moved the second reading of Bill No. 103, respecting broadcasting.

Motion agreed to, bill read the second time. and the house went into committee thereon, Mr. Sanderson in the chair.

Sections 1 and 2 agreed to.

On section 3—Corporation constituted.

Mr. BENNETT: With respect to the use of the words "representation to the principal geographical divisions of Canada," does that mean the provinces?

Mr. HOWE: Not necessarily. For purposes of broadcasting we consider the geographical divisions tc be: 1. British Columbia; 2. the prairie provinces; 3. Ontario; 4. Quebec; 5. the maritime provinces.

Section agreed to.

Sections 4 to 7 inclusive agreed to.

On section 8—Objects of the corporation.

Mr. HOWE: Paragraph (i) seems to have no particular purpose and there has been some objection to it. It reads:

[Mr. Ilsley.]

(i) collect news relating to current events in any part of the world and in any manner that may be thought fit and to establish and subscribe to news agencies.

I have not given notice, but if there is no objection I would ask my colleague to move that this paragraph be struck out.

Mr. ELLIOTT (Middlesex): I move that the paragraph be struck out.

Mr. STEWART: What is the object of striking it out when it is only permissive? Is it desirable that a commission of this kind should have the power to do just what this paragraph outlines, not compelling them to do it? What were the objections?

Mr. HOWE: In this matter I am not too sure of anything, for I believe that we are all experimenting. If anyone thinks that the paragraph should remain; that it is valuable, I shall ask my colleague to withdraw his amendment. The paragraph was taken from the British Broadcasting Corporation.

Mr. BENNETT: When Mr. Gladstone Murray was in this country the question was discussed with reference to the powers conferred on the British Broadcasting Corporation, and the committee will find those powers, practically in terms in this bill. He pointed out that considerable value attached to this provision, and in Great Britain it was a source of substantial revenue, if I remember aright. It is only permissive.

Mr. ELLIOTT (Middlesex): If it is the wish of the committee I ask that the amendment be withdrawn.

Mrs. BLACK: May I say to the minister that as far as the Yukon is concerned the radio is almost entirely worthless. I assume this is the case because the station on the island or at Vancouver is not sufficiently strong to carry the wave lengths. It may interest hon. members to know that while we had an idea of the general result of the election, which we gathered from telegrams, we had no idea of the members and no idea of the enormous majority of the government. All the news we got during the campaign was from San Francisco. All the news we get from overseas comes either through Alaska or through San Francisco. It may be of some interest to the committee to know that when I came here during the early part of the session I asked my deskmate who Mr. Sage was; I had never heard his name before.

Mr. HOWE: In the sessions of the radio committee the fact was brought out that several parts of the dominion are in the same position as that described by my hon. friend,

and it will be the purpose to extend existing facilities as rapidly as funds will permit. Unfortunately our funds are limited, but we are slowly improving.

Amendment withdrawn.

Section agreed to.

Section 9 agreed to.

On section 10—Approval of governor in council necessary respecting certain expenditures and disposal of property.

Mr. BENNETT: Why is it thought desirable that this corporation shall be solely under the control of the government? We had hoped that broadcasting in Canada might be out of the hands of governments. An effort was made in that direction; indeed, I think it was an accomplished fact, and the commission acted without considering the political effects of its conduct. Section 9 states that the corporation shall not enter into any negotiations without the consent in writing of the minister. I can understand that in its application to governments, but with respect to other matters, on this other point, everything is under the control of the governor in council. In other words, this becomes a department of government, with all the political abuses that follow from making this public utility an arm of government. I object to this. I do not wish to take up too much time about it, but I must enter a protest against the way in which this is being done. It really means that the administration have taken this great utility—I might use that word—and placed it completely under the control of the government. Because, if they say they are going to appoint a general manager, what has that to do with the matter? He has to come and see the government before he does anything. That means that the policy of the government is to be the policy of this administrator, and I do not think any man can be secured who will put himself into a position where he has to be the tool of the government to do what he is told to do. One can understand this provision that the corporation shall not seek any concession from or enter into negotiations with any British or foreign government without having first obtained the consent in writing of the minister, because that is an exceptional matter. But when one comes to section 10:

> Notwithstanding anything contained in this act, the corporation shall not, unless the approval of the governor in council has first been obtained:—
>
> (a) enter into any agreement involving any expenditure in excess of $10,000.

That means that the government of this country is running the broadcast.

Mr. HOWE: I think the remarks of my right hon. friend are quite unfounded. Section 9 is taken holus-bolus from the British Broadcasting provision.

Mr. BENNETT: No. Just look at the bill.

Mr. HOWE: I shall read it in a moment. The purpose of it, I think, it quite obvious. Negotiations with other countries are conducted through the Department of External Affairs.

Mr. BENNETT: I said I quite understand that.

Mr. HOWE: Passing on to the second matter, that is simply a limitation on expenditures. As a matter of fact the late government imposed on the present commission a more stringent restriction than that.

Mr. BENNETT: Because we had not the money.

Mr. HOWE: The present commission cannot enter into a contract for more than $5,000 without the consent of the governor in council.

Mr. BENNETT: Because we had not the money.

Mr. HOWE: Well, we have no money now. The position is exactly the same.

Mr. BENNETT: The government can lend them some money.

Mr. HOWE: I challenge my right hon. friend to show in any paragraph of this measure that there is any more government control in this bill than there was in the last. As a matter of fact it will be found that in this bill there is more latitude for the corporation than there has been in the past three years.

Mr. BENNETT: I should be glad to accept the minister's—

Mr. HOWE: I accept the challenge, and ask the right hon. gentleman to prove, as we go along, the statement he has made.

Mr. BENNETT: The word "challenge" would seem to be a rather warlike expression on the part of so peaceful a minister, so near the end of the session. If he looks at section 16 he will see at once that the difference is that the governor in council has to provide the corporation with a working capital of $100,000. When the former commission came into being we were not able to do even that. That has been the trouble. The Canadian people have not realized that this limitation imposed upon the financial assistance which could be given the radio commission necessarily restricted its activities. But in the present case we are contemplating, with the working

capital it receives from the government, it is going to be able to do many things, and those things are under the control of the government. The old commission did not have anything to function with. As it did not have anything to function with, conditions were against it creating liabilities.

Mr. HOWE: It had $1,700,000.

Mr. BENNETT: Yes. It got those as advances in connection with licence fees. All the revenues of the commission have to go to the corporation. I am only pointing out that if the government provides it with capital and imposes limitations, that is an entirely different matter from not providing it with capital and imposing no limitations.

Mr. HOWE: I do not accept that as proving the point of my right hon. friend.

Section agreed to.

On section 11—Acquisition of property.

Mr. DOUGLAS: There have been coming to me resolutions from many church groups throughout western Canada, and in particular from the province of Saskatchewan. Rather than occupy the time of the committee with observations of my own I shall read just one of these resolutions:

> This conference would strongly urge upon our federal parliament the adoption of legislation and regulations which will bring all radio broadcasting stations in Canada under definite unified control through its national commission or corporation, with a view to securing satisfactory restrictions upon the commercial use of our Canadian radio stations.
>
> We would further urge that every effort be made to improve the standard of quality in program broadcasts throughout the week, and that such Sunday broadcasts be encouraged as will strengthen and unify the moral and religious life of our nation. We urge also that commercial advertising, sports competitions, and political propaganda be banned from our Canadian radio stations on Sundays, in harmony with our Canadian ideals for one day in the week free from commercial interests and partizan political controversy.

I think that speaks for itself; it is hardly necessary to elaborate upon it. I draw it to the attention of the minister.

Section agreed to.

Sections 12 and 13 agreed to.

On section 14—Moneys received to be deposited in bank.

Mr. HOWE: Before this section carries I desire to point out a difference under this bill, as compared with the prior bill, in financing the corporation. Previously the corporation was financed by an appropriation of parliament which has amounted each year, I think, to $1,500,000. This bill provides that the fees collected for radio licences shall be paid to the radio corporation, and while an appropriation is being made this year to bridge the gap, in future appropriations of parliament will not be made. That being the case, I think we should amend this clause by striking out the words:

> and of the service to holders of private receiving licences in the suppression of interference from local electrical sources.

The net revenue from licence fees last year amounted to $1,490,000, and the cost of suppressing radio interference was about $180,000. Therefore, to let this clause stand without an amendment would mean that the revenues of the commission would be considerably curtailed.

Mr. BENNETT: They would be about $1,300,000.

Mr. HOWE: Yes. I think there is much to be said for making the control of interference a function of the Department of Marine for the present, at least.

Mr. BENNETT: At the general expense.

Mr. HOWE: At the general expense, yes. Control of interference has to do with other than radio broadcasting. It has to do with the radiotelegraph and matters of that kind. It may be that in a year or two receipts from licence fees will create a larger fund and we may again be able to include this item, but I may point out that, in effect, the government has been paying this cost in previous years, and we think that until fees come in more largely we should continue to do so. An encouraging sign is that our collections to date in respect of licence fees this year are equal to those received to the end of September of last year, so people are evidently getting "licence-conscious."

Mr. BENNETT: What amount of the collections made was transferred to the commission last year?

Mr. HOWE: Parliament voted the commission $1,500,000.

Mr. BENNETT: Because the money went into the consolidated fund.

Mr. HOWE: The licence fees were paid into the consolidated fund. The net amount, that is the fees less the cost of collection, amounted to $1,490,000.

Mr. BENNETT: That is, that went over to the commission?

Mr. HOWE: No, that went to the receiver general. The vote to the commission was the vote of parliament in the amount of $1,500,000.

Mr. ROSS (Moose Jaw): Has the minister or the commission ever taken into consideration that there should be a difference in licence fees between urban and rural parts of the country? In the first place, there is not the same interference to be looked after in the rural parts as there is in the urban parts. In the second place, people who have radios in the cities can hook them on to the ordinary electrical current, and it costs them very little to carry on with their sets, whereas people in the country have to buy costly batteries and have them recharged several times throughout the year in order to have the radios running on the farms. I think the department should take into consideration imposing a very low fee for radio in the rural parts of the country and a higher fee in the urban parts, because people with radios in urban centres have not anywhere near the cost to meet in running a radio that is involved to the people in the rural parts.

Mr. TAYLOR (Nanaimo): I think it should be noted that there is a misprint in the reference at the side of this section.

The CHAIRMAN: I understood the minister to say that there was an amendment.

Mr. ELLIOTT (Middlesex): I move that paragraph (a) of subsection 1 of section 14 be amended by striking out all the words after "administration" in the seventh line thereof, to the word "such" in the tenth line.

Amendment agreed to.

Mr. NEILL: Since we are on the subject of the suppression of interference, has the minister given any consideration to empowering his officials to force people who have machines which produce interference to have such machines adjusted? Sometimes a man, to save an expenditure of perhaps two or three dollars, will put the radios of a whole community out of business, and apparently there is no authority for these officers to do more than point out the situation. If the man chooses to be a hog and says, "Well, I don't care," there is no remedy. Surely it would be easy to give the officials some authority to force such people to remedy the difficulty. The cost involved might be limited in some way, but where the cost is only trivial the officials should have power to compel the person causing the interference to remedy the condition. I do not suggest that a man should be compelled to put in machines costing perhaps three or four hundred dollars, but where it is a case of pure hoggishness in order to save a trivial expenditure, such as installing a little gadget on a fan, for instance, it is not fair to the other people in the district to allow such a condition to continue.

Mr. HOWE: If my hon. friend will read section 23 he will say that we have taken fairly complete powers in that regard. I may say that while we had no power to enforce the act previously, according to the report of the commission out of some 16,000 investigations only in some twelve individual cases was there refusal to comply with the request of the department, which I think is a very good record. However, under section 23 we take complete power to enforce these regulations.

Mr. FAIR: Before this section is carried I should like to endorse the suggestion of the hon. member for Moose Jaw (Mr. Ross). I have heard quite a number of kicks since the licence fee was increased, and I know the cost of operating battery radios in the country is high. In many cases it is also inconvenient at times to have the batteries charged, because it must be remembered that many people using these battery radios may live as far as thirty miles from the place where the batteries are charged.

Mr. HOWE: There are two sides to every question, and I think there are decidedly two sides to this question. The cost of serving a radio set in the rural sections is tremendously higher than the cost in the more crowded sections. For instance, we have all the wire charges across the prairies to serve not many more people than we serve in the city of Montreal or the city of Toronto. So I think the matter will bear closer analysis than it has been given by my hon. friend.

Section as amended agreed to.

Sections 15 and 16 agreed to.

On section 17—Advances for capital works not to exceed $500,000.

Mr. BENNETT: It would be difficult to find a similar section conferring such powers upon any other commission. In this case half a million dollars is to be made available to the corporation by and under the control of the governor in council, not the corporation.

Mr. HOWE: This is something entirely new, in order to allow the corporation to function properly. That is, they are allowed

the privilege of borrowing not more than $500,000 to undertake a project which they could not have undertaken in any one year. The difficulty at present is that the construction of a new high powered station is out of the question because it is impossible to appropriate sufficient money in any one year. If the corporation can show the government that the revenues are such that over three, four or five years they will be able to amortize a loan of that kind, under this section they are able to borrow from the government sufficient funds to carry on such a capital expenditure. I hardly think that is restrictive.

Mr. BENNETT: But unfortunately section 17 does not say that, and that is why I direct attention to it; it is not in accordance with the recommendations of the committee. The section does not even say that the money is being loaned. It says that the governor in council may authorize the construction of the work, and—

—on the recommendation of the minister, may authorize the Minister of Finance to place to the credit of the corporation from any unappropriated moneys in the consolidated revenue fund such sum or sums as may be necessary to carry out such construction, extension or improvement of capital works: provided that the total amount which may be so authorized for the said purposes shall not exceed five hundred thousand dollars.

(2) Such moneys so advanced shall bear such rate of interest and shall be amortized on such terms and conditions as may be fixed by the governor in council.

But the section does not say it is a loan. The money is just placed to the credit of the corporation, and subsequently provision is made for the interest rate and so on. Previously we were not in a financial situation to make any such provision, although such requests were made.

Mr. HOWE: What is the complaint of my right hon. friend? What is the restrictive feature?

Mr. BENNETT: I think there should be something to indicate that it is a loan.

Mr. FAIR: I do not see very much to the argument of the minister with regard to the cost of upkeep of the wires, because those wires have to be kept up for the cities, and the country gets just what the cities do not need.

Section agreed to.

Sections 18 to 23 inclusive agreed to.

On section 24—Recommendations regarding private stations to be made by corporation.

[Mr. Howe.]

Mr. HOWE: There is an amendment to be moved to this section. I may say there has been a misunderstanding with regard to the situation. We have been accused in parliament and in the press of taking powers that the minister did not have previously, but I think hon. gentlemen who read the present bill will find that it is the same as the previous act, under which the minister made the decision after consulting with the broadcasting commission. In this case we are going a step further and requiring the approval of the governor in council, which I think is a very proper improvement.

Mr. ELLIOTT (Middlesex): I move that subsection 1 of section 24 be amended by adding after the words "it may deem fit" in line 45, the words: "The approval of the governor in council shall be obtained before any licence for any new private station is issued."

Mr. BENNETT: Does the early part still stand, the part reading:

The minister shall, before dealing with any application for licence to establish a new private station or for increase in power, change of channel, or change of location of any existing private station, or making any regulations or changes in regulations governing the activities of private stations, refer such application or regulation to the corporation—

Does that stand?

Mr. HOWE: Yes.

Mr. BENNETT: Then it goes on:

—and the corporation shall make such recommendations to the minister as it may deem fit.

Then what follows?

The CHAIRMAN: The amendment adds after the words "it may deem fit" in line 45, the following: "The approval of the governor in council shall be obtained before any licence for any new private station is issued."

Section as amended agreed to.

Sections 25 to 28 inclusive agreed to.

Bill reported, read the third time and passed.

COPYRIGHT AMENDMENT ACT

AMENDMENT WITH RESPECT TO FEES, CHARGES AND ROYALTIES, AND TO CONSTITUTE A COPYRIGHT APPEAL BOARD

The house in committee on Bill No. 55, to amend the Copyright Amendment Act, 1931—Mr. Rinfret—Mr. Sanderson in the chair.

On section 1—Infringement of copyright.

Mr. RINFRET: I do not intend to deal at any great length with the bill, which has already been referred to on two different occasions during the course of the session. I merely wish to remind the committee that this bill deals solely with performing rights of musical compositions. In practice the different sections of the bill are consequent upon the inquiry conducted by Judge Parker, appointed by the former government to inquire into the business of the Canadian Performing Right Society.

The act of 1931 provided for a commissioner to make an inquiry into the fees charged by a society, holding a number of copyrights. The inquiry took place in 1935 and the report was handed to the government during October of that year.

By an additional bill also introduced by the former government in 1935 a stay of proceedings while the inquiry was going on, was enacted, and inasmuch as the legislation was made necessary to allow this government to give effect to the inquiry conducted by Judge Parker, therefore the stay of proceedings has been continued ever since. It is absolutely urgent that this parliament at this session give the Secretary of State, who is in charge of copyright, the proper authority to give effect to some of the proposals made by the commissioner.

The report, which I have tabled and which I am sure is in the hands of everyone interested in the bill, made several recommendations. I just want to point them out in the order in which they appear in the bill.

The first section deals with a definition of private profit. The second section deals with the filing of appeals and the appointment of an appeal board. Then a subsection is introduced to prevent factious and unwarranted legal proceedings, also the recommendation of the judge. The last two subsections give the Secretary of State authority to make an adjustment of fees from January, 1935, when the tariff of fees was filed by the performing right society, until the date the appeal board which is proposed to be instituted makes its first report. I do not wish at present to say any more, but come to the first clause which is for the consideration of the committee. This is as recommended by Judge Parker, a clearer and more complete definition of what constitutes a performance without private profit. In the act of 1931 it was provided that no infringement of copyright could take place in a performance without private profit, one for religious, educational or charitable purposes. In another subsection it was provided that that should also include any agricultural exhibition or fair held under dominion, provincial or municipal authority. It is proposed in this first section of the present bill to make a clearer definition of what is a performance without private profit.

I now draw the attention of the committee to the first subsection of section 1, the underlined words:

> Provided, further, that such performance shall be deemed to be given without private profit if the only fees which are paid are paid to individual performers and that no fees or commissions are paid to any promoter, producer or contractor for services in promoting or producing the performance.

That is concerning performances for religious, educational or charitable purposes. I want to make it very clear that we are not now proposing the principle that the performer might be paid while the owner of the copyright might not be paid. The question is that we are dealing with the small rights of performers. It often happens that in a charitable concert, or performances of a certain kind, you may have most of the performers performing gratuitously, but if there happens to be a performer who receives a consideration for his work then in cases which have appeared before the court some judges have had doubt as to the meaning of the legislation. It was also the opinion of the judge who held the inquiry that the intention of the legislation in 1931 in defining private profit regarded the profit of the performance as a whole, and not that of the individual performer.

As to the second subsection, dealing with agricultural exhibitions, we propose a similar definition. I must say that on that subsection hon. members from all provinces and from all directions have come to me suggesting a change, finding that the proposed subsection was not complete. Therefore I have been convinced by the representatives of the people in different provinces of the need to make that subsection even clearer, to include industrial exhibitions together with agricultural, and to make another change which has also been suggested, namely, that the performance shall be deemed to be given without private profit if only individual performers or their agents were paid, provided such fees are not dependent upon the attendance at an exhibition or fair. I shall ask my colleague to move the amendment in order that it may be before the committee. I could say more, but I shall give the right of way to hon. members who desire to present their views, and shall be prepared to give all information required.

Mr. ELLIOTT (Middlesex): I move:

That clause 1 of the bill be amended by striking out subsection (viii) and substituting the following:

The performance without private profit of any musical work at any agricultural, or agricultural and industrial exhibition or fair which receives a grant from or is held under dominion, provincial or municipal authority, provided that such performance shall be deemed to be given without private profit, if the only fees which are paid are paid to the individual performers or their agents, and provided further that such fees are not dependent upon the attendance at the exhibition or fair.

Mr. CAHAN: When the bill was before the house for second reading, and was passed without discussion, I believe it was understood that an opportunity would be given to discuss certain phases of it before this committee. As a former Secretary of State who had a great deal to do with the passing of the amending act of 1931, as being chairman of the committee of this house which on that occasion heard the evidence of all parties interested, and having presented to the late government an application for an order in council appointing Mr. Justice Parker as a commissioner to report upon the facts then existing, such order in council being No. 738 and dated March 22, 1935, I believe I should make certain explanations to the committee. The present bill has to do with a proposal that charges made by the performing right society of Canada for the performance of music which has been vested in the performing right society should be subject to the consideration of an independent tribunal which shall have the power to reduce excessive, exorbitant and inequitable rates.

The act of 1931 dealt with performing rights in musical copyrights only, and it dealt only with those musical copyrights which had been acquired by a society, association or company which carries on in Canada the business of acquiring copyrights for dramatico-musical or musical works, or of performing rights therein, and which deals with or in the issue or grant of licences for the performance in Canada of dramatico-musical works in which copyrights subsist.

So far as I am aware that act applies to one society only, namely The Canadian Performing Right Society. It is the only society in Canada which deals in the acquisition of musical copyrights. This society was organized in Canada by two other then existing societies, one being the British Performing Right Society and the other a society which is not incorporated but which subsists in the United States under the name of the American Society of Composers, Authors and Publishers.

These two societies entered into an arrangement for the organization of the Canadian Performing Right Society Limited, whose charter was issued under the Dominion Companies Act in 1925 with a capital of 10,000 shares, 5,000 of which were owned and controlled by the American society and 5,000 owned and controlled by the British society, except four shares which were used to qualify the directors of the Canadian Performing Right Society Limited, and three shares which were used to qualify three directors representing the American Society of Composers, Authors and Publishers. When I entered the office of Secretary of State, the Canadian Performing Right Society Limited, as their officials stated to me, had acquired the performing rights in over 2,000,000 copyrighted musical works. Under the law as it then existed, in order that the Canadian Performing Right Society Limited might acquire legal title to these several millions of works it was represented to me by the officials of the British society, at a meeting in London, that the payment of a registration fee of one dollar in connection with the registration in Canada of the assignments of these works to the Canadian company would represent an outlay of between $2,000,000 and $3,000,000, an amount which they regarded as excessive. They asked for an amendment to the Canadian act which would obviate the necessity for such registration. Therefore, it was suggested to them by me that this performing right society should not be compelled to pay a registration fee for the registration of the several assignments of musical copyright made to the Canadian company, but that it should be permitted to file from time to time at the office of the Secretary of State lists of all dramatico-musical and musical works in respect of which said association, society or company claimed authority to issue or grant licences for performing rights, or to collect fees, charges or royalties for such performing rights in respect of the performance of such works in Canada.

When the bill, which was drafted in 1931, was being considered by a committee of the House of Commons, the Canadian Performing Right Society appeared and was represented by its officials and eminent counsel who welcomed the proposed change in the Canadian act to the effect that registration fees would no longer be required. But they opposed most vehemently the other provisions in the amendment which would compel the society to file lists of musical works in which it claimed copyright, and which would also compel them to file a list of the fees and

charges which they proposed to collect in compensation for the issue of licences for such performing rights in Canada. The bill made it possible, after an investigation by the royal commission appointed by the government, for the governor general by order in council, on the application of the Secretary of State, to supervise rates, and if the rates so filed were deemed to be exorbitant or inequitable, to reduce them.

Before proposing to relieve this company of the payment of registration fees, and after having met its representatives in London in December, 1930, I secured a copy of the evidence and the report of a special committee appointed by the House of Commons in England to consider a musical copyright bill then before that house. I ascertained from the report and the evidence taken by that committee that grievances had arisen in England with regard to what was alleged to be exorbitant and inequitable charges exacted by the parent company in Great Britain. That committee reported unanimously to the house on July 3, 1930, as follows:

> Your committee are fully satisfied that apart from classical and educational music, the society controls ninety per cent or even more of the performing rights in copyright music, and promoters of entertainments who require to use music of the popular type, are in our opinion, not in position to do without the music controlled by the society, and are therefore compelled to pay the charges made by the society. In such circumstances, the fear of music users, that the society may use what may be termed its super monopoly to demand still higher fees, appears to be well founded, and it is not unnatural that they should desire to have a right of appeal to an independent body when they are faced with unreasonable demands and are unable to come to a mutually satisfactory agreement with the society.

Paragraph 18 of the report of that committee reads:

> Your committee consider that such a super monopoly can abuse its powers by refusing to grant licences upon reasonable terms so as to prejudice the trade or industry of persons carrying on business in this country, and to be contrary to the public interest, and that it should be open to those persons to obtain relief in respect of such abuse by appeal to arbitration or some other tribunal. This should apply only in those cases where the ownership or control of copyright has been transferred to an association.

Having in mind that report, which I believe was unanimous, I felt in 1931 that before removing from the Copyright Act, as it then existed, the provision compelling this association to pay one dollar for each registration of assignment and transfer of copyright in musical productions, parliament should take into consideration that report. A committee was appointed by this house, which held very long sittings and made a report. In considering the act then existing, I found that by the provisions of a proclamation made on December 29, 1923 under the provisions of the original Copyright Act of 1921, which, if I remember correctly, was to come into force and have full effect on January 1, 1924, an arrangement had been made between the Canadian government of that day and the government of the United States, whereby Canada agreed that citizens of the United States would be able to obtain copyright in Canada under the new Copyright Act, which was about to come into operation on January 1, 1924. The terms of that arrangement were that Canada would extend to citizens of the United States the benefit of copyright on substantially the same basis as to its own Canadian citizens. Therefore, without reading that agreement and proclamation further, I ascertained that so far as the United States was concerned all that Canada was bound to do was to extend to the citizens of the United States the same rights and privileges which it conferred upon its own citizens by our Copyright Act of 1921. But when we came to consider before the committee the further effects of the legislation then proposed, I directed the attention of the committee to the terms of the Rome copyright convention of 1928, which had been adhered to by Canada, which in fact had been signed by a Canadian representative, when it was signed by certain other countries at Rome on June 2, 1928. But until that date and until this time the United States had never and has never adhered to the Rome convention and therefore its citizens can claim no rights under that convention.

The question then arose as to the rights of the Canadian Performing Right Society under the Rome convention; and after having consulted the best legal advisers to whom I have access, I found that in their opinion the Canadian Performing Right Society, having been incorporated in Canada and having acquired in respect of Canada two million or more individual copyrights of performing rights in music, was subject to Canadian legislation the same as any other Canadian citizen. But apart from that, which I believe to be an accurate statement of the law, it was clear, on an examination of the Rome convention to which we then adhered, first, that the Rome convention gave no rights in Canada to Canadian nationals. The Rome convention merely purported to give Canadian nationals rights in respect of copyright in those foreign countries which had adhered to that convention. Therefore we were not bound to consider the Canadian corporation otherwise than as a Canadian citizen whose rights had to be de-

termined by Canadian law. But, second, it was clear that the countries which had adhered to the Rome convention had the right with respect to their own nationals to enact so-called domestic legislation, and in the fourth article of the Rome convention it was provided that:

> Consequently, apart from the express stipulations of the present convention, the extent of protection, as well as the means of redress secured to the author to safeguard his rights, shall be governed exclusively by the laws of the country where protection is claimed.

That section gave a wide liberty to the parliament of Canada and provided that, except as rights had been stipulated in express terms by the Rome convention, foreign nationals would be subject to the domestic legislation of this country. Furthermore, it was ascertained before the commission, and by evidence given, that no Canadian author was affected because at that date no Canadian author had been admitted as a member of the performing right society of Canada. It was also common ground that copyright in the vast body of these musical works was no longer vested in the original author but had been assigned to the publishers of music at the time or about the time of the first publication of these works; and it appeared that, to a very considerable extent, the whole matter of forming such a combination in Canada rather partook of the nature of a racket in which the publishers of music were to obtain a super-monopoly and control of musical performances in Canada.

But a very considerable part of the complaints against the operations of the Canadian company was due to complaints made by those who broadcast music and by those who receive music by means of broadcast through the receivers for which they obtain dominion licences; and I think one of the main controversies which were from time to time reported to the office of the Secretary of State was with regard to excessive charges made or demanded by the Canadian Performing Right Society from the broadcasting companies as well as those who receive music through the ordinary receiving apparatus. But the Rome convention provided in 11 bis:

> (1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing the communication of their works to the public by radiocommunication.
>
> (2) The national legislations of the countries of the union may regulate the conditions under which the right mentioned in the preceding paragraph shall be exercised, but the effect of those conditions will be strictly limited to the countries which have put them in force. Such conditions shall not in any case prejudice the moral right (droit moral) of the author, nor the right which belongs to the author to obtain an equitable remuneration which shall be fixed, failing agreement, by the competent authority.

The moral right is provided for in article 6 bis of the convention, which is the right of the author to object to any distortion, mutilation or other modification of the said work which would be prejudicial to his honour or reputation, so that reservation of the moral right of the author does not now concern us, except this, that article 11 bis does provide that by domestic legislation a competent authority may be appointed which shall see that an equitable remuneration may be fixed. Therefore the controversy which arose with respect to the Canadian Performing Right Society has simmered down, in so far as this bill before the committee is concerned, to some way of fixing an equitable remuneration for performing rights such as those which are dealt with by the Canadian company. Under the bill of 1931 it was provided, on the recommendation of the committee of that day, that if complaints were made to the governor in council, then, the governor in council having proceeded by the appointment of a commissioner, and the commissioner having heard the evidence and reported, it would be competent for the governor in council by order of the governor in council to fix the rates of remuneration which were equitable in the case. Complaints came to the notice of the department, and, pursuant to an order numbered 169 dated January 28, 1932, Mr. Justice Ewing was appointed a commissioner to make an inquiry and report, on the petition of six broadcasting stations in the province of Alberta: Edmonton Journal Limited, CJCA; Calgary Herald Limited, CFAC; the Alberta Pacific Grain Company Limited, CKLC; the Albertan Publishing Company Limited, CJCJ; the Voice of the Prairies Limited, CFCN; Lethbridge Broadcasting Limited, CJOC. Evidence was taken by Mr. Justice Ewing, who made a report dated June 29, 1932. Mr. Justice Ewing found that the company, instead of filing a list of the specific musical productions over which it claimed to have copyright, had filed with the Department of Secretary of State catalogues of publishing companies, and he found that those catalogues included many works in which copyright no longer existed. He says:

> A casual examination of the catalogue showed that it contained numerous works of the old masters such as Mendelssohn, Chopin, Beethoven, Mozart, Schubert, Handel, Haydn and Verdi, all of whose works are in the public domain.

That is, copyright no longer existed in those works. He continues:

As these catalogues have been sent from England, the representatives of the society at the hearing were unable to offer any explanation. A request for information was cabled to England and a reply was received to the effect that these works had been "rearranged" and that these rearrangements had been copyrighted.

The judge proceeds:

This may or may not be entirely correct, but in any case these catalogues contain musical works which are not in the society's repertoire. For instance, the list contains operettas or operas as a whole whereas the society can only license instrumental excerpts for these operas. The society claims that as a matter of technical compliance with the act it may file lists of works in respect of which it claims this authority to license, and the fact that these lists contain other works over which the society has no control would not affect the filing.

Then in regard to the list of fees filed the judge reports:

In my opinion the intention of the act is—not, as is suggested—that the society shall be permitted to file a list of fees perhaps extravagantly high but at any rate bearing no relationship to the actual fees which the society intends to collect and then to proceed to collect any fee it chooses provided only that such fee is not more than is prescribed in the statement filed.

The judge proceeds to quote the schedule of fees, and he finds that the fees are based upon the power output of the broadcasting station. Then he adds:

The result is that the society has filed a statement of fees for broadcasting stations but it is clear that these are not the fees which it proposes to collect and to that extent it has not complied with clause "B" of section 10 of the act.

The judge then proceeds:

While several matters entered into the fixing of a proper fee to be paid by a broadcasting station for broadcasting copyright music, it was generally admitted that the basic determining factor is the number of people reached by the station in question, that is to say, the "audience."

He proceeds to show that the western companies were being charged approximately the same as the broadcasting companies in the larger centres of Toronto and of Montreal; and he adds:

In fixing the fees the society has left out of consideration the population within the service range of the station. When the facts as to service range, coverage and relative populations were brought out in evidence, the representative of the society very properly admitted that the statement filed was made up without appreciating some of the factors above mentioned as affecting western Canada and this situation ought to be remedied. Without taking advantage of an admission so made, it must be said that the society has proposed to collect excessive fees from the petitioners.

Then he gives what the society thinks would be a fair price to be charged to certain of these complainants, and he says:

I think it would not be unfair to divide this sum—

That is, the sum claimed:

—by five instead of ten in order to correct the results of inequalities of population.

After receiving this report of Mr. Justice Ewing I was sent by the government as a delegate to Geneva. While there Mr. A. Boosey, who stated to me that he was the executive director of the British company, visited me and discussed the terms of this report. He stated that if the government would refrain from taking action by order in council to fix the limit of the general charges, he would undertake to communicate with his officials in charge of the Canadian company, and see to it that reductions were made in the fees and an amicable adjustment reached on an equitable basis. On his assurance I made no report to council asking for an appropriate order in council to be passed dealing with the Ewing report. But instead of complying with the assurance then given, which I repeated to the president of the Canadian society in an interview with him after my return, the Canadian Performing Right Society apparently assumed that it could go on making these charges and increasing them at will without making any reasonable effort to come to an amicable understanding with the other interested parties.

The CHAIRMAN: Order. I regret to have to interrupt the hon. member, but I must inform him that he has spoken for more than forty minutes.

Mr. NEILL: I would suggest that we follow the practice adopted the other evening, and now that I have spoken the hon. gentleman can continue.

Mr. RINFRET: I would suggest that the hon. gentleman be allowed to continue. At the same time, in consideration of the fact that I greatly desire to have this bill sent to the senate for to-morrow morning, perhaps the committee will consent to sit a little after eleven o'clock if that is necessary to put the bill through.

Mr. CAHAN: After the legislation of 1931 was passed the Canadian Performing Right Society filed a tariff of fees, on June 18, 1931. It then filed a supplemental tariff on September 2, 1931; then it changed again by with-

drawing the supplemental tariff on the 6th October, 1932. Then, after I had received the assurance of the executive director of the British company which controlled half the shares of the Canadian company, that Mr. Justice Ewing's report would be considered and adjustments would be made in compliance therewith, a further tariff was filed on the 5th January, 1934, dealing only with broadcasting. Then another complete tariff, the third tariff, was filed on the 29th January, 1934, and on March 10, 1934, another amending tariff was filed. On July 11, 1934, another tariff was filed which was limited in its application to public parks, and again on the 12th July, 1934, another tariff was filed with regard to performance of new works.

The general tendency of all these changes was not in compliance with the report of Mr. Justice Ewing but to insist upon a further increase in charges and fees to the broadcasting stations. In the early autumn of 1934 those who were interested in the use of music, broadcasting companies, hotels and other organizations, protested so vigorously that I asked the president of the Canadian Performing Right Society to meet representatives of the broadcasting companies at my office, and they met on October 26, 1934, in Ottawa. I went into the whole matter with the president of the Canadian Performing Right Society in the presence of ten or twelve persons representing these various broadcasting companies and other interested parties. I then agreed, in order that the Canadian Performing Right Society might have a further opportunity to come to an amicable agreement with the broadcasting interests, that I would not ask for an inquiry for a period of three months, in which time I was assured by the president of the Canadian company that efforts would be made to reach an amicable settlement of the difficulties.

This three month period expired on the 26th January, 1935, and I was informed that no agreement had been reached. Yet in the face of the facts as they then existed, and despite the consideration that had been shown from year to year and time to time by the Department of the Secretary of State to the Canadian society, that Canadian society formally filed on the 30th January, 1935, a new tariff, still further increasing the rate and, incidentally, suggesting that they were not going to comply with the request and the suggestion I had made in regard to an amicable settlement. Therefore on the 22nd March, 1935, the governor in council appointed His Honour Judge Parker a commissioner under the Inquiries Act and under the provisions of the Copyright Amendment Act, 1931, to make a further inquiry into the facts and to report. Matters had then reached such a stage that no minister in charge of a department, who had any self-respect at all, could further delay taking action in this matter.

Judge Parker made his report on October 29, 1935, and hon. members will at once perceive that the former Secretary of State had then no official authority in the matter. But I do commend my successor in office that in a matter of great public interest such as this, in respect of which neither of us had any personal interest whatsoever, and in respect of which each of us was merely anxious to preserve and protect the public interest, he proceeded upon receipt of this report to consider ways and means by which the report might be carried into effect. It is not for me to suggest that I might have found other ways and means. But I do personally commend the policy pursued by my successor in this respect, because he has proceeded by this bill to provide for the constitution of an independent tribunal to review complaints. If I had received that report I think, from my knowledge of the facts, that I might have proceeded directly by an order in council fixing the fees. My successor has adopted a rather more conservative course. By this bill he has provided for the appointment of an independent commission to which applications may be made in case excessive and inequitable charges are made by the Canadian Performing Right Society.

Judge Parker reported certain facts. Dealing with the increased rates filed in 1935, he says, on page 34:

> A comparison with the fee charged for a one hundred watt station under the 1931 tariff shows a great increase, and the stations required to pay the increased fee naturally objected and complained that the new tariff charged was excessive and unreasonable.

That is, the new tariff filed after the previous complaint had been brought to the attention of the Canadian Performing Right Society and after Mr. Justice Ewing's investigation and report. Then a comparison is made between the charges in England and the charges made in Canada, and Judge Parker finds that in view of the scattered population, particularly in the west, it is unfair to charge the same amount per receiving set as is paid in a country so closely settled as Great Britain. He finds that the charge made in Canada should in his opinion be reduced to a rate of 7½ cents per receiving set, which is not very much below the prevalent charge in Great Britain at the time.

Then, again, with regard to the use of these musical compositions in theatres and

public buildings of that kind, the Canadian Performing Right Society does not charge a fixed fee for the performing rights in individual musical compositions, but it charges a rate based upon the entire seating capacity of the theatre or public place in which the performance takes place. And Judge Parker finds in that connection that in the rural districts, the country towns, especially in the country towns of the west, public buildings have been erected and theatres provided for large audiences, exceptional accommodation for exceptional occasions, and because a musical performance may be given to a small audience in one of these larger theatres he finds that it is unfair to charge, not according to the numbers of the audience, not in accordance with the tickets paid for, but upon each seat of the large seating capacity of these buildings whether occupied or not.

Then, with regard to the society's increase of charges, raising a certain minimum fee for matinees and other theatrical performances from $10 to $30, Judge Parker finds that the evidence makes it clear that the raising of the minimum fee was done under pressure of Mr. Mills of the American Society of Composers, Authors and Publishers. It was not looked upon with favour by the directors of the Performing Right Society of London, England. The raising of the minimum fee in the United States by Mr. Mills was reluctantly followed by the Canadian Performing Right Society. Mr. Jamieson, the president of the Canadian society, however, said in justification, in his evidence, that he regarded the theatre tariff as inadequate and that he only waited to raise the rates in Canada until the rates had been raised in the United States. Then Judge Parker finds that his comparison of the two tariffs shows that in some cases the fees of the Canadian Performing Right Society are higher than those of the American Society of Composers, Authors and Publishers, and in no case are the fees in the 1935 tariff of the Canadian society less than the fees in the 1934 tariff of the American Society of Composers, Authors and Publishers.

Bearing these facts in mind, and having regard to the fact that ten cents per seat in the past has been acceptable to the Canadian Performing Right Society and was not strenuously objected to by the larger theatres in Canada, he finds that it seems a fair conclusion that the rate of 1931 should not be changed and that the 1935 tariff is unjust and unfair.

Then near the close of his report he says:

> ... it seems only fair and reasonable that the Canadian Performing Right Society, Limited, should extend that concession—

A certain concession made:

> —to all theatres, and especially to those in the west where they are suffering from drought, and to other places in the east where the towns were dependent upon one industry, and that industry is not now in operation. The theatres were built some time ago and a seating capacity provided when conditions were more prosperous. You have in the maritime provinces, for instance, districts dependent solely upon coal mining and districts dependent solely upon lumbering. Both of these industries, according to the evidence, are at a standstill, and in some localities the percentage of people on relief is very considerable.

I do not think I need proceed further, but I wish to state that when the committee of this house, of which I was chairman, considered the copyright amendment bill of 1931, Mr. H. T. Jamieson, President of the Canadian Performing Right Society Limited, gave his final evidence just before the committee brought its proceedings to a close. Mr. Jamieson stated that certain organizations including the Canadian National Railways and the Toronto Daily Star refused to make contracts with his company until it was placed under government regulations. As chairman of that committee I proceeded to inquire as follows:

> Q. Quite so. Do they not attach to their refusal to pay a demand for regulation, that is, as I understand their position, they think that, in case a difference arises with you as to what is a proper compensation, there should be an independent tribunal, by agreement or arbitration or otherwise, to which an appeal could be made to determine whether your demands are reasonable?
>
> A. Well, Mr. Atkinson admitted to me that our tariffs—not demands, our tariffs—were reasonable, and he said it was simply a matter of principle with him, that he would not negotiate with us until we were under government regulation. I said, pay those reasonable tariffs meantime and let us settle the other question later, but they refused.
>
> Q. Just one moment. Is it not a fact—I do not wish to submit the whole record—but is it not a fact that in the evidence before the committee in the British house of Commons it was shown that your British Performing Right Society had entered into contracts for short terms, and at the expiration of those contracts higher rates were demanded, which, in many cases, were regarded by at least the users as exorbitant.
>
> A. Well, sir, there were some increases asked for by the British society, but those increases were asked for only after there had been very considerable accession to the membership for one thing, and only after there had been accessions of many other affiliated European societies.
>
> Q. That, to my mind, represents a valid consideration in support of increasing your royalties and charges, but it is not conclusive as to whether the increases which you demanded under those circumstances, you holding a monopoly, should not be submitted, in case of dispute, to some independent tribunal or to arbitration.

A. As Mr. Hawkes could show you in detail, he having knowledge of the operation of the British society, those so-called demands were merely the ideas of the British society as to the increased value of their repertoire.

Q. Why do you refuse really to submit your prices to arbitration, or to the determination of an independent tribunal? I am not here to say that a single charge you ever levied is excessive. But you have a monopoly of 90 per cent of modern music, and, in case of dispute, your views not being accepted by the music user, why should there not be some independent tribunal to which you, as a monopolist with 90 per cent of all modern works in your control, should submit your charges.

The final answer of the witness was:

A. Because we do not know that these rates to be fixed would be fair and reasonable.

The conclusion of the committee was that this being a super-monopoly, combining what had originally been a great number of private monopolies now vested in the Canadian corporation, its charges should be subject to an independent tribunal. That independent tribunal is provided for in the terms of the bill now before the committee.

As the hour is advancing I shall postpone to another session a discussion of other matters to which I had intended to refer. At the same time may I commend the principle and policy of the bill—and I speak only for myself and from my own official experience—which the present Secretary of State has introduced for the purpose of creating an independent tribunal to whom those who have grounds for complaint may make such complaints, receive a decision and obtain an equitable adjustment.

Mr. WILTON: Mr. Chairman, from my knowledge of the activities and demands of the performing right society I think it might well be compared with a cross-word puzzle. In the first place I doubt very much whether the officials of that society know exactly what they want, and I am quite sure that the public from which it tries to derive its income does not know what it is all about. I question, further, whether hon. members know the meaning of it.

If the government is desirous of relieving the public from a great and unnecessary nuisance, it should enact such legislation as would curtail or better regulate the activities of this organization. Since the opening of the session hon. members have been circularized from time to time with literature pertaining to the passage of this bill, much of which literature has been misleading and incorrect. Certain statements made therein require answering. It was stated that the hotel proprietors had admitted the principle that radio loud speakers in private rooms should be included in the performing right society licence. The hotel proprietors through their association claim they never made any such admission; yet we know that hon. members have been circularized to the effect that the proprietors had agreed. As they have recorded at their association meetings, the hotel proprietors state that the tariffs filed by the performing right society in 1934 and 1935 are too complicated, and the prices fixed too onerous. Mr. George O'Neil, President of the Ontario Hotel Association, is quoted as saying that the 1934 tariff was satisfactory. Mr. O'Neil's own statement is that he never made any such admission. Mr. O'Neil does not admit that the tariff of 1934 was or is reasonable. Still hon. members have been advised through circulars sent to their office from time to time that Mr. O'Neil and the association had agreed to this kind of thing. That is the sort of unfair work which has been going on in an effort to put this thing through. The performing right society now admit that the minimum fee of $30 is too high. They are willing to accept $10 when it is paid voluntarily.

His Honour Judge Parker was appointed a commissioner in March, 1935, to conduct an inquiry into this matter. Considerable evidence was taken in various parts of Canada, and in October, 1935, Judge Parker submitted his report. In that report he classified the performing right society as a monopoly. In passing, I should like to refer to a statement made by the former Secretary of State (Mr. Cahan). He said that the fee of ten cents per seat was acceptable to the theatre owners. I know for a fact that such is not the case. The theatre owners have protested vigorously against this fee of ten cents per seat. In fact, they protest against paying anything to this society because they feel that its whole activities are piratical; that it has no licence or right to collect any fee from them. Judge Parker classified this society as a monopoly, and it certainly is a monopoly in every sense of the word, and then some.

I should like to cite one case which came to my personal attention. A certain business man had occasion to employ an orchestra in connection with his restaurant. He was approached by a representative of this performing right society and told that his fee for the year would be $72. Just how the society arrived at that fee of $72 the restaurant man did not know, and the representative of this society could not tell him. The proprietor of the restaurant said he would not pay it; that he would go to court first, and after considerable dickering the representative of

the society took $12 and gave a receipt in full.

I mention this case to justify the statement I made at the outset of my remarks, that the performing right society does not seem to know itself what it is all about or what it wants. It demands $72 of a fee and accepts $12.

As I understand it, the Copyright Act was designed to protect the author and publisher against duplication, publication and distribution. If you purchased a copyrighted book you would not expect to have to pay some society an additional fee because you read it. Country fairs, race tracks and such places are affected by the operations and activities of this organization. The Toronto exhibition bands are concerned, and so on. This society claims the right to step in and collect a fee every time you use a piece of copyright music, which you have already bought and paid for. This is a vicious system of abstracting money from the public.

The tabulated list of music is so lengthy that it is understood only by a few. It is hard to understand just what the list does contain. I telephoned the copyright branch in Ottawa a few days ago to ask if certain pieces of music were on the list, and I was advised that they could not tell. I am also informed that no Canadian author or publisher receives one penny of the money thus collected. If you engage an orchestra to furnish entertainment, this society steps in and demands the payment of a fee for every piece of music played, although it has been bought and paid for. When an author produces a piece of music and it is published, the author receives his pay from the publisher and through royalties on the sale of copies of the music. The publisher gets his profit from the sale of copies of the music. But if you or I buy a copy of that piece, take it somewhere and play it in public, we have to pay an additional fee. If we play the piece three, four, five or a dozen times in one evening, we must pay the special fee for every time we play the piece.

If the activities of this society continue, it will not be safe for a man to whistle a tune on the street or play a mouth organ; if he happens to play or whistle one of the pieces on this list, this society could rightly collect a fee from him. In the best interests of an already overburdened public this society should not be allowed to operate in Canada.

Mr. MACKENZIE KING: Might I interrupt my hon. friend for a moment? It is getting on toward the hour of adjournment and I do not know whether hon. members would be agreeable to continuing this evening's sitting. If so, it would be necessary to have the motion put before eleven o'clock. I do not think it would be reasonable to ask hon. members to take up any other business than the bill we are discussing at the moment, but if hon. members would be agreeable to continuing with this bill, say until midnight, I would move accordingly later on that the rule requiring adjournment at eleven o'clock be suspended and that we continue the sitting until midnight. I am suggesting this because the senate will want to consider this bill to-morrow, and refer it to one of the committees of the senate. If we do not conclude the discussion this evening, we could get it over to the senate fairly early to-morrow.

Mr. RINFRET: I move that the committee rise, report progress and ask leave to sit again this day.

Progress reported.

BUSINESS OF THE HOUSE

CONTINUANCE OF SITTING UNTIL MIDNIGHT

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That standing order No. 11 be suspended, and that the present sitting of the house continue until midnight this day.

Motion agreed to.

COPYRIGHT AMENDMENT ACT

The house resumed consideration in committee of Bill No. 55, to amend the Copyright Amendment Act, 1931—Mr. Rinfret—Mr. Sanderson in the chair.

On section 1—Infringement of copyright.

Mr. MACKENZIE KING: I thank my hon. friend for permitting me to interrupt.

Mr. WILTON: I shall not take up very much more of the time of the committee. I want to repeat what I just said, that in the best interests of an already overburdened and overtaxed public, this society should not be allowed to operate in Canada. It is a racket; it is unfair; it is unjust, and it should not be tolerated. Assume that I purchased twenty or thirty copies of a musical orchestration; I pay for them at the regular price, out of which the publisher and the retailer receive their profits. The author receives his payment from the royalties paid. Place that music in the hands of an orchestra and have it played behind closed doors privately, and so far as this association is concerned it is O.K.; but admit the public and in steps the performing right society and demands the payment of a special added fee, not once but for each time a piece of music is played. It is almost im-

possible to find a selection of music that does not appear on their preferred list, and if it is played a second time on the same occasion there is another fee, and so on. If the music goes on so also does the demand of the performing right society for additional fees. This, we are told, is to protect the copyright owners. I am not sure whether the Maple Leaf Forever or our national anthem is included in their list. I telephoned the copyright branch yesterday but they were not in a position to tell me whether God Save the King was on the list or not. Nevertheless, if it should happen to be there—and undoubtedly they will get it on—then we shall have a fine situation in Canada, for every time a band or any person or group of persons plays the national anthem, a special fee will have to be paid. I suppose that if they played the Maple Leaf Forever that would mean a perpetual tax.

It is said that the effort of this organization is to protect the performing right society, but I would ask; What about a little protection for the public, the public that has been suffering greatly under this and many other things for many years? This protective organization has been a pest to the people who provide entertainment in Canada and I repeat: What about giving some consideration to the public and protecting it from this legalized system of highway robbery which this outfit has been carrying on? It is a vicious hold-up of the public and it is the duty of the government to put a stop to it. The appointment of a commission even without salary will cost the Canadian taxpayer—this is a guess—perhaps $50,000 or $60,000 a year, just to take care of this matter. I say: It should be stopped. The only conclusion I can come to—and, in the past few years I have had a good deal of experience in regard to the activities of this organization—is that in fairness to the Canadian people throughout the country there is only one right and just thing to do in connection with the Canadian Performing Right Society, and that is to stop them doing business in Canada.

Mr. WERMENLINGER: The ground has been so well covered by those who have preceded me that I shall not delay the committee. I congratulate the Secretary of State (Mr. Rinfret) upon having introduced in this bill one of the recommendations of Judge Parker with respect to the copyright appeal board, and I also congratulate the late government, through its Secretary of State, the present member for St. Lawrence-St. George (Mr. Cahan), upon having introduced into the copyright amendment act of 1931 two subsections providing for a stay of proceedings, whereby I take it that we are now allowed to discuss this question. There are no amendments in the bill now submitted, but though I approve the principle of a copyright appeal board I should like to know whether that board will be easy of access to the small performers or licencees, allowing them to make their complaints in such a way as to secure justice. If this appeal board is to be stationed permanently in Ottawa, it stands to reason that people, from the Atlantic to the Pacific, will have to travel at their own expense to submit their complaints to the board. On the other hand, if the board were itinerant it could go from one end of Canada to the other and that would involve an extra charge upon the exchequer of the country. These are the alternatives.

The question is this: Are we going to pay just for the benefit of other countries? Every member of this house is aware that not one Canadian author, composer, arranger or publisher gets any benefit from the Copyright Act. Though I congratulate the Secretary of State on having introduced one of the recommendations submitted by Judge Parker, I must say that this will not appease the dissatisfaction which exists in Canada to-day, because out of 10,000 shares, if I may use that term, there are 9,998 that do not belong to this country; and our own Canadian authors, whether they be of Anglo-Saxon origin or French-Canadian, have no show and are not entitled to any share in the profits. There may be four or five who at one time were registered in Washington and obtained American citizenship and they will benefit to a certain extent. But as the saying is, where there is smoke there is fire, and if there is dissatisfaction and suspicion from the Atlantic to the Pacific there must be something wrong. I am not casting reflections on anybody nor am I calling anything a racket; I do not say that there is a nigger in the wood pile. I say, however, that there are thousands of small operators, hotelkeepers, theatre owners, owners of dance halls, and men of initiative who engage orchestras and bands, who are getting no consideration at all. We cannot afford to have unrest in this country at the present time. If even a small proportion of the small operators, the users, the licencees, as the Canadian Performing Right Society wish to term them, express dissatisfaction, it is not for the good of the country that their protests should be disregarded. I say that with a full recognition of the eloquent speeches which have been delivered in this house on behalf of the authors, and I am glad to see that the hon. member for Ottawa East (Mr. Chevrier) is now in his seat. When

the hon. member made his plea last February on behalf of the authors, I admit that I fell for it. But are the authors getting the money that they should get? I ask: Are they?

Mr. CHEVRIER (Ottawa): Yes.

Mr. WERMENLINGER: Well, let me tell the hon. member that I have before me correspondence which challenges that assertion. How can they get their money? The law requires and each week the Canadian Performing Right Society imposes upon the users the task of making a report of the titles and of the names of the authors, but in this correspondence I have received the writers state that they have made no reports of either titles or authors' names. Under those circumstances how can a proper distribution be made of the moneys collected for the authors? I could refer to some of these letters, but this afternoon it was mentioned that we should not quote newspapers or letters, and I shall abide by the rule even before it is enforced. But the point is: How can the authors, the composers, the arrangers, the publishers, get the amount that they should receive if no report is made of whose music was used? I thought there would be an amendment of this bill this afternoon. Unfortunately there is none. I would have suggested that a committee of this house should have studied the whole problem from A to Z, because there is dissatisfaction, and where there is dissatisfaction there is unrest.

We cannot afford at this time to have our money go without just cause to foreign countries. An analysis made in 1934 of music broadcasted or performed showed that eighty per cent of the fees in respect of our copyrighted music went to the American Society of Composers, Authors and Publishers, which has fifty per cent of the shares of the Canadian Performing Right Society. The other part of the fees being paid to the London Performing Right Society. Now, if eighty per cent goes to the American Society of Composers, Authors and Publishers and twenty per cent goes to the London Performing Right Society, which includes eighteen affiliated societies, and is where our educational music and training in music comes from, I am unwilling to believe that our money is well spent. I admit, with regard to the creation of the appellate tribunal, that it is an improvement on what the 1931 copyright amendments gave us, but it seems to me that we in Canada are giving money to somebody to take our money away. I ask hon. members to think about this matter to-morrow morning, and decide if I am wrong, because not one composer, not one author in Canada is receiving any benefit. Our composers, our authors, our arrangers, who give us some nice programs on the radio and in dance halls, concert halls, recreation halls and community halls, do not receive anything. Yet we have to pay just the same to the Canadian Performing Right Society, which is composed fifty-fifty of American authors, composers and publishers, who, by the way, were not parties to the Berne convention and were not even parties to the Rome convention. The Berne convention in 1886 had to do, I believe, with copyright. As far as I understand, the definition of copyright is this: It means the exclusive right of multiplying copies of an original composition. Try to find something else in either the Encyclopaedia Britannica or Larousse; you cannot.

Mr. CHEVRIER (Ottawa): Why does my hon. friend not look into the law? That is the place to find it, not in the dictionary.

Mr. WERMENLINGER: But in 1928, let me inform the hon. member, there was a convention in Rome, because the progress of mechanical and electrical instruments had come to the fore. Those who were organized thought they could reap more profit by taking the benefit of anything that was reproduced either mechanically or electrically. But if inventions continue to multiply as they are doing at present, the author of The Peanut Vendor and the author of Yes, We Have No Bananas will be reaping a benefit which no one in this house, no matter how hard he tries to work, can hope to equal. My point is, I think clear. I listened to the speech delivered by the original promoter of the bill, the hon. member for Kootenay West (Mr. Esling), and the speech in rebuttal by the hon. member for Ottawa East, and I was greatly impressed. But I say that the hon. member for Ottawa East has laid too much stress on the Berne convention, the Rome convention, and on what should belong to authors for the product of their genius. If eighty per cent of our money collected under copyright goes to the United States and twenty per cent goes to the London Performing Right Society with the eighteen affiliated societies, the comparison is clear and the conclusion is plain. Where does the educational music come from if not from the old country? The author of Yes, We Have No Bananas is not deserving of so much as the author of In a Monastery Garden, by Ketelby, or the waltzes of Strauss. The small broadcasters, the small performers, the small theatre owners have no option in the choice of their music. Whether they just use music written by Jean-Baptiste Lalonde or Jean-Baptiste Le-

francois, jigs and reels, they have to pay the author of The Peanut Vendor, and the authors of the jigs and reels get no reward, as the hon. member for Ottawa East says, for the products of their genius.

I wish to be fair, sir. I have no prejudice. I have heard all the arguments for and against. I have read all the newspapers, and I shall not quote one of them. I have been in that game for the last thirty years as an orchestra leader, a bandmaster and a dealer in reproduction instruments, and I know the game. But I wish to inform the hon. member for Ottawa East, who so ably and so eloquently, on January 19, presented the case for the authors, that although I believe him to be sincere and honest I cannot agree with his arguments, for this reason. Ninety per cent of the time, when an author composes one of these love ballads, he goes to work and sells outright his rights, privileges and everything. Therefore he gets no money afterwards; it goes to those who have organized so as to take these assignments.

Let me conclude my remarks, Mr. Chairman, by saying that I want justice for the publishers and justice for the men who, in a shrewd and businesslike way, have formed this lovely little bit of machinery called the Canadian Performing Right Society. If their cause is just they have my support one hundred per cent, and on the other hand I want justice for the authors, so ably represented by the hon. member for Ottawa East, so long as those authors have the courage to attend an inquiry such as that conducted by Judge Parker and make out their claims. If they do not appear at such an inquiry it must be because they are not interested, and if they are not interested it is because they have assigned their rights, boots, hats, shirts and coats. I wish to be just. Look at all the correspondence I have had in connection with this Canadian Performing Right Society. I shall not quote it, but I shall say this: If you wish peace in this country do not forget the man operating a small theatre, or the man conducting a small dance hall and employing extra help. Do not forget the man who has an orchestra. If he is threatened with a lawsuit and out of that orchestra of six or seven pieces he has to drop one man, you are putting one man out of work. I know it is too late to propose any amendment, but we should have this problem studied by a committee where we could go over the whole matter thoroughly. I should like to do that, because it is my line. We could give justice to everyone; there would be no protests and no recriminations. If any part of our population figures that it is being discriminated against we are not working for the peace and comfort that we should have in Canada. I should like to talk all night, Mr. Chairman, but I shall not do so.

Mr. GRAYDON: I had intended originally, Mr. Chairman, to make my remarks on a subject such as that now before the committee somewhat extended, but in view of the fact that at this stage of the session it seems unpopular to make a long speech—I am not so sure that it should not be unpopular at any time during the session—I shall be very brief indeed and simply bring to the attention of the minister and the committee the situation as we find it in the banner county of the Dominion of Canada, the county of Peel.

I should like to preface my remarks by saying that as far as music is concerned we in that county are vitally interested, because there we have annually the largest amateur musical festival put on in any county of its size in the Dominion of Canada. Contributions come from various sources to enable that to be done, and for that reason perhaps I may be excused for telling the committee that the people of my riding are intensely interested in the fact that at various times they have had to pay money to an organization such as the performing right society.

Without going into the legal or constitutional aspect of this matter in any way may I just point out that one of the real difficulties with which the people are faced in connection with these charges is, I believe, the fact that no one seems to know what the charges mean and where the money is going. Perhaps that might appear to be an unfair statement as far as the society is concerned. I have no desire to say anything unfair, but I have in mind particularly four halls in the county of Peel, one in Streetsville, two in Brampton and one in the village of Bolton. The organizations controlling these halls are finding it difficult to make ends meet, as most people who come from rural ridings will understand, and when the performing right society comes to the owners or managers of these halls this is what happens: In the first instance they ask for $30 from these people and finally, in connection with the Orange hall in Brampton, accept an adjustment of something like $25. Then they go to the Odd Fellows' hall in the same town and agree to an adjustment of $14.88. Then they come to the Odd Fellows' hall in Streetsville, in the middle of a dance, and suggest that $2 should be paid and finally

agree to take $10 for the year. In these circumstances perhaps I may be pardoned for suggesting that such practices are scarcely fair to the owners of the halls.

I should like to make a suggestion to the minister. I do not wish to interfere with any legal rights which may belong to the society, but after all I think, if there have to be such charges, there should be some standardized scale of fees. The average person in the country believes that if the society asks for $30 and accepts $14.88, there must be, as my good friend from Verdun (Mr. Wermenlinger) suggests, a nigger in the woodpile somewhere. It is not fair to the performing right society to have that impression abroad. That is something which should be corrected. In addition we have six of the best rural agricultural fairs in the riding. I think, so far as they are concerned, being supported largely by the people of the rural sections, and the halls being kept up by people who have great difficulty in making ends meet, it would be in the interest of all concerned if no fees of any kind were charged to either halls in rural sections or to rural fairs. I make that suggestion without going into any extensive argument, but it is something which should be given consideration. I suggest to the minister that he should make that change so that the people of the rural parts of the dominion will not suffer by virtue of the operations of the performing right society. I have no desire, nor have the people of my county, to avoid paying for something for which we should justly pay, but in the present position they feel that an injustice is being done, and therefore I bring this question to the attention of the minister.

Mr. TAYLOR (Nanaimo): Can the minister inform the committee how much a year the Canadian Performing Right Society is getting out of the country?

Mr. RINFRET: I shall note that question. I understand that hon. gentlemen want to speak on the question generally, so perhaps it might be better to finish that part first.

Mr. TAYLOR (Nanaimo): I was going to speak on this subject, but I feel that it is not the time now to go into it. This is too serious a matter to be rushed through in the last moments of the session. But I urge on the minister that this is a very serious matter and we should have a committee to deal with it in the course of the next session if at all possible.

Mr. RINFRET: I can give that information now:

Canadian Performing Right Society Limited
Statement of cash income for the period April 6, 1930, to January 5, 1935

Fiscal period ended—	
April 5, 1931	$ 17,297 76
April 5, 1932	45,616 95
April 5, 1933	54,067 84
January 5, 1934	64,207 24
January 5, 1935	113,207 98
	$294,397 77

Mr. BETTS: The remarks of my colleague from Peel (Mr. Graydon) lead me to say a few words about the amendment proposed by the Postmaster General (Mr. Elliott), with the idea of relieving fairs and exhibitions from the necessity of paying a licence fee. I am entirely in accord with the principle of that amendment, but I am not at all sure that the amendment will serve the purpose intended. As hon. members know, these fairs, great and small, from the Toronto exhibition down to the smallest county fair, serve a most excellent object. They are set up for the purpose of encouraging an interest in agriculture, of improving agricultural methods and products, and also of giving a certain amount of diversion and entertainment to a class which gets very little, that is the farmer. The Parker report made it abundantly clear that the feeling of the commissioner was that these fairs, great and small, should not pay a licence fee to the performing right society. That feeling has been expressed in other forms. For instance in Ontario the legislature has relieved all fairs and exhibitions which are conducted by societies set up under the Agricultural Societies Act, which includes every fair in Ontario—and it will be found that in other parts of the dominion fairs are set up under similar legislation—from paying any amusement tax. That provision is found in the Amusements Tax Act of Ontario, R.S.O. 1927, chapter 32, under the regulations which are part of the act, which provides that the following fairs and exhibitions are relieved from paying any tax: Canadian National exhibition, Central Canada exhibition, Western Fair Association, Royal Winter Fair, Ontario Provincial Winter fair, Ottawa Winter fair, and two annual fairs held by any society organized under the Agricultural Societies Act.

Now the objects of the various societies so organized are set out in chapter 71. I shall not read them, because time is passing and we want to get through. But I think I need not stress the fact that these fairs serve a most excellent purpose, and surely these people should be relieved from this tax.

The amendment moved by the Postmaster General is, I know, directed towards exempting these fairs and exhibitions from the payment of fees. It does that defining the term "private profit" used in the act. The amendment, if I took it down correctly, reads:

Provided that such performance shall be deemed to be given without private profit if the only fees which are paid are paid to individual performers or their agents.

I urge with all the emphasis I can that that will not have the effect of relieving most of these fairs and exhibitions from payment of a licence fee, for this reason: Most of those fairs and exhibitions, certainly the larger ones, allow concessions on their grounds, perhaps a small company conducting a side show, and the concessionaire will receive profit, which under the amendment I take it would be a fee. In other words, there will be very few fairs in which the only fees paid are paid to individual performers or their agents. If the only fairs and exhibitions which are to be exempt are those which qualify under that amendment I say that these various entertainments will be in just as bad a position as they are in now.

It is not as if the performing right society were loath to assert its rights in the courts, because it will be remembered that in 1931 this house made an attempt to do just what we are trying to do now, that is relieve the fairs and exhibitions from the necessity of paying a licence fee, and the ink was hardly dry on the amendment before the society sued the Toronto exhibition. I shall not go into the case, but those interested may find it in 70 Ontario Reports, 34. The result was that the performing right society shot a large hole through the amendment of that date. My submission is that they will be just as zealous in attacking the present amendment. I think we require something better than that. I venture to suggest to the minister that perhaps we have been adopting the wrong touchstone or wrong criterion in determining what is private profit. The point is that all these exhibitions are organized for the purpose of stimulating interest in agriculture and improving agricultural conditions in the districts in which they operate. They are not designed for the purpose of making private profit for anybody. The acts under which they are set up, the Agricultural Societies Act of Ontario, and similar acts in other provinces, provide that if there is any profit resulting from the fair or exhibition such profit shall be devoted to the purposes of the society. That is to say, the profit shall be held from one year and used the next year. But it is not private profit for any person. It may be returned to the authority, whether dominion, provincial or municipal, which makes a grant in aid. Practically all these exhibitions receive help from one governmental source or another. I submit it is not a matter of importance that some minor concessionaire on the grounds makes a small profit or that he does not, and it certainly is very undesirable that the fact that some such small operator does make a profit should render the exhibition or fair subject to licence. I move in amendment, seconded by Mr. Esling—

Mr. ESLING: No.

The CHAIRMAN: It does not require a seconder.

Mr. BETTS: That is good. I move:

That section 1 of Bill 55, an act to amend the Copyright Amendment Act 1931, be amended by substituting for subsection (viii) the following subsection, namely:

(viii) The performance without private profit of any musical work at any agricultural, or agricultural and industrial exhibition or fair which is held under or receives a grant from or is promoted by dominon, provincial or municipal authority, provided that such performance shall be deemed to be given without private profit, if the only profit accruing to the society, board, or corporation or other authority holding the exhibition or fair is applied in the furtherance of the general purposes for which such society, board, corporation or other authority is constituted, or has returned to any dominion, provincial or municipal body such grant of money in aid of the said exhibition or fair.

The amendment will protect these fairs, great and small, and I submit they have a right to protection. The hour is late, and I shall not enlarge upon my observations.

The CHAIRMAN: May I point out to the hon. member for London that there is already an amendment before the committee.

Mr. RINFRET: I was going to call that to the attention of the chair.

The CHAIRMAN: I do not think the hon. member is in order in moving another amendment, unless the one now before us is disposed of.

Mr. RINFRET: The chairman is right. My colleague has moved an amendment; the suggested amendment of the hon. member for London is an alternative one.

Mr. BETTS: Yes.

Mr. RINFRET: We cannot deal with the hon. member's amendment until we have disposed of the one before the chair.

Mr. BETTS: I shall have an opportunity to move it after the amendment by the Postmaster General is disposed of.

Mr. RINFRET: It will remain on the record, in Hansard.

Mr. CHEVRIER (Ottawa): It cannot be accepted as an amendment, because it does not amend.

Mr. RINFRET: The hon. member intends to move it after the amendment now before us is disposed of.

Mr. CHEVRIER (Ottawa): The situation would be the same then as it is now.

The CHAIRMAN: We already have an amendment. Is the amendment to clause 1 moved by the Postmaster General agreed to?

Mr. ESLING: It is regrettable that we should be kept here at this late hour. The bill went to the committee two months ago, and as we have not been swamped with legislation I think it might have been considered earlier. Notwithstanding some observations made to-night I should like to share the views of some hon. members that the work and genius of a composer are his personal property to dispose of as he pleases. It is unfortunate that Canadian authors and composers have been forced out of the picture. The only way in which they could possibly get into the picture would be through the operation of the Canadian Performing Right Society, which is not a very happy avenue of recovery. This would more properly be entitled a bill to control the operations of the Canadian Performing Right Society than an amendment to the Copyright Act.

Probably there is not a member in the house who has not received some sort of protest from some portion of the dominion against the arbitrary activities of the Canadian Performing Right Society. We may admit that such a society is necessary. There are performing right societies in England and in other European countries. Then there was the Havana convention which takes in the South American countries.

The operations of the Canadian Performing Right Society have prompted a great deal of antagonism and, as I have said, there have been protests from practically every portion of the dominion. If those complaints are justified they exist simply by reason of the fact that this parliament has made them possible because of the statute. By the same token parliament can remove the difficulties; it can remove any cause for complaint against the operation of the Canadian Performing Right Society.

As early as February, I received complaints from my district. We ought to get away from the legal aspect of the question, if we can, and get the views of the man on the street, the man who does not understand what all this means. Copyright legislation does not appeal to many of us, but this bill is a matter of real interest to every hon. member because it affects every constituency, every municipality large or small, every community in which there is a broadcasting station, a theatre, a hotel, a restaurant, a skating rink, an entertainment hall or any public place in which music is played. The Canadian Performing Right Society is simply a subsidiary of the American Society of Authors, Composers and Publishers, and of the Performing Right Society of England, with the latter of which are affiliated the various societies throughout Europe. Each country gives these societies authority to issue licences and to collect fees for the performance of music. They saw that apparently Canada was a fertile field, and the Canadian Performing Right Society was organized. What were the assets? It was simply an assignment of the alleged control of two million pieces of music. No person knows whether those who assigned them to the Canadian Performing Right Society had any title to them. That society to-day does not know to what music it has title; it could not tell you, under any circumstances. But it is quite willing to assume that everything in the air belongs to it. They continued such arbitrary actions as the issuing of licences and the collection of fees. They fixed a minimum charge of $10 per annum. They virtually said to users of music in Canada: We control from two to three million pieces of music; some time within the twelve months to follow you will use some of those pieces; we shall not be there to check you up, so we are going to charge you a minimum of $10 per annum. There was not much said about this charge. As a matter of fact, the public generally were not cognizant of the operations of the society. But they became cognizant in 1935 when this minimum charge was raised to $30.

Forget about the large restaurant or hotel in the east, but think what this means to the modest restaurant or hotel in the west. A representative of the performing right society walks in and tells the proprietor that he wants $10. He shows him a list of the cases they have successfully prosecuted. The restaurant man does not know exactly what he is paying the $10 for, but this collection is always punctuated with a legal threat. The representative comes in again and asks for $30. When he is asked why, he simply says that they have raised the rates. That is all there is to it, and if the man will not pay, they threaten to sue. Such operations do not tend to promote very good feeling. You are

required to make an application and attached to the application form or the bill or whatever it is, in many instances, are slips of paper showing the various cases which have been successfully prosecuted. Whenever authors or composers pool their works in such a society, it becomes inevitably a monopoly. This monopoly increased its rates and the result was the appointment of Judge Parker as a royal commissioner to make an investigation. To some extent, this bill is based upon the recommendations of Judge Parker.

This performing right society with its usual arbitrary attitude does not admit the right of this parliament to fix its rates or to interfere in any way with its operations. These operations are being conducted by virtue of the provisions of the Copyright Act, which permits the society to issue licences and to collect fees, and I submit that this parliament, therefore, has authority to remedy the arbitrary tactics of the society. The society takes refuge behind the fact that Canada is a signatory to the Berne convention. That may be so, but there is no obligation in that convention which delegates to this society or any similar society in another country the power to fix or regulate rates. As the hon. member for St. Lawrence-St. George (Mr. Cahan) said, the Berne convention gives the signatories all the rights and privileges of the other countries which are signatories in so far as the copyright laws of those countries govern. In other words, as has been stated before, the recognition of possession, the extension of protection and the means of redress are governed entirely and exclusively by the copyright laws of the country in which such redress is sought.

We come now to England. I must say that the Performing Right Society in England did not approve the Canadian Performing Right Society raising its rates, but the American company which practically controls the situation told the Canadian directors to put on more pressure and get more money. So the fees were arbitrarily increased to a minimum of $30. It must be remembered that that is a minimum charge, the fee being raised in accordance with the returns on the various pieces of music which are played. In the old country the rates are arranged to some extent by negotiation or arbitration, but in this country there has been no such thing as negotiation between the Canadian Performing Right Society and users of music. The society simply say: We want so much or we will sue you. Even with the arbitration and negotiation that went on in the old country, there were protests against the fees charged. Only recently the British Board of Trade made a recommendation to His Majesty's government that the British delegates to the forthcoming convention in Brussels should indicate to the convention that where excess charges are made by bodies which control a number of copyrights, legislation be brought down to do away with the copyright monopoly.

While the bill introduced by the minister may appear on its surface to have some merit, I am absolutely opposed to any further expenditure of money from the public treasury for the purpose of facilitating the collection of fees by the Canadian Performing Right Society. That is all it amounts to. This society has been so arbitrary in its actions as to require the expenditure of some $17,000 for the purpose of conducting an inquiry by a royal commissioner, and the appeal board set up by this bill will mean an expenditure of some $30,000 or $40,000 per annum.

Mr. RINFRET: Perhaps my hon. friend will allow me to correct him? The members of the board will receive no remuneration. I am presenting an estimate of $1,000 to cover expenses for the coming year, which figure is far from the figures mentioned by my hon. friend.

Mr. ESLING: I shall accept the minister's explanation. It may be that the members of this board will receive no remuneration, but they will receive travelling and living expenses. I do not think the minister believes for one moment that all the disputes in connection with hotels, restaurants and broadcasting stations will be settled in Ottawa. That is not the intention of this bill as it provides that the members of the board shall receive travelling and living expenses. To receive those expenses in connection with a federal activity is a pretty good job at any time, even without salary. In addition to the travelling and living allowances to be paid to the members of this board, there will be the fees for the experts who appear before the board. Who will those experts be? They will be the representatives of the Canadian Performing Right Society who will appear before the board to try to prove that their fees are moderate and within reason. They will be paid from the federal exchequer.

Let us look at this matter from another angle. Why should the Secretary of State not appoint from his own department someone thoroughly familiar with the act, or why should the Minister of Transport not appoint a member of his department thoroughly familiar with radio and, to be fair, appoint a third member from the Canadian Performing Right Society? In view of the fact that

this bill is intended to smooth out the wrinkles I suggest that the performing right society should foot the bill. There is no reason why one dollar should come out of the federal treasury in order to carry out the purposes of the act.

The hon. member for St. Lawrence-St.George has pretty well gone over the question of fees. No one knows anything about fees. The hon. member for Ottawa East will no doubt give us to-morrow a very full refutation of the adverse criticism made to-night, but what do we find in connection with fees? I submit that we are on very good ground when we take Judge Parker's report and any evidence submitted during the course of his investigation, and he shows that the society is collecting on the basis of ten cents for every receiving set in the dominion. If you inquire from the radio department you will find that there are about a million of which they have knowledge and a few hundred thousand more about which they do not know; you may be sure that the performing right society does not overlook any number of receiving sets, and their fees are allocated accordingly. But in the old country, instead of ten cents the fee is only 7¾ cents. What the man in the restaurant, what the man who runs an hotel or a skating rink says is this: "I have paid for a federal licence for my radio and the broadcasting station pays ten cents for every receiving set in Canada. Of what use is my radio if I must pay for the music that comes out of it?" The situation is ridiculous. If the broadcasting stations did not pay a blanket rate, the matter would be different. Take skating rinks. They can use only half a dozen records or so. They use gramophone records on which royalty has been paid, and these records are adapted to a certain rhythm for skating. They have loud speakers and they play the music over and over again. Well, they want to know why they should have to pay a minimum fee of $30 a year to the performing right society.

I would not hesitate to accord to that society every consideration in the world if there were Canadian authors or composers participating in the revenues collected by the society. As a matter of fact the society has said: "We are extending an invitation to Canadian authors and composers." Yes, they did, but only since Judge Parker submitted his report, because he said that in 1934 he could not find that one dollar went direct to a Canadian author, composer or publisher. It is true that some of them joined the society in the United States, and I know that to-day some Canadian authors are being invited to join.

I want to say one thing in conclusion. I am going to advocate that when this society goes to any man to collect $30, it should be required to present him with a list of the compositions to which it claims title. It is only since this house met that the amateur dramatic society of Toronto wanted to put on the Pirates of Penzance, and what happened? They wanted to broadcast it for seven minutes and the president of the dramatic society said: "We shall have to go to the performing right society and ascertain what we have to pay them." Well, they found that the fee was $61 for seven minutes, but the broadcasting station said no, and they put the matter into the hands of a solicitor and discovered that the Pirates of Penzance was in the public domain. The performing right society had no copyright in it. If that is done in one case, is it not reasonable to suppose that the people throughout the dominion have been generally mulcted? Those who come from the prairies know what it means for a man to put his brand on a steer that does not belong to him. There is a distinct place in society for such a man. Is there any difference between putting your brand on a steer that does not belong to you and putting your brand on music that is not your property and attempting to collect a fee for the use of it?

The CHAIRMAN: Shall the amendment carry?

Mr. CHEVRIER (Ottawa): The amendment does not carry. I am in the hands of the committee. I understood that we were to rise at twelve o'clock but I shall go on if the committee is agreeable.

Progress reported.

On motion of Mr. Mackenzie King the house adjourned at 12.10 a.m. (Saturday).

Saturday, June 20, 1936

The house met at eleven o'clock.

MESSAGE FROM THE GOVERNOR GENERAL'S SECRETARY

PROROGATION OF PARLIAMENT

Mr. SPEAKER: I have the honour to inform the house that I have received the following message:

Ottawa, June 18, 1936.

Sir,

I have the honour to inform you that His Excellency the Governor General will proceed

to the Senate chamber Saturday next for the purpose of proroguing the present session of parliament.

I have the honour to be, sir,
Your obedient servant,
F. L. C. Pereira,
Assistant Secretary to the Governor General.

AGRICULTURE AND COLONIZATION

AGRICULTURAL IMPLEMENT PRICES—RECOMMENDATION THAT INQUIRY BE CONTINUED NEXT SESSION BY SPECIAL COMMITTEE

Mr. W. G. WEIR (Macdonald) moved that the fourth report of the standing committee on agriculture and colonization, laid on the table on Thursday, June 18, be concurred in.

Right Hon. R. B. BENNETT (Leader of the Opposition): I desire to make a few observations with respect to this report. The course which has been taken by the committee is one that certainly does not commend itself to me, in view of the fact that a tariff board has been set up for the purpose of considering the very matter that has been referred to the committee and we have been expending substantial sums of money without obtaining, it seems to me, any real result. I think it desirable to make a few observations also because of the fact that in 1930 we increased the tariff on agricultural implements, and the action taken at that time by the manufacturers was, as has been represented to this house on more than one occasion, an undertaking not to increase the prices. During the period of time that elapsed from 1930 to 1935 they actually reduced the prices; in 1936 the prices were increased to the point from which they had been reduced, and I had hoped that there would have been a little clearer appreciation of and fairness to the interests upon which the west so largely rely for sustenance and support when they are bankrupt. I say that with great frankness. These western provinces are coming to the dominion, asking for money, asking the dominion to find it by borrowing from the people of the country, and then denying to industry the right that it should have to compete in its own territory upon at least even terms with those who would take its market from it.

Mr. McLEAN (Melfort): That is hardly correct.

Mr. BENNETT: It is hardly correct?

Mr. McLEAN (Melfort): It is not correct at all, Mr. Speaker, but I wanted to be polite. I knew I was out of order but I wanted to be polite.

Mr. BENNETT: Then, if the hon. gentleman knew he was out of order there is no reason why he should depart from his usual custom and be polite.

[Mr. Speaker.]

I want to point out a few facts that I think should be borne in mind by every Canadian. First, we cannot build our country if we are going to do it on a sectional basis. I referred to that the other day in connection with another matter. The Canadian manufacturers have at no time during the depression used the tariff to exploit their customers, the farmers. Why have they not done so? Because, having given an undertaking that they would not increase their prices, they have maintained that undertaking and kept their honourable word to the people of this country. Second, the Canadian prices have not been materially, if at all, higher than the United States prices despite the advantage they have in regard to mass production. Third, Canadian prices of implements, as a whole, are not higher to-day than they were in 1930, despite the small increases that took place this year. Fourth, these increases only restored, in any event, reductions that were made in 1932 when the position of the farmers was so difficult. Anyone who is familiar with agricultural conditions in western Canada and who knows the extent to which the farmer has more or less relied upon credit for the purpose of obtaining his implements, cannot help but be aware of the fact that the implement companies took enormous losses and wrote off hundreds of thousands of dollars—I am not sure that in the aggregate it would not run into the millions—because of the depression. Then in 1932 they reduced the prices and the increases of 1936 only put them back on substantially the same basis.

The fifth point is that the Canadian companies made special provision for the wheat producers when conditions were at their worst, providing cash discounts and also reducing the receivables, that is, the obligations of the agriculturists, by very large sums of money when the situation was found to be at its most acute point, in 1933. Sixth, the Canadian companies, as I have pointed out, have taken great losses in notes due and interest due and have given the greatest possible consideration to their debtors as compared with that given any other class in this country. Add to that the Farmers' Creditors Arrangement Act, and you have a situation that is not similar to that in regard to any other class in the country.

There is a seventh point to which I think attention should be directed, and it is this: In opening our markets to the large United States concerns without Canadian plants we have simply further divided the market, lessening the employment in Canada and rendering it more difficult for the Canadian manufacturer to reduce his cost of production. As to that

I think there is no reasonable doubt. Then there is a further point, the eighth point, that Canadian companies carrying stocks of machines and parts give service and extend credit to those who desire it on terms that are somewhat different from any other enterprise of which we have knowledge.

These seem to me to be compelling reasons why we should at least consider this matter on as favourable a basis as we consider any other enterprise. I am not arguing that any preference should be given these people but I do argue that they should have the same right that is accorded to others. While to others we accord an opportunity to appear before the tariff board to present their case, however, this committee now recommends that this shall be a continuing inquiry. The companies have already intimated that they desire to apply to the Minister of Finance for the opportunity to appear before the tariff board.

Mr. DUNNING: No, my right hon. friend is quite wrong. I have had no such intimation.

Mr. BENNETT: I certainly saw in the press that they proposed to ask for the opportunity to appear before the tariff board, and I remember passing down the street with one of the representatives of the companies whom I met. I asked him, "Are you going to the tariff board?" And he said, "Yes, if we get rid of this committee." That is as far as I can go. I certainly accept the minister's statement that no formal application has been made, but my understanding was that they intended to avail themselves of the offer the minister made the other day, when he said if they asked to have this matter considered by the tariff board he would permit that to be done.

Now let us look at it from another angle. Almost every other agricultural industry has some measure of protection in this country. Fruits have an ad valorem protection in the vicinity of 15 per cent. On cereals we have a protection ranging from 15 per cent to 80 per cent. Poultry has an ad valorem duty of between 15 per cent and 20 per cent. Dairy products are protected to the extent of from 15 per cent to 50 per cent, and the ad valorem duty on live stock runs all the way from 15 per cent to 70 per cent. These are the ad valorem duties dealing with farm products, and is there any member of this house who does not recall the agitation in connection with the increased duty on butter coming from New Zealand? The Minister of Finance of that day and of this day (Mr. Dunning) was compelled to give notice terminating the New Zealand treaty because the Canadian dairy farmer said he was not able to compete under the uneven terms that resulted from the imposition of so low a duty as that which then prevailed. The then government, the then minister who is the present minister, took steps to terminate the New Zealand treaty and on the very day that the succeeding government came into office the treaty was terminated.

I should like for just a moment to put this from the point of view of one who has been charged in eastern Canada, and especially in these two large central provinces, with having been unduly friendly—in the sense of giving public support—to the wheat grower. There was a time when wheat was sold in the markets of the world on a supply and demand basis, but with the support of various kinds that was given the wheat growers of other countries the Canadian position became such that steps were taken at the public expense to endeavour to improve the position of the wheat grower in this country. We have many things. In the first place we have a duty against importations of wheat from other countries, which is unimportant because we are an exporting country. Then we have the Crowsnest pass freight rates, which involve a very large sum of money per annum, being lower rates than those prevailing in the United States of America. Then we have the stabilization operations which were carried on under the aegis of the government which involved this country, on the application of the Minister of Finance, in an expenditure amounting to in the neighbourhood of $7,000,000. Further, we have the fact that last fall we fixed the price for wheat at 87½ cents, which price witness after witness has said is not an unreasonable price to have fixed for Canadian farmers. Wheat is now being sold at from seven and a half to ten cents a bushel less than the price paid for it. The Canadian people must bear the loss. I differ from the policy of the present government which makes that inevitable, but I just want to put it this way: the wheat eaters of Canada do not consume more than one-fifth of the wheat grown and sold. If by reason of the fixed price of 87½ cents that we now have we are involved in a loss of five cents a bushel, it means that the taxpayers, that is the wheat eaters of Canada, will pay a premium of 25 cents on every bushel of wheat they consume. That is what it means. And if the loss is 10 cents it means that for every bushel consumed in Canada a premium of 50 cents a bushel is imposed upon the consumers of

Canadian wheat. That is a matter of computation. I repeat, we do not consume more than one-fifth of our wheat. If it means that we have a loss of five cents a bushel, that is 25 cents a bushel imposed upon the wheat eaters of Canada, the taxpayers; and if the loss is ten cents, it means fifty cents. Now, that will amount to many millions of dollars, $10,000,000, $15,000,000, whatever it may be. I put it to the house whether it is quite fair for the agrarians in the west to say to the manufacturers in the east that they, being in the centre of the most populous part of the country, where the larger part of the wheat is consumed, shall pay an added tax burden of 25 to 50 cents a bushel for what they consume, and expect them to contemplate with satisfaction their market being taken away from them by those who are outside of Canada. Is it fair? That is my point. I leave it at that.

One word more. This country according to the last census is no longer an agricultural country. Over half our population is now in cities and towns. We have become an industrial country, and we are taking our place now as the sixth trade country in the world—last year or thereabouts. That being so, can we contemplate with equanimity a situation which, without a hearing, reduces such measure of protection as was afforded to the manufacturers of implements, who had not raised their prices beyond what they were in 1932, and whose prices were not substantially different from what the prices are in the United States of America? It is true we exported some farm implements to the United States during recent months. Why? Because with the revival of agricultural production they found themselves short of implements, and we were sending implements to them as we did to other parts of the world.

I mention this at this time only because I cannot give concurrence to a report that contemplates sending back to a committee of the House of Commons, which has never been a useful body for the purpose of studying tariff matters, a question of such importance to every part of the country as that which has been under review. When I found the report of the tariff board on other matters accepted by the minister—and I cannot recall any reports made by the tariff board since it came into being which successive ministers of finance have not accepted and crystallized into legislation—

Mr. DUNNING: Not in whole, in all cases.

Mr. BENNETT: Well, substantially that is so. What is the exception?

[Mr. Bennett.]

Mr. DUNNING: The exception is one of the reports this session.

Mr. BENNETT: To which does the minister refer?

Mr. DUNNING: I refer to the report which recommended that the government use its powers to increase the tariff when necessary.

Mr. BENNETT: Oh, that is only a matter of procedure.

Mr. DUNNING: That is a very important exception.

Mr. BENNETT: I quite appreciate that point. The point is this, that the board thought the government should be in a position where if conditions varied it could increase the tariff so as to maintain the basis upon which the recommendations were made. That is a matter of governmental policy which the government, with its expressed view of policy, of course would not adopt. But that has not to do with the point I was making. As far as tariff changes in ad valorem and specific rates are concerned I know of no case in which the rate recommended has not been adopted, substantially at any rate. That is the reason I suggest that this report, contemplating a further review by the committee, is not in the public interest.

Mr. THORSON: May I say a word?

Mr. BENNETT: Certainly.

Mr. THORSON: Might I remind the right hon. leader of the opposition that there are other than tariff matters which must be inquired into in order to carry out the investigation entrusted to the committee by the house.

Mr. BENNETT: The hon. member for Selkirk (Mr. Thorson) indicates that other matters are to be inquired into. My impression of the reference was that it was for the purpose of ascertaining whether the tariff was adequate or inadequate.

Mr. DUNNING: It did not mention tariff.

Mr. BENNETT: The discussion in this house was about prices. It was said that there had been an increase in the price structure by the implement producers which was unfair, when there had been a reduction of duty; therefore there should be an inquiry into the matter. That is how it came about.

Mr. THORSON: No, the reference is to inquire into the causes underlying the high prices of agricultural implements, with particular reference to the advance in prices in 1936.

Mr. BENNETT: But undoubtedly in operation it has meant an inquiry into tariff matters.

Mr. THORSON: That is only one of the subjects of the inquiry.

Mr. BENNETT: One point more and I shall have concluded. We had before the price spreads committee and commission under oath a most complete inquiry, which may be found embodied in the minutes of that body. The matter was gone into in great length and detail. I have no desire to limit inquiries by any body that has to do with the conduct of the business of Canada, but why multiply them, when it accomplishes no useful purpose? There is the evidence before the price spreads commission; there is the report of the commission; here is the tariff board, and if it is desired certainly the minister has power under the tariff board act to direct that the board shall extend its inquiries, make them sufficiently wide to reach the very points that the committee has in mind. I can only say from observation during my experience in the House of Commons that I have never seen a House of Commons committee deal adequately with a matter of that kind, nor do I believe in the very nature of things it is equipped to do so. That is the reason the government, in dealing with wheat, said: We will have a royal commission. The very government that now is asking this house to vote concurrence in a report which contemplates the continuance of a committee to deal with the problem of implements of production, a matter closely allied to the wheat problem, asked the house to accept the view that there should be a royal commission to deal with the wheat problem, and not a committee of the House of Commons. I certainly agreed with them in that regard, and I do yet. I have no doubt that a royal commission is better able to deal with such a matter than a committee of the House of Commons. Why have two policies, one with respect to wheat, the other with respect to implements, which have already been investigated, and which the tariff board can deal with? As a matter of fact, dealing with the question of textiles, to which reference has been made—I can only pass it by because the report has not been made—no House of Commons committee but a royal commission was appointed to deal with that. If it is desired to appoint a royal commission to deal with this matter, well and good; I can understand that. But from what one sees and from the preconceived attitude of mind of those who have to deal with these matters in a committee of the House of Commons, is there any chance of being able to arrive at fair conclusions?

I have ventured, Mr. Speaker, to make these observations, because when in 1930 we dealt with an exceptionally difficult situation and had to do something to redress the adverse trade balance and deal with other acute problems connected with currency and finance, the duty upon agricultural implements was increased to a very high point. It was increased to a high point on one understanding, that it would not involve the payment of higher prices by those who used implements. And because the implement producers kept their word and maintained their honour in that regard, I do not think it is fair, in view of our present conditions, of the contributions we have made to the wheat growers in the west and to western Canada as a whole, and of the present economic conditions in the western provinces, that we should not afford some opportunity to the implement industry to present its case to an independent, fair-minded tribunal rather than to a politically constituted committee of the House of Commons.

Hon. J. G. GARDINER (Minister of Agriculture): Mr. Speaker, it has already been pointed out by the hon. member for Selkirk (Mr. Thorson) that the reference to the committee made on March 2 reads as follows:

> That an immediate inquiry be made by the standing committee on agriculture and colonization into the causes underlying the high prices of agricultural implements, with particular reference to the advance in prices in the year 1936.

There is no direct reference in that statement to the tariff question. Tariffs of course have an effect upon the prices of products, and, as has been often said, if tariffs did not have the effect of making an increase in price possible there would be no necessity for putting them on.

Mr. CAHAN: Oh, no; nonsense.

Mr. GARDINER: It is evident to almost any one that the intention of those who advocate tariffs is that there should be an increase in prices.

Mr. BENNETT: Quite the opposite.

Mr. GARDINER: It is not my intention at this time to go into a discussion on the question of tariffs. I wish only to point out to the house in the first place, the subcommittee of the agriculture committee was unanimous and in the second place the full committee was unanimous in its findings. There was only one point of difference in the committee and that was as to whether this investigation should be committed next year to the whole committee on agriculture or whether there should be a smaller select committee. The final finding was that it should be a small select committee.

I am surprised that the leader of the opposition (Mr. Bennett) should take exception at this stage to the adoption by the house of the finding of the committee, and I am astonished at the reasons he gives for taking that position. This is the first committee of this chamber upon which I have had the privilege of serving, but I believe I can say—and in this I think all hon. members of the committee from both sides of the house will agree—that we had the full cooperation of the implement companies in the investigation so far as it has gone. Representatives of the International Harvester Company came here in numbers from their head office in Chicago; others were here from Hamilton, and there were representatives from the Massey-Harris Company. They answered in every particular, so far as it was possible for them to do so in the time at their disposal, the questionnaire which was sent out by the committee, and they made no objection whatsoever to giving their evidence to the committee. The only reason a finding of a definite nature was not made by the committee was recognized by every member of the committee, and by those who represented the companies, namely that the evidence was not by any means complete. But I have no record, and I am sure the committee has no record, indicating that the representative of any of the companies objected to giving evidence to the committee, either during this session or at the next session.

Mr. BENNETT: It has never been suggested they had.

Mr. STEWART: How could they object?

Mr. GARDINER: It was suggested a few minutes ago that while walking down the street someone had said it should be before the tariff board.

Mr. BENNETT: That is different altogether.

Mr. GARDINER: That suggestion was not made to the committee, so far as I remember the representations made by the gentlemen who appeared before it. They gave their evidence without objection, and raised no objection to the committee hearing further evidence with regard to it.

Mr. STEWART: Is that not the proper attitude of witnesses before a committee of this house?

Mr. GARDINER: Certainly it is the proper attitude.

Mr. STEWART: Is it their business to suggest that some policy should be followed other than that adopted by the government?

[Mr. Gardiner.]

Mr. GARDINER: But is it not the proper attitude for every member of this house to accept the position taken by the representatives of the implement companies as being the position that we can expect them to take before a committee at the next session?

Mr. STEWART: Certainly.

Mr. GARDINER: All the evidence available will be given to the committee.

Mr. STEWART: They would have to take that position.

Mr. GARDINER: The whole speech of the leader of the opposition presupposes that some finding will be made by the committee on agriculture that will not be favourable to the implement companies.

Mr. BENNETT: Not any such thing, nor did I say it. I will not be misrepresented by this gentleman. I made no such suggestion.

Mr. GARDINER: Well, hon. members will have within their memory the words of the right hon. gentleman, and I shall go on to deal with a few of them at length, in order to indicate to him that some such suggestion was made. In beginning his argument the right hon. gentleman founded much of what he had to say upon the statement that the western provinces of Canada were bankrupt.

Mr. BENNETT: That is not so, of course.

Mr. McLEAN (Melfort): Of course they are not any more than in other places.

Mr. GARDINER: Of course it is not so; but it has been inferred in this house on another occasion during this session, by the leader of the opposition, that the western provinces are not in a position to finance, and I think some explanation of their position is due to the house. It was also stated by the leader of the opposition that this country is no longer an agricultural country. I do not suppose he will deny that statement.

Mr. BENNETT: Yes; what he said was that this country is not an agricultural country solely, or only, or primarily.

Mr. McLEAN (Melfort): Never was.

Mr. GARDINER: I wrote down the exact words of the right hon. gentleman as he uttered them. His statement was that this country is no longer an agricultural country.

Mr. BENNETT: And followed with a sentence afterward.

Mr. GARDINER: Yes; true, he followed it by that statement. But his statement was

that this country is no longer an agricultural country. I submit that will be news to many inside and outside of Canada. This country is still an agricultural country, and while probably no more than fifty per cent of our people are actually living upon the land, the right hon. gentleman's government, while it was in power, tried in every possible way to get a larger percentage of the people of Canada back on the land, because he realized it would probably be much better for us if more than fifty per cent were still on the land. In other words, this country from that point of view is preeminently an agricultural country. Then, in addition to that, the railways which have been built from one end of Canada to the other, the ships that are plying down the lakes and canals from the eastern ports to western Canada, those who are engaged in taking supplies into every agricultural community in the dominion are, in every proper sense of the term, concerned with the development of agriculture in Canada. All those who are interested in extending financial assistance to the people across the prairies, the people in the agricultural areas of eastern Canada, the farmers in British Columbia and the farmers in the maritime provinces—all these make their living from the pursuit of agriculture in some of its spheres.

I suggest that while only fifty per cent of the people are living upon the land, at least seventy-five per cent of them owe their living directly to the fact that agriculture is pursued in Canada. And for anyone even to suggest that Canada is no longer an agricultural country, when these facts are admitted by every member of the house and every person who has made a study of the situation in Canada, is to suggest a situation which does not exist.

I was astounded, too, at the statements made to the effect that agriculture has had more consideration from the governments of Canada than have the industries for which the leader of the opposition was speaking a few minutes ago.

Mr. BENNETT: Mr. Speaker, I said no such thing, and I am not going to be misrepresented in this house in this way.

Mr. GARDINER: I am not going to take so long to make my points as my right hon. friend took, but that was the point he made.

Mr. BENNETT: It was not the point.

Some hon. MEMBERS: Order.

Mr. BENNETT: You can call "order" as much as you like.

Mr. McLEAN (Melfort): What is the point of order to which the hon. member for Calgary West (Mr. Bennett) is addressing himself, I should like to ask, Mr. Speaker?

Mr. BENNETT: Mr. Speaker, the statement attributed to me was not made. I ask therefore that it be withdrawn.

Mr. GARDINER: Mr. Speaker, the hon. gentleman argued a few moments ago that the paying of 87½ cents a bushel on wheat under conditions where only one-fifth of the wheat of Canada is consumed in Canada meant the compelling of the payment with respect to the other four-fifths by those who were consuming that particular commodity in Canada of anywhere from 5 to 10 cents a bushel; or he indicated that if it were 5 cents a bushel it would be a certain amount, if it were 10 cents a bushel it would be a certain amount, and this was assistance which was going to the farmers of Canada at the expense of all the population. He pointed over to this side of the house—I do not know why, because there are members from western Canada sitting on the other side—and called the attention of the house to the fact that western members were making certain requests in spite of the fact that they were getting this assistance from the people of Canada through the government of Canada. Well, if there was any point at all in placing an argument of that kind before the house it was to try to convince hon. members that some consideration was being given to the farmers in addition to the consideration which is being given to people in other parts of this dominion. I suggest to the hon. gentleman, when he speaks of butter coming in from Australia, that the government of Canada for years has been subsidizing boats to bring butter from Australia into Canada to compete with our farmers. I suggest to him also that the government of Canada, whether Liberal or Conservative, has since the time of confederation been assisting other lines of industry. I am standing in my place to-day not for the purpose of objecting to the assistance that has been given, but for the purpose of pointing out to the leader of the opposition that when he contends that agriculture is getting more consideration than some other lines of industry in this country—

Mr. BENNETT: I did not say that or contend that.

Some hon. MEMBERS: Order.

Mr. BENNETT: No, I am not going to permit that statement to be made. I have tolerated this long enough.

Mr. McLEAN (Melfort): Tolerated it, oh!

Mr. BENNETT: Yes, tolerated it—that is what I said.

Mr. GARDINER: Some of us think we have tolerated the hon. gentleman for quite a long time.

Mr. BENNETT: Mr. Speaker, I rise to a point of order. You had to deal with this thing the other day. No member from his place can attribute a statement to another member which he did not make.

Mr. GARDINER: Mr. Speaker, I have been following the argument of the hon. gentleman—

Mr. BENNETT: That is not the point. The question is the statement.

Mr. GARDINER: —and I think the conclusions I drew were reasonable inferences.

Mr. BENNETT: I am not complaining of conclusions. I am talking of the statement which the hon. member said was made by me, which I did not make, and which every member of the house knows I did not make.

Mr. GARDINER: What is the statement?

Mr. BENNETT: I wish to have that statement withdrawn, Mr. Speaker.

Mr. GARDINER: I would ask the hon. gentleman what the statement is that he did not make.

Mr. BENNETT: That is easily answered. The member stated—

Some hon. MEMBERS: Order.

Mr. BENNETT: Mr. Speaker, now that order has been restored, I wish to conclude. I was just observing that the member stated that I had said agriculture was receiving more consideration than was accorded to other lines of activity. I made no such statement, and I desire that statement to be withdrawn.

Mr. GARDINER: It will be within your memory, Mr. Speaker, that what I stated was that his argument led to that conclusion.

Mr. BENNETT: No, that is not what was said at all.

Mr. GARDINER: I do not think the hon. gentleman has any more right to say what I said than I have to say what he said.

Mr. BENNETT: You can make this house ridiculous, Mr. Speaker, by a little effort, but I press the matter, Mr. Speaker. Do not for a moment, sir, think that I am going to yield on this point, for I am not. I did not make the statement that agriculture was receiving more consideration than anything else, neither did I argue it. On the contrary, I argued something else. I cannot question conclusions but I can question what the hon. gentleman says I said. As a member of this house I have certain rights which cannot be taken from me very readily, and I would ask therefore that I receive at your hands, sir, those rights which you have always accorded to others.

Mr. GARDINER: Mr. Speaker, if Hansard shows I made the statement which the hon. gentleman has just now said I made, I am quite prepared that it should go on Hansard that I withdraw. But I think he will find when he reads Hansard that the statement he infers I made was not made.

Mr. BENNETT: That is just the sort of thing that brings the house into a condition that we had not long ago. If the hon. gentleman conceives that to be a withdrawal, and you accept it, Mr. Speaker, it is not for me to question it, but it is for you to determine, as the custodian of the rules and conduct of this house, whether it is a withdrawal or not.

Mr. SPEAKER: I would remind the house that there is a rule in Beauchesne's Parliamentary Rules and Forms, No. 313, page 193, which says:

> It has been formally ruled by Speakers in the Canadian Commons that a statement by an hon. member respecting himself and peculiarly within his own knowledge must be accepted, but it is not unparliamentary to temperately criticize statements made by a member as being contrary to the facts; but no imputation of intentional falsehood is permissible.

And there are references to Bourinot, pages 352 and 365. It is sometimes difficult to determine the exact words that were used by an hon. member, and different interpretations may be given. I did not understand the Minister of Agriculture to attribute motives to the leader of the opposition, and as he has said that he is willing to withdraw his statement if it was contrary to the facts, I think he should be considered to be within the rules of the house.

Mr. GARDINER: Mr. Speaker, I wish to refer again to the point raised by the leader of the opposition. I was discussing the statement that this country is no longer an agricultural country and the arguments that were based upon that statement. I should like now to deal with the first remarks made by the leader of the opposition when he took the floor. At the beginning of his remarks he sought to imply that this investigation before the agriculture committee was being carried on largely as a result of discussions

which had taken place in western Canada and as a result of requests from western members on this side of the house. In dealing with that he referred to the condition of the western provinces. This is not the first time this session that he has inferred that the western provinces of Canada are in a condition of bankruptcy, and in referring to them to-day he used the word "bankruptcy."

Mr. BENNETT: Hear, hear.

Mr. GARDINER: And now he says, "hear, hear." I should like to suggest that at least one province in western Canada has taken action to indicate to the people, both inside and outside the province, its exact position. I realize that when we look at the public debt of Saskatchewan we cannot help but see that it is of considerable proportions. I do not need to dwell upon the reasons for the proportions of this debt, but I think it is very suggestive that the greater part of it was added during the years between 1929 and 1934. At the moment I am not so much concerned about the public debt of Saskatchewan as a province, the debt which has been incurred by its government, as I am with the position of the people generally and their ability to pay as they go along and to liquidate their debts.

A great deal has been said from time to time about the condition of the municipalities in the three western provinces. I venture to say that the western provinces, and more particularly the province of Saskatchewan, will compare favourably with the oldest and most highly industrialized province in Canada, especially when a comparison of the financial positions of the different municipalities is made. When I make that statement I am not saying anything that is contrary to the facts. Inquiry was made into the debt situation of the people of Saskatchewan, and that inquiry is not yet twenty-four months old. As a result of that inquiry it was determined—I speak from memory and the figures may vary a little, but only a little—that two-thirds of the school districts in Saskatchewan had no debenture debt whatsoever, and over one-third of the school districts had no indebtedness. A condition of that kind is not so bad.

It was found also—again I speak from memory—that only 16 out of 301 rural municipalities had an indebtedness of more than $200,000. The increased indebtedness of these sixteen, and much of the indebtedness of many of the others which had a debt under $200,000, was because of the relief payments during the last four or five years.

As far as individual indebtedness is concerned, the last census showed that something in the neighbourhood of fifty per cent of the people in the province had no mortgage indebtedness against their property. I do not know that anyone is justified in getting up in this house when we are dealing with a report that has to do with the price of farm implements and stating, with regard to a province with such a record, that after all the consideration that has been given to a part of the country where bankruptcy prevails, we should not be passing the inquiry in connection with this matter to a committee to meet in a succeeding year.

I scarcely understand the argument of my right hon. friend when he suggests that a committee of the house cannot investigate a matter of this kind, at least to the stage of obtaining the facts. Publicity would be given to the evidence presented from day to day in the press of Canada; it would be broadcast over the country, and irrespective of what finding might be made by the committee, the people of Canada would formulate an idea as to what that finding should be at all stages before the committee. If the committee to be appointed next session found. after all the evidence was before it, that they could not come to a conclusion, there would still be sufficient time to refer the matter to the tariff board or to some other board that might be able to inquire further along certain lines. The tariff board certainly would not inquire along the same lines as the committee has already started to inquire.

For the benefit of hon. members who were not on the committee, I may say that in view of the intricacy of the matter referred to the committee, the house was asked to consent to the appointment of counsel and accountants in order that the necessary information might be gathered. That was agreed to. Under the instructions of the committee, the accountants and counsel prepared a questionnaire which was sent to all the important implement companies. They in turn consented to make a return. As we drew towards the end of the activities of the accountants and the counsel, it was evident that the house would conclude its session before a report could be made. The implement companies were asked to come before the committee and answer such parts of the questionnaire as it was possible for them to answer. This they consented to do. The answers to the questionnaire which had been placed in the hands of the counsel and the auditors constituted only from sixty to eighty per cent of the information asked for. The companies indicated their willingness to present the other twenty to forty per cent to a committee on a future

occasion. The committee thought it highly important that evidence should be heard at a succeeding session, in view of the fact that the companies could not be brought back this session.

According to the report of the committee, the questionnaires and the answers received have been placed in the custody of the Minister of Agriculture. The instructions of the committee are that the officials should receive the remaining replies or any other information which may be available as a result of the sending out of the questionnaires during the interim. All this information is to be submitted to the house through a committee at the next session. I do not know of any more reasonable way of dealing with the situation. I suggest to the leader of the opposition that for the time being we forget any argument we might like to present with regard to tariff matters, or any argument we might like to advance with regard to other matters, and that this report be allowed to go through in its present form. At the next session, when all the information is produced to the committee, the house will be in a position to determine whether there should be a further inquiry by a committee or whether it should go elsewhere. At the moment the committee is of the opinion, and I think it is unanimous, that the proper thing to do is to have this investigation submitted to a smaller committee to meet at the next session. That committee can receive the evidence in full and either make a report or recommend something further.

Mr. J. T. THORSON (Selkirk): In my remarks with reference to this subject, Mr. Speaker, I shall endeavour to be brief. The reference to the standing committee on agriculture and colonization was in these terms:

> That an immediate inquiry be made by the standing committee on agriculture and colonization into the causes underlying the high prices of agricultural implements, with particular reference to the advance in prices in the year 1936.

I confess that I was astonished when I heard the right hon. leader of the opposition (Mr. Bennett) oppose the adoption of this report. I thought from his argument that there was a misunderstanding in his mind as to the terms of the reference. As I see it, the tariff in its various phases is only one of the fields of inquiry that the committee should explore. Not only the tariff on the finished agricultural implements, but also the various tariffs that apply to the materials that go into the manufacture of such implements should be investigated. There is a wide field relating to the tariff that ought to be explored, but the tariff field is not the only field that is of vital concern to the farmers of this country, and when I speak of the farmers of this country I mean not only those of western Canada but also those of Canada as a whole. All of us who represent agricultural constituencies in this house know intimately the deplorable condition of agriculture at this time throughout the whole length and breadth of Canada. There are other fields of inquiry that, as I have said, should be explored. There is for example the whole question of the efficiency and the capacity of the industry which serves this country in the matter of agricultural implements. We must go into the question of capital set-up, of possible overcapitalization. We must consider the equipment of the various plants engaged in this industry, with a view to determining whether such equipment is in excess of normal, ordinary demand or is adequate to the demand that might be expected. We must also investigate the very wide spread which exists between the price of the machine at the door of the factory and the price the farmer must pay for it when it is delivered to him. The whole field of distribution of agricultural implements is one that needs to be explored. All of these are important lines of inquiry.

I have a high opinion of the tariff board, but that board is not equipped for the conduct of an inquiry of this kind. Its duty is to determine what should be the tariff to be put into effect on any particular commodity. But as I have pointed out, the scope of this inquiry is very much broader than that of tariffs alone. Nor has the tariff board either power or jurisdiction under the statute to undertake an inquiry of this sort.

I believe all the members of the agriculture committee were convinced that not before in the history of this parliament has there been a reference to a committee so involved and intricate as the subject matter of this inquiry. There must be a detailed and careful search into all the factors that enter into the cost and the present price of agricultural implements. The committee was fortunate in having the services of counsel and an accountant, and in the course of preparation for the purposes of their inquiry they prepared a most exhaustive and thorough questionnaire. Everyone realizes the value of careful and intense preparation for the prosecution of such an inquiry as this. That exhaustive preparation has been made. Copies of the questionnaire have been sent to the companies. The companies have sent their replies to the questionnaire—in some cases fairly complete replies; in others replies not quite so complete. In addition, not all the

replies that have come in to the questionnaire are wholly upon the same basis, and it will be necessary for the purposes of a continued inquiry to coordinate and correlate the information supplied by the various companies.

It is highly desirable that this inquiry should continue. It is in the interests of the farmers of this country, and of the industry itself. I believe that if it is thoroughly and properly made it will benefit both the farmers and the persons who are engaged in the agricultural implement industry, because the interests of the two groups are related. If the farmer is not able to pay, how can the agricultural implement industry prosper?

The committee approached this inquiry in no spirit of hostility towards anyone, but rather with the desire to ascertain as completely as possible the essential facts. There were no preconceived ideas in the minds of the members. There was the desire to ascertain facts, so that upon the ascertainment of the facts a report could be prepared that would be of real value to the people as a whole, both to the farmers and also to the persons engaged in the industry. The fields of inquiry are important. Never yet have they been properly explored by any parliamentary committee or by any agency instituted by parliament for the purpose. In my opinion this is the most important inquiry that parliament has had to deal with for a number of years.

I would be inclined to agree, with qualifications, with one suggestion made by the right hon. leader of the opposition. I thought he was wrong in suggesting that this inquiry should be made by the tariff board, but perhaps that error was due to a misunderstanding on his part as to the terms of the reference. However, I do agree with him that a royal commission might conduct the inquiry with greater thoroughness than could a committee of the house, whether the standing committee on agriculture or a special committee to which the subject might be entrusted. I agree with the leader of the opposition in that expression of opinion because of the involved and intricate nature of the proposed inquiry. But while a royal commission could explore the fields of inquiry that have been opened to us by the exhaustive and careful preparation that has already been made, it by no means follows that a committee of the members of this house could not make a proper and thorough inquiry. It would be difficult for such a committee to carry out the investigation that should be made in this sphere, but it is not impossible, if hon. members would devote to it, with its intricacies and its difficulties, that intense application, that careful study, and that willingness to ascertain the facts which are requisite for the purposes of a report that would be of any value.

I think there will be agreement in the house, as there was in the committee, that this inquiry is such an important one that it ought to be continued. Frankly I would have preferred to have the inquiry made by a royal commission, but next to a royal commission I would like to see it carried on by a committee of the house. I think members of this house may be trusted to give such an important inquiry the study and application it deserves. Therefore I support the motion for concurrence in the report, and I hope that in view of the statements that have been made the right hon. leader of the opposition will withdraw his opposition to the motion so that the house may be as unanimous in adopting the report as the members of the standing committee on agriculture and colonization were in presenting it to the house.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I should like to say just a word, as a member of the committee and perhaps also because of my association with the little group in this corner. We want to see as thorough an investigation as it is possible to make into this question of agricultural implements. I believe it is always difficult to get a commission which will command the confidence of all the people of the country, but having listened to a great deal, though not quite all, of the evidence, it seems to me that the matter is tremendously involved. Early in the inquiry I was greatly impressed with the very efficient work that was being done by our own bureau of statistics. I think if I had known as much about the bureau of statistics earlier as I did later I would have expressed myself as unfavourable to engaging any other assistance in order to bring out the facts in relation to this matter. However, that was done and I concurred in it because, in common with most of the members of the committee, I thought it the best thing to do.

With regard to the recommendations of the committee, Mr. Speaker, I think it is doubtful whether a large parliamentary committee such as has been going into this matter can arrive at a unanimous or nearly unanimous decision, because there are political streams which we must recognize. If the government could appoint a body that can command the respect of the producers and the people of Canada generally I believe it would be well worth while, even with the expenditure involved.

With regard to the tariff board, I think that perhaps the board has the confidence of the people of Canada to a greater extent

than such boards have had in the past; nevertheless the tariff board views a problem from the standpoint of the tariff, and, that being the case, I do not think it is altogether fitted to look into this matter as we wish to have it looked into. There are so many factors involved. When I listened to certain evidence, to which I am not going to refer because we are more or less under obligation not to do so, I could not help thinking that this is something of a tangled skein and it strikes me that the tariff board is not the body to look into questions of capitalization, the various methods of doing business, the profits as between different parts of an organization, and so on. Consequently I am going to support the motion for concurrence in the recommendations of the committee.

Mr. MALCOLM McLEAN (Melfort): Mr. Speaker, before the motion is dealt with by this house I should like to say just a few words. The hon. member for Selkirk (Mr. Thorson) has read to the house the terms of reference in regard to this matter, which apparently were misunderstood by the right hon. leader of the opposition (Mr. Bennett). The terms of reference provided that an immediate inquiry should be made by the standing committee into the causes underlying the high prices for farm implements, with particular reference to the advance in price for the year 1936. In my own mind I am sure the right hon. leader of the opposition misunderstood these terms, because he embarked on an abusive harangue to some of the members on this side of the house.

Mr. BENNETT: I rise to a point of order. I am now going to protect my rights in this house as far as I can. I direct your attention, Mr. Speaker, to the fact that the hon. member used the words "an abusive harangue," which are offensive words and must be withdrawn. It might also be well to direct the attention of hon. members to the fact that when a point of order is raised it is the duty of the hon. member who has the floor to take his seat.

Mr. McLEAN (Melfort): I shall withdraw the words, immediately and unreservedly, but I may say that it was in view of the kindly and polite way in which the right hon. gentleman addressed himself to me when I ventured to pass a remark that I thought he was under a misapprehension. If not, I am all the more surprised that he should have advanced the reasons he did advance in objecting to the motion for concurrence.

Here we have the greatest industry in Canada; it has been so for many years in the past and is likely to continue to be so for many years to come. The right hon. gentleman says the industry does not take in half the people of Canada to-day. This industry of agriculture has been sick almost to death during the past five years particularly, the years during which the policies of my right hon. friend the leader of the opposition have been in effect.

Mr. BARBER: Oh.

Mr. McLEAN (Melfort): Oh, what? My hon. friend from Toronto knows that what I am saying is the truth. He knows it in connection with the people with whom he deals.

Mr. SPENCE: I did not say a word.

Mr. McLEAN (Melfort): I am sorry, but I did not mention any name, so I do not see how the hon. gentleman can say I referred to him. At any rate, Mr. Speaker, the fact is that this great industry, the greatest in Canada, is financially sick nigh unto death because of two things principally, drought and weather conditions in one part of Canada and, for the rest, mainly the policies of my right hon. friend the leader of the opposition for the last five years. On the other hand here is a secondary industry, a subsidiary industry, which is very important to the primary industry of agriculture. It too is sick almost to death. Why any man who has the well being of his fellow men at heart and who has the well being of the primary or secondary industry in mind, should object to a searching, kindly, adequate inquiry into the causes underlying these high prices, which have made it impossible for the secondary industry to sell its goods to the primary industry, is beyond my conception.

Mr. BENNETT: Once more I rise to a point of order, Mr. Speaker. I did not object to the most searching inquiry being made; I only indicated the tribunal that should make it.

Mr. McLEAN (Melfort): I accept the words of the right hon. gentleman, of course, but let me say that he shows little faith in his fellow members of this house, which is not surprising to me because he has shown little faith or confidence in them for the past six years. He persists in reading lectures to them at every opportunity. I have listened to them and taken a great deal of pleasure out of them, because I have laughed at them within myself, and probably will continue to do so.

What does the right hon. gentleman want us to do? He wants us to stop looking at the underlying conditions with which the order of

reference asked us to deal. He wants us to get away from that point and to confine the inquiry to the question of the tariff on implements and to submit that matter to the tariff board. The right hon. gentleman knows more about that board than I do. He knows how its members were appointed; he knows the previous occupations of some of the members of that board. I am not going to mention any names, but it is well within the knowledge of members of this house that one of the gentlemen whom he placed on that tariff board was previously a valued employee, a salesman, of one of the companies that would have to be investigated. I do not say that that would affect his judgment, but I do say that it would affect—

Mr. BENNETT: I had no knowledge of that fact until now.

Mr. McLEAN (Melfort): My right hon. friend has less knowledge about the men whom he places in high positions than I should think would be desirable. I am not saying this should be held against the gentleman whom I have in mind and whose name I will not mention, for I have no desire to draw attention to him. But I do say that the farmers of western Canada who were induced to buy combines in districts where combines were not suitable or profitable, by the gentleman whom I have in mind and who is now a member of the tariff board, really could not be expected to have much confidence in the decisions arrived at by that same gentleman, knowing his bias in matters of tariff, implement companies and that sort of thing. Therefore I think the people of Canada, east and west, would have more confidence in a committee of members of the House of Commons, of whom my right hon. friend seems to have a lowly opinion as to their capacity as investigators of a question of this kind, than in the kind of tariff board that we have at the moment in Canada.

Now the leader of the opposition says that this matter should not be further investigated by a committee of this house because the implement companies should have a fair chance in their own country and their own market. That was a cry that was very popular five or six years ago—that the manufacturers in Canada should have a fair chance in their own market. The market for farm implements in this country, Mr. Speaker, is not the property of the implement companies of Canada. The farmer is the only one who owns that market. He is the one who has to buy, and to say that a few companies, employing a few men in this country, should have that market, that it should be their market, and that it is to be treated as though they had a monopoly ownership of it, is most unfair.

Then the right hon. gentleman adds that they did not raise their prices because they agreed not to do so. Well, that is a most amazing statement. I am surprised that even the leader of the opposition, little as is the knowledge he has shown in the house at times this session in connection with some matters when he has lectured us so profusely, now makes it a virtue. I am amazed that he does not know more about this question than to try to make it appear as a virtue that the implement manufacturers did not raise prices between 1930 and 1932 or 1933. Everyone knows that the only reason they took lower prices was that they could not sell their goods. I hold in my hand an official document which leads me to believe that they did not in fact lower their prices. The president of one of the companies, on the stand the other day, told us under oath that they had not lowered their prices during these years. In order to encourage sales and try to collect their money they gave a discount in addition to the cash discount. What they did in connection with collections was to give a small discount, and part of the same policy was to give a higher nominal price for wheat in order to collect more money in that way. But whereas many other companies were in a position to give and did give very large discounts, the implement companies limited themselves to something like ten per cent. I am not complaining of that at the moment, but when the leader of the opposition says they did so and so, it should be remembered that they did it because they could not help themselves. They could not raise their prices in those days because they could not sell their goods as it was.

I have been told many times during this session that the companies agreed to do certain things. I read here the words of my right hon. friend in which he says that the manufacturers of implements are of the opinion that the consumers of agricultural implements should not pay higher prices for them. And they are equally emphatic in the statement that if the Canadian market is secured to Canadian factories instead of opened to a volume of goods manufactured elsewhere they will not increase prices to consumers, with this important proviso:

> Provided the factors entering into the manufacturing costs are not increased.

The promise was not worth the paper it was written on. This promise I find was signed by seven companies. But the one large company, the company that sets the pace, the company that supplies a very large percentage of the implements in Canada, did not

have its name on this promise. And when the vice-president of the parent company, the president of the Canadian company, was asked the other day who had made the promise and in whose name it had been made to the government of that day, he knew nothing about it. When the document was looked up it was found that the name of the largest producer of agricultural implements in this country was not there.

Now I pass to another matter. I say it is necessary that a certain inquiry be held into this matter by those who are in sympathy with the needs of the primary industry, to which the secondary industry is so important. The companies during the last few years, we are told, have lost large sums because of their ventures in foreign markets.

Mr. SPENCE: Does the hon. member not believe it?

Mr. McLEAN (Melfort): That is not the point. I am glad my hon. friend asked the question. The point is that companies enjoying twenty-five per cent protection under the regime of my right hon. friend, and having the advantage of many other forms of protection, which were not of value to but were a distinct detriment to the primary industry, were investing their money elsewhere, money they had accumulated from the Canadian primary industry; and they lost it elsewhere, not by hundreds of thousands of dollars, but by the million, on this and other continents. They lost money galore everywhere. Then they come back and say that the Canadian farmer, because that is the market in which the Canadian implement manufacturer happens to be located, should be pleased to allow them all the protection that the high-minded tariff advocates of this country want to give them.

I want to say a word further about the success that came to the companies during the time my right hon. friend gave them such extreme tariff protection, protection which he himself acknowledges to-day was very high. In the four years from 1926 to 1929, when a reasonable tariff policy was in effect, the average number of employees in the Canadian agricultural implement factories was 10,844. In the four years of the high tariff regime, the regime of the leader of the opposition, the years 1931 to 1934 inclusive, the average number of employees in these same factories fell to 3,493 per annum, and the output was reduced from $40,000,000 to $5,000,000. The industry was sick almost to death financially, and it is time it was looked into and investigated by those who have the greatest interest in it. Let me quote one or two figures.

During these years with which I have just been dealing, when the number of employees fell from 10,000 to 3,400 and the production declined from $40,000,000 to $5,000,000 a year factory valuation, I find that costs of certain kinds went up very greatly. I have here a statement of one of the largest companies in Canada, giving the average cost of six implements in 1913 and 1933. Some one might say, why bring in 1913 and 1933? But the prices of farm products to-day are comparable with prices in 1913.

I find several increases in cost, some reasonable and others unreasonable. For instance, the prices of material at the factory increased 77 per cent. Productive labour increased 105 per cent. Prime cost was therefore increased by 83 per cent. But listen to this amazing item: Other factory expense increased by 505 per cent during these twenty years. Most of that increase was incurred during the period 1930 to 1934; lack of sales, because of lack of flexibility of price structure that would enable the implements to be exchanged for a comparable amount of agricultural wealth, caused such a decrease in production that other factory expense was increased by the enormous percentage of 505, against 105 per cent for labour and 77 per cent for material, or an average increase of prime cost of 83 per cent.

Another Canadian company had an increase in this item of 247 per cent as against an increase for productive labour of 27 per cent. That is very striking. I would like hon. members to bear it in mind. During the years from 1913 to 1933 for this large Canadian company the increase in cost of materials was 64 per cent; the increase in productive labour was 27 per cent, the prime cost increase was 58 per cent, but the increase in other factory expense was 247 per cent. I submit that when conditions of that kind are found, something should be done about it.

Mark you, these conditions existed and were accentuated during a time when, because of two specific conditions I have mentioned particularly, one the climatic conditions in western Canada and the other the effects of the economic and fiscal policy of my right hon. friend opposite, the income of the farmers in the province of Saskatchewan—and I will take that province only because the evidence respecting it we have had before us recently—had dropped from the high mark of $333,000,000 to the low mark of $66,000,000 between 1925 and 1931. That income of $66,000,000 is spread over a million people who had formerly enjoyed an income of $333,000,000 from agriculture alone, leaving aside their secondary production. My right hon. friend knows that the prices of implements had increased to

such an extent, in comparison with prices of agricultural products, that instead of taking 200 bushels of wheat to buy a binder, as it did in 1925, it took 1,500 bushels of wheat at the low of the 1932 crop price to buy the same binder. These are extreme figures, and I would not want anybody to think I am giving them to the house as average figures—not at all. But during those years when the income of the largest Canadian customers for the implement people was being reduced from $333,000,000 to $66,000,000 the cost of the implement was going up, in terms of goods that the customers of the implement people were producing, and in actual cost. Those costs were going up in some items at the rate of 505 per cent and 247 per cent as against a time in 1913 when the prices were comparable.

I do not think there is much more I need say at this time, except to point out that there are many factors entering into the question of cost, namely, conditions of sale, freight rate, methods of shipment, and methods of collection, which sometimes add a great deal. Then we must consider customs and valuation for duty purposes. I wonder what the leader of the opposition will say when I tell him that in the sworn evidence we found that a Canadian subsidiary of a great American manufacturing company was being charged $200 per piece more on an American tractor coming into Canada than the American selling agent was being charged. I repeat that there was an additional charge of $200 per piece on the same kind of tractor.

Mr. SPENCE: You heard the reason for it.

Mr. McLEAN (Melfort): Yes, I heard the reason. I am asking my right hon. friend what he thinks of his policy which made it necessary to have such a condition. And in addition to the increased value for duty purposes on tractors there were increases on other implements of around 13½ per cent. The present mark-up as against what the parent company charges the American company is around 6⅔ per cent. That is something which I am sure the committee will be interested in looking into at the next session if a committee is appointed—and I hope it will be. Six and two-thirds per cent is too high to-day, but what do we think of 13½ per cent and 25 per cent, amounting to $200 on a tractor sold in the days of the régime of the leader of the opposition?

What did that mean? It simply meant that the Canadian company was not able to make a profit at the prices they charged the farmer on goods they sold those farmers. Those very products were made by the owners of the same parent company; they were made in one country. But my right hon. friend's administration which was so much embarrassed for money in those days was content to see those profits stay in the country to the south of us where a foreign government was collecting taxes due to them; it was content to see the Canadian company struggling along without making as much profit on these particular items as it would have made if it had not been for these charges for duty purposes.

We are told that the companies lost much money under these conditions. Of course they did. With a flexible production and an inflexible price structure I do not see how those companies could avoid losing money, and they will probably continue to lose money until the time comes that they are able to sell their product at a lower price in relation to the prices received by their customers for what they have to sell.

There is one observation I should like to make here before passing on, and that is as to the opinion expressed by the leader of the opposition that the agriculture committee has never been a useful body in respect to tariff matters. That is his opinion, and he is entitled to it. But I do not think he sat in on the agriculture committee to listen to the discussions. I would say that probably never in this house has a committee worked with a more sincere desire to obtain the truth first. Perhaps some of us looked for one thing and some for another, but the desire of the committee as a whole was to learn the truth in order that they might know how this question might best be approached. We cannot get at the truth by lowering the rate of duty on one particular line of implements. Back of that line it is important to know how much protection, how much privilege and how much added cost to the consumer of those goods in Canada went into the factories and machinery that built this implement, that went into the homes and into the cost of living of the man who had to produce it. I do not mean to say that those men working in Hamilton or Brantford are too highly paid for making implements; I do not suggest they are overpaid, but I do say that the cost of their living—not the standard of living—in this country, and particularly in the last five years, has been too high in comparison with the purchasing power of the people to whom they sell their products. That has resulted from the fact that for many years many artificial charges have been loaded on to everything that has been done in connection wtih the living which these men are able to obtain from their work in the plant. It is

added on to the clothes that they wear, the roofs that shelter them, the furniture that surrounds them and everything that goes into their mouths. Everything that they use has been loaded up with undue costs, and that is passed on to the machine they turn out or any other wealth they produce. It could not be otherwise. The loaded cost or, as the manufacturers describe it, the added burden, is passed on to the primary producer who simply cannot pay these prices and compete with other people in the world market, where his competitors are free from such high costs. The attitude of the committee which has just made its report was to try to learn more about these things in order that they might more intelligently weigh the facts.

There are two large companies in Canada, and we are led to believe that they are not in good shape financially, and that something must be done for both of them before the situation can be improved. But when the leader of the opposition says that the agriculture committee has not been a useful body—

Mr. BENNETT: I did not say that.

Mr. McLEAN (Melfort): I took down his words at the time. These are the words he used, "The agriculture committee has never been a useful body in respect to tariff inquiry matters." That is what he said.

Mr. BENNETT: That is different altogether.

Mr. McLEAN (Melfort): I said that a minute ago, and he denied it.

Mr. BENNETT: That is not correct.

Mr. McLEAN (Melfort): There are many other matters in addition to direct tariffs which must be inquired into. There must be tariffs back of many articles which have led to an accumulation of costs, and that is a condition which must be investigated.

Dealing with the agriculture committee the right hon. gentleman referred to the preconceived attitude of mind of those who deal with such matters on the committee, and he went on to read the lesson that the committee could not deal with the matter fairly because of that preconceived attitude of mind. I want to tell him that the members of the committee, as a composite body and as individuals, are more open-minded, to say nothing of their intelligence, than some of the appointees he made to the tariff board to whom he would have this matter referred.

I just wish to add one word in answer to the statement of the hon. member for Rosetown-Biggar (Mr. Coldwell). I am glad to see he is supporting the motion, even if he had to support the leader of the opposition to a certain degree in connection with the tariff board. He said that the tariff board has the confidence of the people to a greater extent than any previous board has had their confidence. That is a matter of opinion, and he has a right to express it. I do not want to go into detail in the matter, but I would say that within the past few months the people of Canada have shown whether or not they have confidence in the tariff board as at present constituted.

In conclusion, Mr. Speaker, I would say that this inquiry, which was commenced but not completed because of lack of time, should be carried on by those who are sympathetic and know something of the difficulties of the primary industry, and who are inclined to look without prejudice upon a secondary industry that is most important to the primary industry. The inquiry should be committed, in short, to those who will carry on the sort of investigation which the agriculture committee has carried on. It is a matter of record that the implement people who came before us assured the committee that they were highly pleased with the courtesy and consideration and kindliness with which we endeavoured to get the information that was desired. There was no misunderstanding. They were asked to give certain information, and a great deal more information will no doubt be required. But as to the manner of securing the information that was placed before the committee, the implement people expressed themselves as highly pleased. I have great pleasure in supporting the motion.

Mr. DAVID SPENCE (Parkdale): Mr. Speaker, it is unfortunate, when the Prime Minister (Mr. Mackenzie King) and other members of the house have been trying to conclude the business of the session, that we should lose so much time having to listen to a tirade of abuse from a member of the agriculture committee, one of the worst kinds of political speeches that we could hear at this stage of the session.

I am quite satisfied that the committee were sincere in their viewpoint, but their viewpoint was different from mine in many instances. I do not criticize the committee for that. We started to investigate the price of farm implements, which meant implements all over Ontario and all over Canada, and finally we wound up with nothing accomplished, nothing but talk about Saskatchewan, Dakota and Montana. That is all that was talked about. On two or three occasions highly technical men from the departments

gave us lectures that I do not think five per cent of the committee understood, and in the end we wound up by sending out questions to the farm implement people, who told us they thought they would not be able to answer them for two months, and so the work of the committee was held up for a considerable time.

I am of the opinion that an investigation is not needed at all. I am not in favour of these royal commissions. All they do is spend money and the only result is that we are poorer and poorer. We had the International Harvester people before the committee and the evidence they gave was satisfactory. No one can doubt that Mr. Russell of the Massey-Harris Company gave his evidence in such a way that only a suspicious mind could come to any conclusion other than that the Massey-Harris Company were doing their very best for the farmer, and doing a great deal more than they were getting credit for. He showed that the losses in the farm implement business were very heavy, and that bad debts were very heavy. That is one of their great difficulties, that they have to get the money somewhere. It is like going to a specialist on one particular disease. My friend might go to one and take so long that he would be charged $1,000, while I, because I am poor, might be let off with $100. The same sort of thing applies in the farm implement industry. They have to try to make up their losses through bad debts; they have always got to figure that in their overhead.

Some hon. members should get a training in the business world and then they would be better able to criticize men in the business world. The wheat industry is not the only industry in the world. I am sorry it was interfered with, and it would be better off if it had not been interfered with, but the only way to get it back to where it should be is to make up your minds to play square with the consuming public and give the buyers in Great Britain and elsewhere a square deal —give them what you are purporting to sell to them, without mixing grades and deceiving them. There is too much interference in business.

Mr. McLEAN (Melfort): Hear, hear.

Mr. SPENCE: You want to be a Mussolini, a dictator, like you did on the committee.

Mr. McLEAN (Melfort): I have no desire to prolong the proceedings, Mr. Speaker, but my hon. friend has just done the very thing of which his leader complained so bitterly a few days ago. He has called me Mussolini, and I know that he will be pleased to withdraw that remark.

Mr. SPENCE: I should not have used the word, and I apologize, but will anybody say that my hon. friend did not try to be a dictator on the committee—I think that is parliamentary, Mr. Speaker. I did not intend to insult the hon. member, for whom I have a great deal of regard.

I was saying that these investigations only mean a waste of public money. We started our investigation on March 17 by selecting a lawyer, whom I am not going to criticize, but who acted like a police court lawyer when it came to getting evidence. We also selected an accountant, a high type of man, I assume, and we have spent a lot of money, probably $15,000 or $20,000, but what have we accomplished? I admit that the recommendation we made was the only one we could make under the circumstances. We had to compromise. We could not do other than recommend a continuance of the investigation. I was personally opposed to a royal commission because I thought it would cost too much money. I have to make every dollar I get and I do not like to see money wasted.

I say without fear of contradiction that only a man with a suspicious mind would think that the implement people were not giving this country a square deal. As a matter of fact I believe the implement people are getting the worst of it.

Mr. McLEAN (Melfort): We never said they were not.

Mr. SPENCE: But the inference was that something was doing something to somebody. Evil be to him who evil thinks.

Mr. BENNETT: I did not care to interrupt the hon. member for Selkirk (Mr. Thorson) in his very moderate and courteous observations, but perhaps I might now answer his question by referring to the statute. What I had reference to was subsection 5 of section 4 of the Tariff Board Act:

> It shall also be the duty of the board to inquire into any other matter or thing in relation to the trade or commerce of Canada which the governor in council sees fit to refer to the board for inquiry and report.

Mr. JOSEPH NEEDHAM (The Battlefords): Mr. Speaker, as a member of the standing committee and having attended, I think, every meeting, I am amazed at the turn which this discussion has taken. We were not able to finish our inquiry into the price of implements and make a complete report to the house, and it is likely that

another price list will be given out by the implement manufacturers before the inquiry is completed. That is the sad part of it. We have heard a great deal about Saskatchewan and the west, and the condition in which they are placed because of these things. In the district I represent I do not think five per cent of the farmers have a full equipment of efficient machinery. That has been the condition during the last four or five years. The situation was so serious that they did not know what to do regarding further investments, with the prospects that lay before them.

I was amazed to read a little while ago that the prairie provinces from 1900 up to the present time produced $12,500,000,000 of new wealth; that is equal to $1,000,000 per day. And yet we find these people in the situation they are in to-day. We must remember that if western Canada suffers, the rest of the dominion will suffer with it. Our interests are theirs, and on behalf of this group I wish to express our concurrence in this report.

Motion (Mr. Weir) agreed to.

At one o'clock the house took recess.

The house resumed at three o'clock.

WRECKS IN ONTARIO WATERS

On the orders of the day.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, I desire to ask a short question of the Minister of Marine (Mr. Howe) with reference to two wrecks which occurred yesterday in Ontario. One was at Amherstburg, where the steamer Tashmoo, with 1,100 passengers, had great difficulty in making shore, and the other was at Brockville, where the steamer Kingston was damaged. Is it the intention of the minister to have the wreck commissioner hold an inquiry under the act?

Hon. C. D. HOWE (Minister of Marine): I have asked the officers of my department to investigate both these matters. If an inquiry is called for it will undoubtedly be held.

NIAGARA RIVER SHOAL

On the orders of the day.

Mr. H. E. WILTON (Hamilton West): Will the minister look at the conditions on the Niagara River, where there is a big shoal three miles long, and large steamers are running over it? It is partly in American waters and partly in Canadian.

[Mr. Needham.]

COPYRIGHT AMENDMENT ACT

AMENDMENT WITH RESPECT TO FEES, CHARGES AND ROYALTIES, AND TO CONSTITUTE A COPYRIGHT APPEAL BOARD

The house resumed from Friday, June 19, consideration in committee of Bill No. 55, to amend the Copyright Amendment Act, 1931—Mr. Rinfret—Mr. Sanderson in the chair.

The CHAIRMAN: When the committee rose last night we were discussing section 1.

Mr. RINFRET: Before we proceed with the discussion of the section, I desire to say a word or two with regard to a remark made by the hon. member for Kootenay West (Mr. Esling) before the house rose at one o'clock. The hon. member has been very accommodating, and my observation is made in a friendly spirit and is, I hope, courteous in relation to his view of the matter. The hon. member said that he thought this matter should go before a committee before the house passes upon it. May I remind him and other hon. members that there is no subject upon which so many committees of the house have sat as that of copyright. We have had them from year to year and from session to session. Besides that, there have been two inquiries, one by Mr. Justice Ewing, which was held in 1931, I believe, the other one by Mr. Justice Parker, in 1935.

I repeat that the object of this bill is neither to redraft the copyright bill, nor to abolish it, as some hon. members, to judge from their remarks, seem to think, but to regulate the matter, and only on the points that have been touched by the inquiry of Judge Parker and his commission. The recommendation is for an appeal board. In other words, the inquiry that my hon. friend wishes to have continued by sittings of a new committee of the house can be made before that appeal board. Representations from both sides can be made to that board, which will sit from year to year. But I say again that it is urgent that we adopt some legislation before parliament prorogues. We cannot continue in the undecided state in which the whole question is at the present time.

Yesterday, Mr. Chairman, and very properly so, because there was no discussion on the second reading, you gave quite a leeway to the various speakers to deal generally with the question in discussing the first section. I understand that the hon. member for Ottawa East wishes to speak to this matter. I am sure the committee will give him the same latitude that was given to the hon. member who spoke yesterday. But once that is done the committee, I suggest, should be ready to

proceed with the two sections of the bill, and as they are very clear, we can deal with them in an orderly but expeditious way.

Mr. CHEVRIER (Ottawa): In these the dying hours of the present session it is not my intention to traverse all that was said yesterday in the three hours during which we listened to speakers on the other side. I have no hesitation in saying that at least nine-tenths of what was said last night was absolutely irrelevant to the issues now before us. What we are confronted with is the bill in committee. The bill is divided into two clauses. There is an amendment to clause 1 which I shall speak about in a moment or two. At the outset I desire to say that this bill was more or less called for by reason of the legislation which was enacted by the previous secretary of state. It would have been very much better if that legislation had not been enacted at all. In that event we should not have been faced with the conditions that now confront us—a most difficult situation, not for the performing right society as such, because I am not concerned with it as a performing right society, but for the authors.

This bill is not a bill for the performing right society. This is a copyright bill, and so long as we continue to misunderstand the purport and intent of the bill, so long we shall face the difficulties that we experience at this moment. The copyright law is not for the purpose of protecting some society; it is for the purpose of affording that rightful protection to which authors are entitled by law. I said it had been called for by the legislation that was passed by the former secretary of state and upon which Judge Parker's report was initiated. It would have been very much better if that investigation had not taken place in the manner in which it did. We are not concerned here with the control of the performing right society, because it was on trial before Judge Parker, and nobody in that instance received any measure of justice. The authors got no justice and the users of music got more than they were entitled to.

I say at the outset that this bill, when enacted, will have the result, by giving effect to section 1, of making clear the statutory permission to infringe copyright in flagrant contravention of an international agreement and in defiance and violation of authors' personal rights, and, by giving effect to section 2, of establishing and fixing rates interfering with the collection of fees, again in violation of an international agreement and in defiance and violation of private rights; and thirdly, in an endeavour to meet an isolated case, namely that of the performing right society—which, by the way, is a very bad way of legislating, from the particular to the general—of inflicting heavy and unjustifiable hardships upon innocent bystanders, all of which, again, is in flagrant violation of an international agreement and in defiance of private rights.

Time will not allow me fully to go, as I should like to have done, into the question of law, but I gravely doubt whether this matter could not have been achieved, and the present situation remedied, by a procedure altogether different from the creation of an appeal board and inflicting upon authors the restrictions which are again inflicted upon them. I should have been satisfied to make an endeavour to reduce the restrictions that were placed upon the authors, but apparently it never rains but it pours, and now I am faced, in an endeavour to remove the difficulties that previously existed, with an amendment conceived for the purpose of making more onerous the inflictions upon the authors, through the extension of the unwarranted privileges that are now being accorded to industrial fairs. First we had this provision giving agricultural fairs the right to use the music of these composers without obtaining their permission and without paying fees. Now we find that is not enough, that up to the moment the composers have not been sufficiently ill treated, that in their greed some people have insisted that industrial fairs now must have the same privileges. If this sort of thing continues there will be nothing at all left for the authors.

I should like to point out also, Mr. Chairman, that up to the moment there has been no definition of an industrial fair, and if this amendment passes and becomes law it will provide another subject of contention, as to what constitutes an industrial fair. We will not only be faced with the situation that existed up to the time the Canadian National Exhibition was sued by the Canadian Performing Right Society in order to determine what was private profit; the situation will be made even more complicated. In that case the court decided what private profit meant. Now we are to extend the law and inflict further restrictions upon the rights of the authors.

I wonder if hon. gentlemen really appreciate the position of an author. This morning the right hon. leader of the opposition said that protection existed for practically everybody in industry, and he mentioned the fruit growers and others who were protected. With that I have no quarrel, but it seems that in Canada the only one who is not protected

is the Canadian author. May I cite what the honorary secretary of the Canadian Authors' Association says:

> The basic fact of all the feeling against the performing right society (and against the composers and authors for whom it acts) is that the public has not yet realized that composers have both moral and legal right to be paid for their work, and next, that (with the sheet music and gramophone records for private use practically superseded by talkies and radio), the only means they have of getting paid is through performing rights.

Now by this amendment covering industrial fairs, to this further extent we desire to deprive the authors of their rights.

I am going through my notes rather hastily, Mr. Chairman, but yesterday we were told what copyright was. Well, the copyright with which we are concerned is not the copyright as defined by Webster's dictionary or any other encyclopaedia; copyright is defined in terms of the law and section 3 of the Copyright Act says:

> For the purposes of this act, "copyright" means the sole right to produce or reproduce the work or any substantial part thereof in any material form whatsoever—

Then paragraph 2 of article IV of the convention of Berne says:

> The enjoyment and the exercise of these rights shall not be subject to the performance of any formality; such enjoyment and such exercise are independent of the existence of protection in the country of origin of the work.

I say, Mr. Chairman, that the amendment exempting industrial fairs unduly takes away from the rights of the authors. In this matter we are not at all concerned with the performing right society. That society has nothing to do with the rights of the authors, in regard to letting their works be used for fairs, whether they are under the control of the dominion, the province or the municipality. Why in the name of common sense should a composer be forced to allow his music to be played gratuitously at any agricultural fair under the dominion, province or municipality, or at an industrial fair? Why, Mr. Chairman, the peanut vendor is paid at these fairs; everyone makes money at these fairs except the author. The farmer makes money; he is protected, but the author is not protected. I do not believe there would be any fairs if there were no music. Everyone is prepared to pay all those who have anything to do with the fair except the author who provides the very first requirement in order that the fair may be held. I do not think the point needs to be elaborated to show how illogical, how uncharitable and, I might even say, how unlawful that is.

[Mr. E. R. E. Chevrier.]

While I am on this point may I say that in taking this step we are not only dealing with Canadian authors. Under the terms of the convention of Berne a large number of authors living in such countries as France, Italy, Belgium, Switzerland and many other countries are protected in Canada. If I had time I could easily proceed to show that while we in this country have the right to treat our own nationals in any contemptible way we may wish, the law of the land is that we cannot treat nationals of other countries in the same way. We can do what we like with our own people; we can be as mean as we wish towards them, but if we act in that way towards authors belonging to nations other than Canada we do so in flagrant violation of the convention of Berne. If proof of that statement were needed I could go back to 1921, when the licensing clauses were under consideration. The then Minister of Justice, Mr. Doherty, decided that the licensing clauses placed in our law could be operative only in connection with our own nationals and not in connection with the nationals of other countries who were protected by the convention of Berne. So I submit that by taking this action we are not showing respect for an international convention in which we have participated. We are told that this does not amount to very much, that the authors will not lose very much in the way of fees by exempting these small fairs. But, Mr. Chairman, may I point out that at page 42 of the Parker report 278 fairs are listed in the province of Ontario.

I have not time to go through the whole of the report or to traverse everything that was said last night, but most hon. gentlemen who spoke then stated that the fees charged were exorbitant. I am not concerned with whether it is the performing right society or any other society that collects these fees. These are the fees of the authors and composers, and I say we have not the right to place this further hardship upon them. For the time being the Canadian Performing Right Society is the duly constituted agent of a certain number of authors, and they have the right to collect their fees.

Mr. BETTS: Will the hon. member permit a question?

Mr. CHEVRIER (Ottawa): Last night I listened with great patience to every speaker on the other side, and time is now so limited that I hope they will extend to me the same courtesy that I extended to them.

The rates were stated to be $5 to $30 a day; I say it is not so. The Parker report shows that no such fees as $30 a day were exacted. But if they had been I say it

was perfectly all right, because after all those would have been the fees the authors would have asked, and if people do not like to pay for music why should they have it? If they do not want to pay for a fur coat why should they get it? After all, my property is mine and if anyone wants to use it he should pay for doing so. Although hon. members say the performing right society gathered in the fees, the evidence will disclose that none of the small fairs operate for more than a day or two; even if they paid $5 a day for two days it would amount to only $10, so that at no time is there any such amount charged as was stated last night.

I am sorry I have not the time other hon. members had, but if I had and proceeded to show what the Canadian National exhibition in Toronto gathered in in the way of fees and what they paid for the privilege of using this music, hon. members would be astounded. The society submits that a fee of $982 for the use of music at the Canadian National exhibition during 1935 when the total attendance was 1,444,000 is prima facie evidence that the fee is fair and reasonable. It is also established in evidence that large sums are paid annually by the Canadian National exhibition to the performers of music. There was spent on bands in some years I think $35,000 or $40,000. In 1934 the bands got about $15,000. There was a definite understanding that Rudy Vallee would get somewhat less than $30,000 for two weeks. I could continue that ad nauseam but I do not think I should insult the intelligence of the committee by further argument that the authors have a perfect right to ask what they think right for the performance of their music. If they choose to select the performing right society or any other society to represent them for that purpose I care not. If the performers desire to use the music they should pay what the authors ask; if they do not want to pay, then let them not play the music.

May I point out also that there is a public demand for this music. The author is protected during his lifetime and fifty years thereafter. Every day a tremendous amount of music falls in the public domain which may be used free, and not only music but all kinds of artistic and literary work. Why do not those who use this music take that which they can have free? But it is with them just as it with moths; you always find the moth in the nicest piece of fur, and you always find these people trying to get the latest music and paying nothing for it.

Now that is in relation to clause 1. Under the terms of the Berne convention and under the terms of the Copyright Act we have no right to take the music of any Canadian author, or of authors of any of the other nations adhering to the Berne convention without paying proper fees. I submit that it is a further spoliation of the author's rights to enact this amendment into law.

I should like to proceed with the other feature of the bill, that which has to do with fees. The explanatory note to the bill reads thus:

"10c. In March, 1935, His Honour Judge Parker was appointed a commissioner under subsection 2 of section 10 of The Copyright Amendment Act, 1931 (hereby repealed) and under the Inquiries Act, to investigate and report whether the Canadian Performing Right Society Limited or any other society, association or company proposed to collect excessive fees. The commissioner submitted a report which, inter alia, recommended the appointment of a copyright appeal board and also recommended modifications of the tariff filed with the minister by the Canadian Performing Right Society Limited in January, 1935. The act, chapter eighteen of the statutes of 1935, provided for a stay of proceedings pending the receipt of and action upon the commissioner's report. This section is designed to enable the governor in council to provide for the revision of the tariffs filed in January, 1935, in the light of the recommendations contained in the commissioner's report and also to prevent the recovery of fees or damages in excess of the fees prescribed by the governor in council.

Here is a piece of legislation directed against one society. As a result of the investigation that took place into this society, and followed by the Parker report, we now have general legislation affecting everyone that may be in the same position, every society, every company, all who may deal with performing rights, whether rightfully or wrongfully, whether they charge proper fees or whether they do not, whether their business was investigated or whether it was not—all will be subject to this iniquitous legislation. I say that proceeding from the particular to the general is as bad a way of legislating as could possibly be conceived.

If I speak of the performing right society I do so for two reasons: because it is the collecting agency for the composers, and because any fair-minded member of this committee is interested in justice. Let me point out that you can legislate against this society; you can legislate it out of existence if you like, but by doing so you would be depriving the musical composers and authors of what is at the moment their only collection agency. But notwithstanding that, you cannot compel authors and composers to accept fees that this committee or anyone else may desire to impose. You can do as you please with that society but you cannot fix the fees

to be received by composers, whether nationals or those outside Canada. That is the situation. I have a telegram from John M. Elson, secretary of the Authors' and Composers' Association of Canada, protesting against this legislation. He says:

Meeting executive Authors and Composers Association of Canada Doctor Healey Willan presiding following resolution was passed on motion Sir Ernest MacMillan: We desire as representing authors and composers throughout the dominion to protest strongly against passage of Bill 55. This measure we feel distinctly contrary provisions Berne convention and will react unfavourably against Canadian authors and composers whose works may be performed in other countries. Authors, composers, publishers appeared before Parker commission but our evidence seems to have been ignored judging by page 46 of Judge Parker's report and terms of Bill 55.

Those two statements are true:

We request you to delay this measure for further consideration.

Appropriating to myself the words of a Canadian musical publisher and composer, I say that no other country in the world, not even the most barbarous, has treated the rights of its authors and composers as Canada proposes to do under this bill. Whether or not it is against the letter of the Berne convention it is certainly against the spirit of it. The memorandum addressed to the Prime Minister states:

The curtailment of the rights of foreign authors and composers in Canada is bound to react unfavourably upon the rights of Canadians in foreign countries. This was the case in connection with the mechanical royalties which Canadian authors and composers struggled so long to acquire. If this bill is aimed particularly at the Canadian Performing Right Society, would it not be better to control the society in some other way rather than by imposing hardships on Canadian authors and composers?

Is not that a fair request, Mr. Chairman?

Copyright is a property right vested in creators of intellectual work and as such should be subject to the same laws of supply and demand as any other commercial commodity. Compulsory charity is not relished by Canadian authors and composers. Other property owners are not compelled to hand property to a charitable organization.

Is there any place in Canada where a Sunday school organization may ransack a bakeshop to get supplies for a Sunday school picnic to be held to-morrow, because it is for a charitable purpose? Is there any place in Canada where a person can go into a retail store and take goods, clothing and provision for the upkeep and maintenance of the needy, simply because it is for a charitable purpose? Is not this property just as sacred as any other?

[Mr. E. R. E. Chevrier.]

The world's best music is free to all users. Mendelssohn, Handel, Schubert, Beethoven, are free to all. While the performing right societies control the majority of present-day copyright works they have by no means a monopoly. The music users might create their own music.

There are a number of other observations which could be made along the same line.

Coming back to the proposed change in the law, may I place on record subsection 2 of section 10, under which the investigation took place:

Whenever in the opinion of the minister, after an investigation and report by a commissioner appointed under the Inquiries Act, any such society, association or company which exercises in Canada a substantial control of the performing rights in dramatico-musical or musical works in which copyright subsists, unduly withholds—

Who will say that they unduly withheld? We have had an investigation, and it has been stated that they did unduly withhold. Why should they not withhold? Why should I not have the right to withhold my musical composition? It is not something like insulin; it is not something which could be classed as a necessity of life. Music is not a necessity of life. It is not the object of public utilities corporations, as are telephone or steamship lines. Why not withhold? It is suggested that if I do not wish to let my song be played anybody can come and take it over, and pay what he wishes, and I must let it go. Then the section continues:

... or proposes to collect excessive fees—

Why be so arbitrary? I cannot determine for myself what the fees shall be, but have to be kept within bounds by a guardian who will look after my fees. It continues:

—or otherwise conducts its operations in Canada in a manner which is deemed detrimental to the interests of the public.

Can anybody by any construction, say that the withholding of a piece of music from public performance or otherwise is detrimental to the interests of the public? Yet that is the law. But what I want to point out is that the law as framed to-day affects the performing right society and every other society now doing the same thing in the same way in Canada. May I point out that in addition to the performing right society there are French societies which control a certain number of titles, and the former Secretary of State is not without knowledge of them. For instance, one of the largest societies now doing business in France and Canada is La Société des Auteurs, Editeurs et Compositeurs de Musique. That society, doing business in France and Canada, was never the subject

of the investigation. Yet by the operation of this act that company has to go through every one of the things iniquitously prescribed, in violation of the convention of Berne, in violation of our own statutes, and in defiance of property rights. Those other companies have to do that. I cannot help the inflicting of the direct punishment upon our own societies, even to our own disgrace, but I do say there is an international statute which ought to be respected and which is not being respected by this law, nor was it respected by the former law.

May I say a word about the findings of the commission. The most important problem before the Parker commission was the determination of what would be a fair tariff or fee. In the first place there was no legal right to go into that matter. The report states:

> It is a fair assumption that the present tariff of the Canadian Performing Right Society Limited was made higher because of the expenses incurred in persuading a public that was often unreasoning and ignorant of the society's legal rights to purchase a licence.

I, the author, who owned the play or composed the music or wrote the work, have to suffer because the public was ignorant.

> The demand for payment by the society was regarded as an unjust imposition, and the music user honestly believed that the author, composer or publisher was not entitled to any payment for his performing rights.

If the public were ignorant to that extent, does it mean that this committee must inflict punishment upon authors because of the ignorance of the general public?

> Due to the very nature of the intangible right possessed by the society, it is most difficult, if not impossible, to determine what is a fair fee.

Notice the unfairness of all this.

> The society, however, is not in as good a position as the broadcasting stations themselves to determine—

Substitute the words "author and composer" for the word "society," because the society is the collector. Then we say that "the author and composer is not in as good a position as the broadcasting stations themselves to determine what part of this gross should be contributed by the various stations in Canada, and it was suggested by one of the witnesses, who was closely connected with broadcasting, that an association of the various stations could best determine what each station should contribute." Is that a fair statement? Is it fair to go into a store and say, "I know better than the merchant does what he should charge for his wares. If he does not want to take what I offer, I have a right to appropriate it unto myself." Then, with regard to theatres they say:

> The commission is of opinion that the 1935 tariff is excessive.

I am not concerned about the performing right; I am concerned only about that which is due to the authors. That is the only way in which it can be collected. May I say right here and now that if this attitude is continued and if the pious or expressed wish of the gentleman who spoke last night is that of putting the performing right society out of business, I do not care if it does, but if they do put it out of business then I ask hon. members to notice the chaotic condition into which you will throw the authors and users of music. There will then be no one to whom one might go in an endeavour to make a bargain or to procure rights to perform. All people who operate hotels, theatres, music halls and the like who have to pay fees from time to time will be driven to finding out who the authors and composers are and endeavouring to make bargains with them. Just imagine what the condition will be! Instead of dealing with one corporation in Canada you will have to try to find out the name of the copyright owner in Canada, and what if he happens to be not in Canada but in Switzerland? If, without his authority and consent his music is used, then so long as the law remains as it is and so long as the rights are still preserved for him, he may invoke the law for infringement of his copyright, and one can readily appreciate how difficult it will be to secure the consent under such conditions. It simply means that if this is to be pursued the whole organization will be broken down.

Mr. ESLING: Probably a good thing.

Mr. CHEVRIER (Ottawa): Probably a good thing, the hon. gentleman says, but then he is driven to the situation I have just explained, and may heaven help him then, because if he wants to obtain by proper legal means the right to perform music or a play, he will have the obligation put upon him to find out the copyright owner, and probably the author. I know that my hon. friend has too great a sense of justice to want such a situation as that to exist. May it not be that there is some nefarious influence at work for the purpose of wrecking this society and every other such society in order that some people may unduly appropriate to themselves that which does not belong to them and perform it without paying any fee.

We heard yesterday that this was a racket. I am not concerned with the word racket. I

am concerned only with the one racket which some people are establishing in another attempt further to strip the composer of his rights through the amendment that is being proposed. Let me tell you, Mr. Chairman, that the author in Canada is placed in a tremendously difficult situation. He has to enter into competition with such companies as Famous Players Canadian Corporation. Let us see what obstacles there are in his way. Nobody mentions this, nobody presents the counterpart of the difficulties of the author and composer. Let us see who is directly opposed to the author. Let us see who is the one who is trying to take unto himself without any payment the works of the author. The gross earnings of Famous Players Canadian Corporation in 1935 were $1,788,000, and the current assets of the corporation $2,000,000. We have all these other corporations, which time does not permit me to mention, leagued together in an endeavour to get every possible drop of blood out of the author and composer and pay nothing for it in return. We have all these other concerns on whose behalf Colonel Cooper has been so continuously active to take away by all conceivable means from Canadian authors and composers every bit of revenue they might possibly obtain. Let us see what his activities are in connection with this matter, and I mention this to show what authors and composers have to suffer. On November 16, 1935, shortly after Judge Parker had made his report, Colonel Cooper wrote to a Mr. Hess, one of his New York correspondents, the following letter, which appeared in the Ottawa Journal of March 26, 1936, and in the Ottawa Citizen of March 31, 1936:

> The agitation for the royal commission and the investigation under the royal commission have occupied a good deal of our attention for nearly two years and I am glad to have it behind me. We still have to get an order in council through at Ottawa implementing the report. After that will follow some amendments to the Copyright Act in the next session of parliament.

That is what Colonel Cooper says. That is the way in which the rights of Canadian authors are recognized by the general public.

May I again point out, what I stated before, that in one of the reports of the committee it was shown that $90,000 was paid for rentals, $65,000 to the performers, and $20.24 for fees for the music. There was $20 odd paid to the authors and $150,000 for rentals and talent. I have here a reply from Mr. Paine, of New York, in answer to a telegram of mine:

> If an artist of Rudy Vallee's importance performs an evening of Irving Berlin music, ten songs in the broadcast, which goes over a national hook-up of fifty stations, according to figures given me by National Association of Broadcasters, Irving Berlin would receive fifty cents for each station or twenty-five dollars for his contribution to the success of broadcast, Rudy Vallee would receive three thousand dollars or more for his contribution, and the broadcasting station would receive seventy-five hundred dollars, approximately, for its contribution. This indicated disproportion of receipts by creator of the musical works and inadequacy of his remuneration, for without him in the first instance the program could not have been given.

That is true, Mr. Chairman, all along the line. Without the music in the hotels there would be less food consumed; there would be no dances; there would be no circus without music. And yet the fiddler, the man who plays the music, the dancers and the entertainers and everyone else are paid.

The CHAIRMAN: I must inform the hon. member he has spoken forty minutes.

Mr. RINFRET: I do not think we should continue on the same lines all the time. Every copyright discussion in this house and in committee has always brought forth an exposition of both sides of the question. But there is one point to which the hon. member for Ottawa East (Mr. Chevrier) alluded in his very striking although not true picture of the situation to which I should like to refer. He mentioned Rudy Vallee performing an evening of Irving Berlin's music. Now, I wish to make a complete distinction between a performer being paid for a personal appearance and a performing right being paid to a composer. When Rudy Vallee appears in person the people want to see him and hear him in person, and they will come no matter what music he sings. Irving Berlin is in a different position. He might get a smaller amount that night than Rudy Valleee got for performing his music and making a personal appearance—I do not know whether the figures are correct—but do not forget that probably at a hundred different places Irving Berlin's music was being played that night, in hotels, at the theatres, in dance halls, everywhere, and I believe very strongly that Irving Berlin made more money that night than Rudy Vallee. As a matter of fact Irving Berlin is a very wealthy man, and if you want my personal opinion of Rudy Vallee, high priced vaudeville artist, and Irving Berlin, the composer of much jazz music, I think both of them are very much overpaid.

Mr. WILTON: Mr. Chairman, having already spoken on this question it is not my intention to take more than a few minutes in reply to my hon. friend from Ottawa East (Mr. Chevrier). But first I want to compliment the minister (Mr. Rinfret) upon his explanation in reply to the statement that

hotels and entertainment places could not be run without the performing right society. I do not think I ever heard such nonsense in my life, and I commend the minister for straightening that out.

Throughout his address the hon. member for Ottawa East has stressed the point that his whole effort is to protect the authors. Well, Mr. Chairman, the performing right society does not aid the authors one iota. I understand that the authors do not benefit from the activities of the performing right society to the extent of one single penny. Canadian authors do not get one penny of the money collected by the performing right society. A large number of the authors of musical compositions sell their works outright and have no further financial interest in the matter. A large number of the authors of musical compositions for which this organization collects reside in the United States. The whole thing can be summed up in just a few words: It is a yankee doodle racket which is playing Canadians for suckers.

The hon. member says that this is detrimental to the authors, but I would point out that it is detrimental to the public, and when I say the public, I mean the taxpayers. The activities of this organization have forced the government to spend money on royal commissions, and the government is being forced to spend still more money on the creation of a board to regulate this piratical organization. Much stress has been laid upon the protection of the author, but as a Canadian I am interested in protecting the taxpayer. That should be the object of every hon. member of this house and every loyal Canadian, especially when the authors are not benefiting from this organization to the extent of one single penny.

Mr. TAYLOR (Nanaimo): Mr. Chairman, upon inquiry last night from the minister I learned that for the fiscal year ending January 5, 1936, approximately $113,000 have been collected by this Canadian Performing Right Society Limited. It seems to me that this whole system is entirely wrong. The efforts of genius, whether they be expressed in inventions, discoveries, compositions or in any other way, are in the public domain the moment they are placed before the public. Patent rights and copyrights have been instituted in order to enable the responsible people to make more profit over a certain limited period of time. Eighty years ago a patent had a life of fifty years, to-day its life is under twenty years. The term of copyright is continually being reduced. The productions of composers and authors should be in the public domain; for that is where they belong.

I admit that we should respect the Berne convention and any other convention to which we are a signatory, but the government should eliminate the collection of fees by the performing right society. A flat rate could be given to the society by the country and we could have done with all this nonsense of people going through the country suing the small theatres and individual performers. I think this could be done for a flat rate of less than $100,000. I assume the company's costs of collecting $113,000 would be twenty per cent. The government could set aside $10,000 a year for the first few years to pay Canadian composers according to the number of times their productions were played over the radio and by performers throughout the country. In that way we could develop music in the country and as the venture proved its success, we could increase the amount to the point where we would have some real cultural development in Canada.

Mr. BETTS: Mr. Chairman, last evening I moved an amendment to section 1 of this bill which was ruled out of order. In a moment I intend to move a subamendment to the amendment of the Postmaster General (Mr. Elliott). In reply to the eloquent plea of the hon. member for Ottawa East (Mr. Chevrier) for the rights of the authors and composers, I must say that I would have been more impressed with what he had to say if he had told us how many Canadian authors or composers are members of this association.

Mr. CHEVRIER (Ottawa): Seven.

Mr. CAHAN: In that case they must have come in within the last month or two.

Mr. BETTS: They were not members at the time of the Parker inquiry. I am speaking on behalf of all the agricultural and industrial exhibitions in Canada, and I should like to point out the results of this licence fee, as disclosed in the evidence taken before the Parker commission. The evidence of Mr. John A. Carroll, superintendent of agricultural societies in the Ontario government, is to be found at page 1306 of the evidence. He pointed out that some 292 fairs were conducted under his supervision in Ontario in 1934. These different fairs were in receipt of legislative and municipal grants. No effort was made to make a profit, but if a profit was made, it was devoted to the improvement of agricultural conditions in the community or returned to the municipality or the province or the dominion government which had made the grant in aid. He went on to enlarge on the excellent work that these fairs were doing, and I do not think I need to elaborate that.

I would remind hon. members who come from rural ridings of the helpful activities carried on by these fair associations through the years. There are boys' and girls' clubs and the fair comes along as a sort of day of achievement. The youngsters come to the fair with the animals they have been attending or with whatever exhibits they have to offer. They find out what is going on in other parts of the district and they have a most cheery day. The band plays, which is a good thing. If there is any class of people who get the minimum of relaxation and cultural advantages, it is the people in the farming community.

Mr. Carroll went on to give instances which had come to his notice as superintendent of these societies where those in charge of the fairs were deleting music from the program because of the licence fee being demanded. Many of the smaller fairs are carried on entirely through voluntary efforts. The directors are not paid and much of the actual manual labour is done free of charge. The horticultural societies in the district may scrape together a little money to hold a fair and if they want some music they are forced to pay a fee to this performing right society. This society has a very wide outside field in which to work. There are the hotels, the public dance halls and similar places, and it should leave these educational and instructive country fairs alone.

The hon. member for Ottawa East referred to the contemptible way in which we treat our own nationals, and he spoke of the greed of the exhibitions and fairs, as I remember, and used the word "uncharitable." I should like to remind him of some of the remarks made by Mr. Jamieson, the president of the Canadian Performing Right Society Limited, when in the witness box before the royal commission. He was asked as to the basis of the fees charged and how he conducted his tariff making operations when it turned out that those from whom a fee was demanded were unable to pay it. His answer in effect was that that was something for them to worry about; that was their business—if they could not pay the fee they could do without the music. I think the words he used were that the society was in no way concerned with the ability of the music user to pay. That will be found on about page 198 of the evidence. Later he said there were no Canadian authors or composers in the membership of the society because the Canadian authors and composers were too greedy.

I have to agree with the hon. member for Ottawa East when he says that this legislation is actually an interference with private rights, but we have heard the principle expounded in this chamber time after time that although private rights must be preserved throughout the country as far as possible, when private rights conflict with public rights, to a certain extent private rights must yield. When that was expounded in the course of the past week or so I think it was put something like this: There may be, there undoubtedly are, times when private institutions view matters exclusively from the point of view of their own shareholders and investors, and private interest becomes contrary to public interest. At all such times the public interest should be made to prevail. Music, when it is controlled by a monopoly, is in a sense a public commodity, just as transportation is, or bread, or coal, or any other necessity. The hon. member for Ottawa East says that music is not a necessity. But it is pretty close to becoming a necessity, and it is an extraordinary situation, when we spend large sums of money training the young people in our schools in an appreciation of music, if we do as is done in Ontario in connection with these fairs—exempt them from payment of the amusement tax in respect of the admission fee, and then permit this performing right society to crack down on them and deprive a number of the small fairs of the right to have music. Therefore I am going to move an amendment to the amendment, in the following terms:

That the proposed amendment be amended by striking out all the words after the word "only" in the seventh line thereof and substituting the following: "profit accruing to the society, board, corporation, or other authority holding the exhibition or fair is applied in furtherance of the general purposes for which such society, board, corporation or other authority is constituted, or is returned to any dominion, provincial or municipal body which granted money in aid of the said exhibition or fair.

Just to explain the purpose of that amendment, may I state that it would leave subsection 8, which is the subsection defining private profit, as follows—perhaps I should explain that the purpose of the subsection is to exempt from payment of a licence fee any performance without private profit, which the subsection goes on to define:

The performance without private profit of any musical work at any agricultural or agricultural and industrial exhibition or fair which receives a grant from or is held under dominion, provincial or municipal authority, provided that such performance shall be deemed to be given without private profit, if the only profit accruing to the society, board, corporation or other authority holding the exhibition or fair is applied in furtherance of the general purposes for which such society,

board, corporation or other authority is constituted, or is returned to any dominion, provincial or municipal body which granted money in aid of the said exhibition or fair

As I said last night I am entirely in sympathy with the purposes of the amendment of the Postmaster General, but I fear that it will not accomplish its object, because it limits its definition of "performance without private profit" to cases in which the only fees which are paid are paid to individual performers or their agents. My submission to the committee is that a bandmaster cannot be properly called an individual performer. His very function militates against that description. He is a conductor. And if you limit the exemption to cases in which the only fees paid are those paid to individual performers, you will have every fair which employs a band and pays a bandmaster subject to a successful action by the performing right society, who have proved themselves among the keenest litigants and defenders of their rights in the courts that we have seen for some time in Canada. Therefore I ask the members of the committee to vote for the subamendment. With all deference I must express my fear that the amendment will be a mere gesture to protect those fairs and societies, whereas the subamendment will be rockbound.

I would remind hon. members of the committee that this question is not clouded by party issues; that they will be going home soon, and when they get back, if they have not protected the local fair from the payment of this licence fee, they need not expect the old brass band to be out to meet them.

Mr. RINFRET: I regret I cannot accept the subamendment. I do not jump at that conclusion; it is the same point my hon. friend wanted to make last night. I wish merely to point this out, that in this bill we wanted to give a definition of a fair where there is no private profit, and that is in accordance with the act of 1931 and also with the recommendation of Judge Parker. What my hon. friend now proposes is that even when there is a profit, but the profit accrues to the fair, it should be exempt from copyright. I do not think that would be in the spirit either of the recommendation of the judge or of the act of 1931, but would introduce an altogether different principle. Therefore I would ask the committee not to accept the subamendment but to accept the amendment.

Amendment to the amendment negatived.

The CHAIRMAN: Shall the amendment to section 1 carry?

Mr. CAHAN: Before we proceed there are one or two matters I wish to point out. I was awaiting the hon. member for Ottawa East; I did not know he had concluded his address.

In the first place, when musical compositions began to receive copyright there was no question of licensing the performance of musical copyrights. The publishers of music bought the copyright from the author and published the music and distributed it at a price for each sheet of music. That was the return which publishers obtained in compensation to them for their publication and for the prior payments which they had made to the composers of the music. When the Copyright Act as it now exists was first enacted by the British parliament, and then when certain clauses of it were enacted in 1921 by this parliament, the provision with regard to the infringement of copyright and the performance of musical copyright was adopted and remains the same in Canada as it exists in England. I desire to read section 26 of the Copyright Act of Canada, which I think is taken verbatim from the English copyright act:

26. (1) Any person who, without the written consent of the owner of the copyright or of his legal representative, knowingly performs or causes to be performed in public and for private profit the whole or any part, constituting an infringement, of any dramatic or operatic work or musical composition in which copyright subsists in Canada, shall be guilty of an offence, and shall be liable on summary conviction to a fine not exceeding two hundred and fifty dollars, or, in the case of a second or subsequent offence, either to such fine or to imprisonment for a term not exceeding two months, or to both.

That is the provision in the statute of 1921 dealing with and providing penalties for infringement of musical copyright. But the exception made in England, which was adopted by statute in Canada, was that the performance in public for private profit only should constitute an infringement of the copyright of a musical work. Therefore there must be private profit in order to constitute an infringement, and since then the question has arisen as to what constitutes private profit in connection with fairs and educational institutions. The minister has introduced an amendment to the existing legislation, which I assume has been framed by the law officers or at least approved by them.

Just a further word. There can be no infringement by a public performance of a copyright musical work unless that performance is for private profit, and this definition of private profit, providing as to when it applies, which is embodied in the proposed amendment, I am prepared to accept because

I am not prepared to present any argument against it at the present time. But I should like to remind the hon. member for Ottawa East that he has confused the former Secretary of State with the parliament of Canada. He has repeatedly stated that the copyright act of 1931 was enacted by the former Secretary of State, and I should like to remove from his mind any such misapprehension, because the Secretary of State has no power of enactment. A bill was introduced. It was referred to a committee of this house, where it was studied for weeks, and many witnesses were called. The whole matter was thoroughly investigated; a report was made thereon and the bill was reported with certain amendments by a majority of the committee. I grant that the hon. member for Ottawa East was a dissenting member of that committee, but the bill then passed this house almost unanimously, with the exception of the vote, I think, of the hon. member for Ottawa East. It was then passed on to the senate, who again referred it to a committee. It passed the senate and received the endorsement of His Excellency the Governor General. So it is hardly fair to the former Secretary of State to suggest that an enactment passed in the ordinary course is an enactment by the former Secretary of State.

The hon. gentleman has also stated that this bill is a flagrant violation of the copyright convention and a defiance of public rights. Last evening I quoted from the report of a committee of the House of Commons in England, which I believe to have been unanimous, and that report appears on Hansard. It was referred for the consideration of the Board of Trade in England and that government department obtained the opinions of experts. Only recently the reports of the experts were considered by a special committee of the department, which reported to Right Hon. Walter Runciman, president of the Board of Trade, on November 21, 1935. This committee does not discuss the question whether legislation such as is here proposed is within or without the terms of the Rome convention, but they do insist, whether it is within or without, that at the ensuing meeting of the copyright union at Brussels, which was to take place in September of this year, the position of the British government should be made clear in this way, and I quote from the report:

117. We have taken account of the findings and recommendations of the select committee of the House of Commons on the musical copyright bill—

From which I read last night—

—and we recomend that a proposal be put forward for the addition to article XI of the following two paragraphs:

[Mr. Cahan.]

(4) Each country of the union may, by its national legislation, provide for the regulation of the exercise of any of the rights covered by this article in respect of musical and dramatico-musical works in any case in which any person, or any body of persons, owns or controls such rights in respect of so great a number of such works that such person or body of persons is able to, and does,

1. impose unduly onerous charges or conditions for permission to exercise any such rights, or

2. unreasonably refuse to grant any such permission; but no such legislative regulation shall prevent the payment of an equitable remuneration for any dealing with such works in any of the ways covered by this article,—

That is, the amended article of the convention of Rome that is to be proposed at Brussels.

—such remuneration to be fixed, failing agreement, by the competent authority in the country concerned.

(5) For the purposes of the preceding paragraph, a musical or dramatico-musical work shall be considered to include the combination of music with any words so closely associated therewith as to form part of the same work.

Then the report proceeds, in paragraph 118:

We further recommend that, in the event of the non-acceptance at the Brussels conference of the principle underlying the provisions proposed by us, the United Kingdom delegates should be instructed to make a reservation or declaration to the effect that His Majesty's government consider that this country is free to enact such legislation as may be considered necessary in the public interest to prevent or deal with any abuse of the monopoly rights conferred upon copyright owners by United Kingdom law.

Mr. CHEVRIER (Ottawa): Will the hon. gentleman read paragraph 119 also? It says:

We would add, however, that our recommendation should not be taken to imply that we think that such legislation is called for in this country.

Mr. CAHAN: Quite so.

Mr. CHEVRIER (Ottawa): The hon. gentleman did not read that.

Mr. CAHAN: My hon. friend did not give me time.

Mr. RINFRET: This committee found that the rates in England were not excessive, but they wanted this provision in case the rates should become excessive. I may say they are much lower than the fees asked by the Canadian Performing Right Society.

Mr. CAHAN: I was proceeding to give the quotation in full and the explanation with regard to it. It was due to the fact that the rates have not been raised in England, and the performing right society in England has conformed to public requirements and by amicable arrangements from time to time has dealt with the public interest so that the

exorbitant rates demanded in this country have not been demanded there. But in view of the possibility of rates being so raised in England the government of the united kingdom have taken preliminary steps to make it clear that if such exorbitant rates are demanded legislative action will be taken there, as this parliament is requested now to do.

Mr. CHEVRIER (Ottawa): Subject to the approval of Berne.

Mr. CAHAN: I beg pardon, no. They say if Brussels does not agree they will make a reservation—

Mr. CHEVRIER (Ottawa): But we have not done that yet.

Mr. CAHAN: That is not necessary. They make the clear, clean-cut statement that their delegates shall be instructed to make a reservation or declaration to the effect that His Majesty's government consider that their country is free to enact such legislation as may be considered necessary. The British government desired that there should be no confusion in regard to the matter.

One thing further. I do not intend to descend to the sort of platform argument that my hon. friend suggested is applicable to this case. He made the suggestion that a producer of musical copyright has the same right to ownership of his product and the sale of his product as the farmer who produces potatoes. Granted. We have done nothing in this country to interfere with Canadian authors of music or composers, and not one of them while I was Secretary of State made any such suggestion to that department. Furthermore, there are other societies, foreign societies, which conformed to the requirements of the law. The French society has so conformed and not a complaint has been received from them, and until I left office not a complaint had been received from the public of Canada with regard to their operations in this country.

But let me refer to the case of a grower of potatoes. If I grow potatoes I have a perfect right to keep my potatoes in my cellar and not sell them for a price. But if some company is organized in this country which purchases the entire product of over 2,000,000 producers of potatoes and then fixes a price for the product which is beyond the capacity of consumers to pay—

Some hon. MEMBERS: Hear, hear.

Mr. CAHAN: —how long do you think the parliament of Canada would allow the operation of such a super-monopoly as that to continue? That is similar to the case we are now dealing with. We are dealing with a quasi-criminal attempt to exact excessive fees and charges from hotels, from broadcasting companies, and from every café or restaurant which uses music. We are not abolishing the right to receive compensation. This bill, which the government has introduced simply places it in the power of and imposes the duty and responsibility upon an independent body now to be created to ascertain in each case whether the price asked is equitable and just or whether it constitutes an undue exaction.

I am glad to know that at last there have been found four or five or six Canadian authors who since this last investigation was made have been induced to join the Canadian society. I assume that the literature which has come to me, some of it most extravagantly abusive, so that I regard it as a breach of the privileges of this house that it should be sent to a member of parliament, emanates from the three or four Canadians who by some means have been induced to become identified with this society. I can only hope that they enjoy the pleasure of sending this anonymous correspondence to members of parliament and to former ministers. I simply say to them that as far as I am concerned it does not affect my temper in the slightest. This Canadian Performing Right Society, which, despite all that is stated by the hon. member for Ottawa East, is the only society at present in Canada that is prejudicially affected, and it has for four or five years been defying the parliament of Canada, by stating that neither the government nor parliament dare regulate its proceedings. They are not acting on behalf of the authors of this country or on behalf of the authors of any other country. They are not mere agents to receive fees for the authors. Ninety per cent of these musical compositions are owned by publishers, and have been so owned since they were first published. It was only when the objection was made that they did not really represent the authors that they undertook as a subterfuge to grant a certain portion of their receipts to the authors of the musical works concerned. This society stated in the evidence which came before the committee of which I was chairman that the rights of these authors and publishers had been transferred to it, and this legislation deals only with a society which has acquired musical works and deals in the acquisition of musical works and in the licensing or granting of licences for the performance of such works in Canada. As the law now stands and as re-enacted in this bill it applies to:

10. (1) Each society, association or company which carries on in Canada the business of acquiring copyrights or dramatico-musical or

musical works or of performing rights therein, and which deals with or in the issue or grant of licences for the performance in Canada of dramatico-musical or musical works in which copyright subsists, shall, from time to time—

Two facts must concur before this statute applies. First, the society must acquire the copyright of the musical works, and then it must proceed to deal with the licensing of such works. I suggest that this company, incorporated under the laws of this country, incorporated here in order to obviate certain obligations which would apply in case it was not incorporated here, has to submit to such legislation as the parliament of Canada enacts within its legislative jurisdiction.

I do not intend to pursue the matter further, no matter what objection may be taken, except to say that in the course of the examination of Mr. Jamieson, the president of the Canadian Performing Right Society, before the committee of which I was chairman, he had proceeded to cite a decision of the English court to the effect that copyright is a privilege or monopoly right conferred by statute, and in regard to that I questioned him as follows:

Q. It is a monopoly or privilege conferred by statute upon an individual owner or author?
A. Right.
Q. But you—your company is a super-monopoly. In your company—thirty thousand men have joined together and vested in your company the right to deal for the whole thirty thousand, so that when, in the ordinary course, a broadcasting company approaches you, you say, "Our terms for the use of the works to the number of two and a half million or three million of these thirty thousand authors are granted to you wholesale, for a certain price which we fix." Now, that is new. That super-monopoly, or combination, which you represent is a combination of two million five hundred thousand little monopolies which are created by statute. We do not want to interfere with the author, we do not want to prejudice the author; but we do desire to arrive at some mode, or method, by which we can regulate this super-monopoly of performing rights, which, by virtue of an international combination, is not found in any other trade?
A. We appreciate, sir, all that you have said; but let me make one point: We must associate in order to protect.

I wish to add to that observation the fact that even under the international convention of Berne, revised at Rome and now about to be again revised at Brussels, the author who is a national of one country has only the rights which are specifically granted by the convention, and the rights which are accorded him by the domestic legislation of any other country which is a member of the union. There is not one line in the Rome convention which authorizes either a combination of authors or the fixing of prices by such a combination or, in fact, the fixing of prices by an individual author in violation of domestic legislation.

Amendment agreed to.

Section 1 as amended agreed to.

Section 2 agreed to.

Bill reported, read the third time and passed.

WAR VETERANS' ALLOWANCE ACT

CONCURRENCE IN SENATE AMENDMENTS

Hon. IAN MACKENZIE (Minister of National Defence) moved the second reading of and concurrence in amendments made by the senate to Bill No. 27, to amend the War Veterans' Allowance Act.

He said: The amendments will be found at page 525 of votes and proceedings for Friday, June 19. They are not contentious.

Motion agreed to; amendments read the second time and concurred in.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR BOARD OF DIRECTORS—CONCURRENCE IN SENATE AMENDMENTS

Hon. C. D. HOWE (Minister of Railways and Canals) moved the second reading of and concurrence in amendments made by the senate to Bill No. 21, to amend the Canadian National-Canadian Pacific Act, 1933.

He said: These amendments are of only minor importance. There are eight of them. The first is a technical correction; the second is a substitution of words; the third, fourth, fifth and sixth make it perfectly clear that no officer or director of the company can obtain more than one salary from the railway, which agrees with the views of the government, and the seventh and eighth provide that the appointment of auditors shall be by resolution of the senate—

Mr. BENNETT: Joint resolution.

Mr. HOWE: Yes, joint resolution of the Senate and the House of Commons, instead of by resolution of the House of Commons, as previously.

Motion agreed to; amendments read the second time and concurred in.

COMBINES INVESTIGATION ACT

NON-CONCURRENCE IN SENATE AMENDMENTS

The house proceeded to the consideration of a message from the Senate insisting upon its amendment to Bill No. 97 to amend the Combines Investigation Act.—Mr. Mackenzie King.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, the amendments made by the senate to the bill to amend the Combines Investigation Act are set forth at page 528 of the votes and proceedings of this house for yesterday. The purpose of the clause which has been deleted by the senate is merely to place the investigating commission, under the Combines Investigation Act, in the same position in respect to documents produced during an investigation as that of a royal commission investigating under the Inquiries Act. So far as I know no one has suggested that a person who is required by a royal commission to produce documents is being subjected to proceedings which are contrary to the traditions of British law. Yet the purpose of such royal commission may be, and frequently is, to seek out wrong doing of a type punishable by fine and imprisonment.

Until amendments of last year prevented the effective use of this power equal to that exercised under the Inquiries Act, the Combines Investigation Act contained no provision limiting the use of documents produced in an inquiry at any subsequent trial. To-day documents obtained under the Inquiries Act can be used in a subsequent trial of the person who produced them, but under the Combines Act they cannot be so used.

Section 4 of the Inquiries Act reads as follows:

> The commissioners shall have the power of summoning before them any witnesses, and of requiring them to give evidence on oath, or on solemn affirmation if they are persons entitled to affirm in civil matters, and orally or in writing, and to produce such documents and things as the commissioners deem requisite to the full investigation of the matters into which they are appointed to examine.

Under section 11 of the Inquiries Act the commissioners may be authorized to appoint and depute any qualified person to exercise these same powers and otherwise conduct any portion of the inquiry.

There appears to be no good reason why investigations under the Combines Act should be hindered and the act itself rendered practically valueless by this obstacle in its provisions which was placed in the act last year, an obstacle which does not impede investigations under such statute as the Inquiries Act.

In the Natural Products Marketing Act, passed in 1934, Part II gave to the minister, his authorized representatives, and to committees appointed to investigate matters of excessive price spreads, all the powers of a commissioner appointed under the Inquiries Act. Under the marketing act persons receiving or attempting to receive excessive spreads in natural products to the detriment of the public are guilty of an indictable offence. Yet the marketing act does not provide that a document required to be produced in an inquiry shall not be admissible in any subsequent trial of the person who so produced it. Neither do the security frauds prevention acts which are in force in various provinces of the dominion. The Ontario Security Frauds Prevention Act of 1930, section 10, contains provisions on this point as follows with regard to investigations by the attorney general or his authorized representatives "to ascertain whether any fraudulent act, or any offence against this act or the regulations has been, is being, or is about to be committed." I quote:

> No person shall be entitled to claim any privilege in respect of any document, record or thing asked for, given or produced on the ground that he might be incriminated or exposed to a penalty or to civil litigation thereby, and no evidence given shall be privileged except under the Evidence Act or the Canada Evidence Act.

Nova Scotia, Quebec, Alberta and British Columbia have passed acts for the prevention of security frauds, which contain identical or similar provisions. Various other acts which include provisions authorizing investigations, such as the Ontario Milk Control Act of 1934 and the Quebec Electricity Commission Act of 1935, provide that witnesses may be required to produce documents, but do not limit the use of such documents in any trial.

Under the Tariff Board Act of 1931, the governor in council was authorized, by section 4, subsection 4, to empower the tariff board to hold any inquiry authorized by the Combines Investigation Act and in so doing to exercise all the powers vested in the registrar or commissioners appointed under the combines act. These powers included that of requiring production of documents which could nevertheless be later used at the trial of the person producing them, the same power which remained in the act until it was removed last year.

One reason for this unlimited requirement for the production of documents under these various accounts, including the combines act as it was, is that the person giving evidence and producing documents is doing so in an investigation and not in a court. He is not accused of a crime and is not on trial. If as a result of such investigations any person is later charged with an indictable offence, he is not obliged to give evidence at his trial, and no statement he made in an inquiry under the combines act is admissible against him. His proof of a document produced in an inquiry cannot be used as proof

of the document in the trial; it would have to be proven by someone other than the accused.

It has been suggested in another place that the commission can issue a search warrant and compel production, that it has all the power that the crown has in any court of law. That is incorrect; the combines act does not give such wide powers to the investigating commission.

Section 24 of the combines act as it was prior to the 1935 amendment did not take away from a defendant in a criminal proceeding any right which he would otherwise have had. What it did do was to guarantee to the member of an alleged combine that any oral evidence which he might be required to give during an investigation could not be used against him in any subsequent prosecution. It gave to him the same protection as the Canada Evidence Act makes available to a witness in a trial. Under section 5 of the Canada Evidence Act a witness at one trial may be compelled to answer a question, but the same section provides that his answer cannot be used against him in that or any other criminal trial except for perjury. The exemption is clearly restricted, however, to answers to questions, in other words to oral evidence. In no section of the Canada Evidence Act is it provided that the documents which a witness is required to produce are inadmissible against him in any subsequent proceeding.

In speaking on the amendment to this act a few days ago I read to the house a communication which I had received from Mr. Sedgewick, chief commissioner of the Dominion Trade and Industry Commission, setting forth the need for the amendment to the act. Mr. Sedgewick has since read the debate which has taken place on this measure in the other house and has given me his opinion with respect to some of the impressions he gathered from it.

He entirely disagrees with the argument that a person charged with a criminal offence is entitled to protection from documents which he has previously been called upon to produce. He points out, as the court pointed out in a British Columbia fruit combine case, that such a provision would keep from the court documentary evidence which, but for the act, would be admissible.

Mr. Sedgewick says it has been alleged that if a corporation were involved the secretary or manager of the company could be required to produce the documentary evidence and then, while it would be inadmissible against these individuals, it could be used against the company.

[Mr. Mackenzie King.]

Mr. Sedgewick says that in his opinion it would be inadmissible against the company, too, if the act remains as it is.

The opinion of the law officers is the same as that of Mr. Sedgwick. I have been given the following opinion by the Justice department with respect to the amendment which is at the moment before us for consideration:

> With respect it is suggested that there is a misapprehension on the part of the members of the senate as to the effect and purpose of the amendment to section 24. As the section now stands if a person investigated is required to produce the agreement which is objected to as offending against the act, section 24 renders this agreement thereafter inadmissible in a prosecution of such person. Surely such a document should be admissible against him if properly proved, i.e., by oral evidence other than his own.
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> The purpose of the amendment is not to render admissible documents otherwise inadmissible, but to provide that admissible documents are not inadmissible.
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> If the section stands, the best thing that could happen to a person guilty of combining in restraint of trade is to be required on investigation to produce the documents proving the offence. Thereafter he will be immune from conviction by means of the agreement.

I should like to add that if the amendment made by the senate is not withdrawn and the clause retained in the bill as introduced in this house, it will be necessary for the government with respect to certain inquiries which it was hoped it might be possible to conduct under the Combines Investigation Act, to proceed by royal commission under the Inquiries Act, and until the clause deleted by the senate is restored, a number of royal commissions may have to issue to conduct the investigations which it was intended should be made as provided for by investigation under the combines act. I therefore move, Mr. Speaker:

> That a message be sent to the senate to acquaint their honours that this house disagrees with their amendment to Bill No. 97, an act to amend the Combines Investigation Act, for the following reason:
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> Because the amendment of their honours would have the effect of exempting documents which are ordered to be produced during an investigation from use in any subsequent criminal proceedings against the person producing them, thereby rendering impossible effective enforcement of the Combines Investigation Act.

Mr. BENNETT: Mr. Speaker, it will be recalled that last year I asked the house, under protest, to accept the amendment made by the senate. It was in the closing days of the session and I disagreed with the view taken by the senate, but in order to close parliament the general sense of an amendment similar to this from the senate was adopted. I disagree with the action taken

by the senate now, and I think a conference is highly desirable. I have thought a good deal about the matter and the only explanation I can give—and I say it with deference—is that there is a confusion in terms, and that they have used the word "admissible" in a wrong sense. Suppose I am engaged in an investigation and during its progress so many documents are produced. The mere production of these documents does not render them admissible when they are tendered in evidence before judge and jury in the trial of a criminal action. I fear that the senate concluded that we were trying to make documents admissible without the reservation of the right to object before a criminal court to the admissibility and the proof of the documents.

I think the language we have used to clear up the difficulty might be that the documents shall not be rendered inadmissible upon proper proof in any trial of a criminal action. I say that only for those who may have to deal with the matter. I feel quite certain that there is a confusion between "proof" and "admissibility." To prove a document means that you must establish its authenticity to the court that has to deal with its admissibility. The admissibility depends not only upon its proof but upon its relevance. It does not follow in a criminal case that you can ask the court to accept as admissible every document you produce merely because it was before an investigation, but it is equally true that it should not be precluded from being admitted because it was produced before a commission. The admissibility depends upon proper proof being given before the criminal court. In view of what the Prime Minister (Mr. Mackenzie King) has said, I cannot help thinking there is some slight confusion between the questions of admissibility and proof. What the Minister of Labour (Mr. Rogers) tried to do and what the commons has now done is to say that documents produced on an investigation shall not, by reason of being so produced, be admissible in a criminal case; that is all, and I think if that is made clear there should not be any difficulty in another place in providing appropriate words to make it clear. Upon its being properly established that documents constitute real evidence, they shall be admissible when offered in court.

For instance, to produce a copy of a letter might be quite satisfactory before an investigation, but it would not be competent to use it in a criminal trial unless proof were given as to the loss of the original or other matters of that kind. Documents that are frequently used on investigations are, in cases where the liberty of the subject is at stake, not admissible because there has not been adequate proof of their authenticity or as to the competence of the documents as real evidence in the inquiry. I support the view taken by the government in this matter. I think I mentioned the matter to the Prime Minister last year. I walked across the floor of the house and spoke to the right hon. gentleman about it. It was close to the end of the session and we accepted the amendment rather than delay matters. However I see no reason why between now and Monday there should not be sufficient time to consider the matter in its legal implications. I feel quite confident that upon investigation and discussion it will be found that the mere fact that a document was produced and used in an investigation has never prevented its being accepted as evidence in a criminal case, provided appropriate proof was given.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): We are very glad to support the motion of the Prime Minister. I am heartily in favour of the amendment and if by any chance a conference will facilitate the passage of this measure at this session, I think a conference should be held.

Motion agreed to.

NATIONAL PARKS

PROVISION FOR ESTABLISHMENT IN NOVA SCOTIA AND PRINCE EDWARD ISLAND

Hon. T. A. CRERAR (Minister of Mines) moved the second reading of Bill No. 102, respecting the establishment of a national park in each of the provinces of Nova Scotia and Prince Edward Island.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I do not intend to impede the progress of this bill into committee, but I should like to make one or two observations. I see no reason why similar treatment should not be granted to New Brunswick as is being granted to Prince Edward Island. No area is set out for a park in the case of Prince Edward Island, and no area need be set out with respect to New Brunswick. In our time I was urged very strongly to deal with the matter and they were prepared to go on, but I felt that the financial situation was such as not to warrant the expenditure involved in the creation of new parks. It is not the acquisition of the park that has to be considered as it does not cost the dominion anything, but the minute a park is acquired

there begins an annual expenditure on a very substantial scale. It was because of this fact that we did not care to embark upon the project. But I have always felt that there should be similar power with respect to New Brunswick as there is in the case of Prince Edward Island. The government is not committed to any particular area, but it is committed to the general principle of the park. Perhaps I may be pardoned for making these observations as I was born in New Brunswick, but I have a strong feeling that if a park is to be created in Prince Edward Island, with its limited area and small population but with its valuable attractions from the tourist standpoint, similar treatment should be accorded to the neighbouring province through which the tourist must proceed, generally speaking, to reach Prince Edward Island.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Sanderson in the chair.

Sections 1 and 2 agreed to.

On section 3—Addition of lands to the park.

Mr. BENNETT: Is it not possible to treat New Brunswick in the same way as Prince Edward Island is being treated? We are not committing ourselves to a park in Prince Edward Island; we are not defining the area and we have not established the park, so why could not similar treatment be granted to New Brunswick?

Mr. CRERAR: The only reason I have to offer, and perhaps not a very good one, is the fact that the expenditure for a park in Prince Edward Island will not be extensive, in the very nature of things.

Mr. BENNETT: I was going to ask the estimated expenditures in both areas for 1936-37.

Mr. CRERAR: It is proposed to spend $40,000 in Prince Edward Island and $100,000 in Nova Scotia. My right hon. friend will recall that one or two years ago an investigation was held in connection with the sites in both Nova Scotia and New Brunswick. I am not sure of the time, but at any rate it was when my right hon. friend was Prime Minister. There is a difference of opinion in New Brunswick as to the site. I intimated to the committee when the estimates for these particular parks were being considered, that it is the intention of the department to have a resurvey of the sites in New Brunswick this year. In Prince Edward Island the choice has been narrowed down to three or four sites, but in the very nature of things the park in that province will not be as extensive as the park in Nova Scotia, or as it will be in New Brunswick. I hope to be able to come to parliament at the next session and make a definite recommendation as to a site in New Brunswick, and ask parliament for a vote to initiate the creation of a park in that province.

Mr. BENNETT: That is certainly a fair statement. The minister has said that the selection in Prince Edward Island has been narrowed down to three or four sites, but in New Brunswick it has been narrowed down to only two. Therefore there is a choice between one of four in Prince Edward Island and between one of two in New Brunswick. As long as the assurance given by the minister is merely a delay, I think this will satisfy, as perhaps nothing else would, the people who are affected, because it is probable they will not get further in Prince Edward Island than the selection of a site if the Minister of Finance has anything to say about the matter. In any event I think the site chosen in Nova Scotia is so admirable as to warrant an expression of hearty good will on the part of anyone who knows that beautiful section of the country. It involves an area of a little less than a quarter of a million acres, perhaps 229,000 or 230,000 acres, and the scenery is so striking, the surroundings are so beautiful, and an historic site so near to it, that I cannot but think it will be a place of great interest to everyone who desires to journey into that part of Canada.

Mr. NEILL: This section requires the province to furnish Canada "with clear title to the said lands." I understand from that, everything above or below the surface. Would the minister make a pronouncement whether the dominion government in the past has ever set a precedent, or is inclined to do so in future, of accepting title from a province containing a reservation as regards oil or water or minerals?

Mr. CRERAR: I am not able to make a statement on the point my hon. friend has raised, but if my memory serves me aright, I think the underground rights go with the surface rights of the park. Perhaps the right hon. leader of the opposition knows that.

Mr. BENNETT: Without endeavouring to lecture, I may mention that in the west, as will be recalled, the crown in right of the dominion owns the whole rights, and therefore the mines and minerals around about Banff and all the country north still belong to the crown in right of the dominion. But there are some parts of this country that are still held as park areas in which, I believe,

the crown in right of the province still controls the mineral rights. Perhaps the minister recalls one or two places connected with the western parks where he has had to deal with that situation. I think the patents which are outstanding in Nova Scotia do no more than reserve to the crown in right of the province all gold and silver and other precious metals. There is no reservation of water, but there is, I believe, a reservation of gold and silver and other precious metals. I think the point raised by the hon. member for Comox-Alberni is one that is well worth drawing attention to, and once attention has been directed to it one may assume that the law officers of the department will take such action as is necessary, because it is inconceivable that a park would be established under the aegis of the dominion and staked out for mines and minerals in the right of a province.

Section agreed to.

Sections 4 and 5 agreed to.

Schedule agreed to.

Title agreed to.

Bill reported, read the third time and passed.

UNEMPLOYMENT

AMENDMENT OF UNEMPLOYMENT RELIEF AND ASSISTANCE ACT, 1936, TO ASSIST PROVINCES IN RESPECT OF RELIEF EXPENDITURES

The house resumed, from Wednesday, June 17, consideration in committee of Bill No. 100, to amend the Unemployment Relief and Assistance Act, 1936—Mr. Rogers—Mr. Sanderson in the chair.

On section 1—Agreements with provinces.

Mr. STIRLING: When this bill was before the committee previously, the minister did not have an opportunity of explaining in general terms just what it means. I have read the wording several times but I am not at all clear what it means. The amount payable by the province in question during the months of February and March appears to be a datum to which the dominion government is going to refer its subsequent payments under agreements with the provinces, but for what period of time?

Mr. ROGERS: The clause as drafted is designed to accomplish two objects: First, to permit the dominion to loan to the provinces such parts of payments made by the provinces for direct relief or relief undertakings during the months of February and March for which accounts have not been rendered to the dominion before the expiry of the relief act of last year.

Mr. STIRLING: It has nothing to do with subsequent months?

Mr. ROGERS: Nothing whatever. The second object of the clause is to permit the dominion government to loan to the provinces their share of direct relief payments or their share of payments for undertakings carried on cooperatively with the dominion government. Under the clause as originally drafted and before the amendment which was introduced a few days ago, provision was not made for a loan by the dominion in excess of the amount which might be paid by the dominion to the province under any agreement with that province. The amendment is designed to meet a quite unique situation which exists in Manitoba, arising out of the continuation of an agreement made by the late administration with that province touching the construction of a sewer and sewage disposal project in the city of Winnipeg. Under the terms of that agreement the dominion is obligated to loan to the province its share, which is twenty per cent of the total cost of the undertaking, and to the city its share, forty per cent of the total cost of the undertaking, the remaining forty per cent of the cost of the undertaking having been assumed by the dominion government.

Mr. STIRLING: The minister was going to give certain information with regard to the numbers of men who were sent to the railway camps. Will he make it ample in the sense that he will give us the information with regard to those who had the opportunity to go, how many of them went and how many refused, and how many are now in those camps?

Mr. ROGERS: I had intended to make that statement. I quite recall, as the hon. member has just stated, that when this bill was before the committee at an earlier stage I gave an undertaking that I would deal at this time with the movement from relief camps to the deferred maintenance work on the railways for which provision was made under the special supplementary estimates.

Mr. BENNETT: Perhaps the minister will pardon me if I suggest that he deal with Saskatoon and Prince Albert at the same time, the movement in Dundurn camp and matters arising out of that, since it is part of the same subject.

Mr. ROGERS: Mr. Chairman, I think perhaps a general statement might be couched in very brief terms. On February 26 it was announced on behalf of the government that arrangements would be made to place 10,000 men from relief camps on deferred mainten-

ance work on railways; that the wage allowance to men remaining in relief camps would be increased from $5 a month to $15 a month effective March 1, and finally that it was the intention of the government to close the relief camps on July 1. I am now able to state that the movement of men from the relief camps to the railways has been carried out according to plan. There has been a steady reduction of the camp population, which now stands at less than 1,500 including supervisory personnel, and finally that the relief camps will be closed, as proposed, on July 1.

I am quite sure my hon. friend would desire me to amplify that statement, and I think I might do so in the first instance by indicating the transfer of men from relief camps to maintenance work on railways by provinces. Prior to June 15 there had been 8,689 men placed in the railway extra gangs, recruited from the relief camps, and the following are the figures according to provinces:

Nova Scotia	252
New Brunswick	642
Quebec	1,679
Ontario	2,938
Manitoba	636
Saskatchewan	912
Alberta	954
British Columbia	676

That makes a total, as I said, of just less than 8,700 men.

Mr. BENNETT: Did they all come from the camps?

Mr. ROGERS: Yes; all these men have come from the camps and have gone to the special maintenance work on railways. I should add that from March 1 forward there has been a steady reduction in the camp population, to some extent in excess, I should say, of the normal reduction of the camp population which in other years has taken place during these months. But in addition to the men who have been placed on the railways, through the cooperation of the department of colonization and the employment service some 650 men from the camps were also placed at farm labour.

As to the remainder, we have reason to believe that a very considerable number left the camps to return to employment, and also that a considerable number left the camps to go to their own homes. I think it may be stated quite definitely that quite a large number of those who were in the relief camps went to such camps from homes where it was difficult to meet expenditures and where the camps offered, as it were, a shelter during the winter months. During the spring, quite naturally, for some years past there has been a very considerable movement from the camps back to the agricultural communities from which, as I suggest, some of these men come. In addition, undoubtedly there have been some hundreds—I am not prepared to give the exact figure—who have left the camps because they did not desire to accept employment upon the railways.

I should like to mention at this point that on the announcement of this policy employment on railway work was offered to every man in the relief camps. I think it is reasonable to believe that some hundreds, at any rate, left the camps because they did not desire to accept this work which was offered upon the railways, nor did they desire to continue to work in the camps, because when the allowance was increased from $5 to $15 per month instructions went out that if men refused to work they were to be summarily dismissed. In the nature of things the removal of some hundreds of men from camps to the larger urban centres of the western provinces has led to a concentration of transients at certain points. Possibly that is the question my right hon. friend has in mind.

Mr. BENNETT: Yes; I had in mind the press notices with respect to the situation in Saskatoon and Prince Albert.

Mr. ROGERS: We have sought to meet that situation in at least some degree by offering to these transients, through employment services, an opportunity to go on this deferred maintenance work on the railways. The camps have supplied, as I have indicated, some 8,700 men for the railways, leaving some 1,300 men to be supplied. The situation in some of these western centres has been relieved to some extent at least through the additional employment that was offered in the manner I have indicated.

Mr. COLDWELL: I was very glad to hear the Minister of Labour discuss this problem, but I may say that in the dying hours of this session I am troubled over this whole situation with regard to unemployment, particularly as it affects the single men of the country. I have discussed the matter with the Minister of Labour himself, and I do not propose to refer to specific cases that we have taken up. I am quite satisfied, as far as the minister personally is concerned, that within the limits of the authority given him he is endeavouring to do what is possible to meet this situation. Therefore what I am about to say is not any personal criticism of the minister.

I feel, Mr. Chairman, that we are facing a very grave problem in the larger centres, particularly in certain areas of Canada. The right hon. leader of the opposition asked some

questions concerning Saskatoon and Prince Albert. I remember that last week end, in four cities of Saskatchewan, there were something like 1,000 single men, transients, being provided for. I also noticed that during the week a resolution was passed in Saskatoon by a conference convened very largely by disinterested people, shall I say, such as United Church ministers, deploring the situation there and pointing out that the men concentrating in these cities were increasing in number day by day. I believe the same thing will happen in other cities of Canada in the near future.

We have to remember, also, that work may have been offered to a majority, perhaps all, of these men. In my opinion one of the tragedies of this continuous unemployment, particularly among young men, is that it completely undermines them physically and mentally, and, if continued long enough, will create a permanent problem in this country. I feel that this parliament and the government, together, have not taken adequate measures to meet the present situation. This afternoon my mind goes back to the occurrences in Regina last year. I well remember meeting that group of young men who came to Regina, I believe almost exactly a year ago to-day, in an endeavour to concentrate public opinion upon the difficulties which they faced. Now I know it has been said, and it may be said again, that that was the result of the work of a few men agitating among them. But that was not my observation. You cannot agitate unless there is suitable soil in which the agitation may grow. For my part, meeting many of these young men as I did, I found them to be largely average Canadian boys who were not out to cause difficulty but were there in order to direct public attention to the conditions under which they suffered. What I am afraid of is that the concentration in various cities throughout the dominion, of young men from the unemployment relief camps, will lead to similar trouble in other parts of Canada. I submit to the minister and to the government that the requests which these young men are making for work and wages and the opportunity to live are natural requests, requests which deserve well of the government and of the Canadian people. To-day we have not only thousands of young men transient throughout the country, but in the homes of Canadian people many thousands of other young men who are unable to get employment, and a similar number of young women in much the same condition, although we hear very little about them. I would draw the attention of the committee and the government to this situation.

It is true that work for 10,000 has been provided on the railways. There is considerable criticism of conditions in some of the construction camps that have been established. I have no first hand personal knowledge of those conditions. I believe that they will be carefully investigated. But I know this, that after young men have been in relief camps, for several years under the conditions existing in those camps, they have become unused to heavy work such as they now have to undertake, and working as they claim they are for ten hours a day under summer conditions, that of itself is liable to cause grave dissatisfaction and unrest. I do not know what the government propose to do at the end of the four months of work during which these agreements will run. As we come closer to the winter season I am convinced that this condition will become more and more aggravated. We may say that conditions in Canada are improving, though there is not a great deal of evidence to support that statement. Moreover, even if this year we have a comparatively good crop on the western plains, it will not absorb more than a fraction of this class of labour. That, of course, is largely due to the mechanization of western farms, the use of the combine and other labour-saving devices. Consequently I must impress upon the government that it is useless to look forward to the garnering of a good crop in western Canada as a solution of the unemployment problem there. That being the case, in my opinion it is even less likely that improved crop conditions there will assist materially in eastern Canada. In support of that may I say that if a good crop is garnered in western Canada and marketed at an adequate price, it means that pressure will be brought to bear upon the farmers, by their creditors, so that their purchasing power for eastern goods will not be so much greater than it was during the last year or two.

Consequently I view this whole matter of unemployment, both of married men, for whom some quite inadequate provision is being made, and of these thousands of young men throughout the country, with great apprehension. I think the committee generally knows that I have been engaged in dealing with young people during the major portion of my life. One thing that has saddened me in the last few years is observing young men whom I knew as boys, with ability, initiative, ambition, unemployed for long periods of time and sinking down into deep hopelessness. I fear for the future of our country unless more comprehensive steps are taken than we are taking at the present time to solve this problem. In Saskatoon these transient single

men are being allowed, I believe, fifty cents a day for bed and board. That, of course, is totally inadequate and tends to breed grave dissatisfaction, which may result in serious difficulties. As one of those who witnessed the coming of those young men to Regina a year ago, who knew that the intentions of the great mass of them when they came to that city were peaceful, that they desired only to compel public attention to their condition, I view this situation with the very gravest alarm.

Then I go a step further and say that I sometimes fear that the government and the departments which are handling these particular difficulties are not acting wisely or properly. From my own personal experience I believe that among the men who came to Regina were officers of the law who may not always have acted in the interests of law and order. I was hoping that an opportunity might be given to discuss that phase of this matter on the estimates of the Department of Justice. But from my personal knowledge and experience in connection with one of these police officers who gave evidence in connection with these young men, I know perfectly well that for a long time he was secretary of a communistic organization and propagated communism, although at that time he was in reality an officer of the mounted police. I say that not only on my responsibility as a member of parliament, but on his own sworn evidence, a copy of which I possess, given at an investigation about a year ago. So I say to the Minister of Labour that I hope that every effort will be made by this government not only to provide work at adequate wages for these men but to see to it that nothing is done which will create again a situation in any of our Canadian cities similar to that which has arisen from time to time and which was particularly acute in Regina just a year ago.

Mr. BAKER: If I understood correctly the hon. member who has just spoken, he said that there were hundreds of men on relief coming from these camps and flocking to the cities. Also I understood the Minister of Labour to say that employment had been offered to all these men. The net result seems to be that unfortunately we have hundreds and perhaps thousands of young men who are refusing to work. That is quite a different question and needs a different method to deal with it. We have hundreds and hundreds who are refusing work; they would rather flock to the cities and live on fifty cents a day.

Mr. ROGERS: That is one side of the question. As I said before, we must face it. There were some in the camps who were not prepared to accept work when it was offered.

Mr. BAKER: There were a great many of them, according to the minister's statement.

Mr. ROGERS: I said that I would not hazard a statement as to the actual number; obviously it would be impossible to give such a figure. The point I made was that on March 1 the announcement was made that those who remained upon the project would receive not $5 but $15 per month. The understanding at the same time was that if they refused to work satisfactorily, that is to the satisfaction of the supervisors in the camps, they would be dismissed.

Then came the opportunity to offer railway work. Less than 9,000 of the men in the camps have been moved to that work, but, all who remained in the camps at the time the railway work was provided had an opportunity of accepting it. So I believe we are justified in saying that my estimate would be conservative, rather than extreme, when I say that some hundreds of men in the camps were unwilling to accept the work that was offered.

Mr. BENNETT: How many?

Mr. ROGERS: I suggested some hundreds. Obviously I am not in a position to give the exact number.

Mr. HEAPS: Nine thousand accepted it?

Mr. ROGERS: Yes, 9,000 accepted it, and I want to say with respect to those 9,000 that we have received from the railway companies assurances that they are giving the utmost satisfaction. There has been no difficulty at all, and the railway companies have found them most suitable in every way.

Mr. YOUNG: Mr. Chairman, I desire to say a few words about the situation in Saskatoon. I have had communications from the mayor and city council, and other public bodies interested. In that city we have what appears to be a concentration of single, transient unemployed men in greater numbers than at any other point in the same province. The last advice I have is that we have approximately 450 single unemployed transients at that point. Until recently there was a camp at Dundurn where a number of men were located. My advice is that a large number of men at Saskatoon did not come from the Dundurn camp, but came from various other points in Canada. I am advised further that about twenty per day are arriving. I placed the communication I received before the Minister of Labour and other ministers of the government. May I thank the Minister of Labour for getting into communication immediately with the provincial government in order so far as possible to alleviate the situation. But I want to suggest to the gov-

ernment that those particular men should not be the responsibility of that community. They do not belong there, and have never lived there.

We have a difficult problem to handle our own unemployed in the city, and I would ask the government to take special notice of the conditions I have described and to see if it is at all possible to give the men useful employment, or in any event to make sure that the problem does not become one for the city of Saskatoon.

Mr. MacINNIS: Was any examination made as to the physical capacity of the men who refused to do the work of railway construction? It is a particularly strenuous kind of physical labour, and from having had some experience with it I know that not every man one might pick up on the street could be engaged for that work and be expected to give satisfaction.

Mr. ROGERS: At least there must be the presumption that every one who entered the relief camps was physically fit, because there was a strict medical examination upon admission. As a matter of fact complaints have been made that the medical examination was altogether too strict. I am not prepared to say at this time whether or not those who are doing railway work had to undergo a special physical examination, but I believe the fact that the men when they entered the camps had been accepted as medically fit would argue against a further examination, except in the event of a man being reported ill and requiring hospital attention.

Mr. MacINNIS: Being physically fit and in a condition to pass an examination, and being in a physical condition satisfactory for construction work, are two different things. For example, the Minister of Labour, myself, the leader of the opposition or the Minister of Justice might pass a physical examination, but I doubt whether we could last a week on railway maintenance work. I am very doubtful whether it would be safe to run trains on railway tracks we might lay.

Mr. ROGERS: The hon. member has suggested that all the work was of a heavy nature, involving the movement of rails, and the like. From my knowledge of the work that particular operation forms only a small part of it. A great deal of it has to do with the clearing of right of ways, and is not of the particularly difficult character suggested by the hon. member.

Mr. MacINNIS: I was talking to two men who had been working on the railways and who, incidentally, had left the work. They maintained, although I see that the agreement calls for an eight hour day, that they were working ten hours per day laying rails. They said that they were putting in new rails at points where old ones had been removed. They told me that when the rails were deposited by the crews those rails were thrown off the cars and down an embankment. The result was that the men had to carry those rails weighing one hundred pounds to the foot—

An hon. MEMBER: Per yard.

Mr. MacINNIS: How many yards are in a rail?

Mr. BAKER: One man would not lift a rail.

Mr. MacINNIS: Quite so; it would require more than one man to lift a rail. However, that was the kind of work these men were doing for ten hours a day, although the agreement calls for an eight hour day.

Mr. ROGERS: A basic eight hour day.

Mr. MacINNIS: Yes, a basic eight hour day, and a twenty-six day month. Would the minister tell us the remuneration the men receive per day, and the deductions for meals and other necessities in the camps?

Mr. ROGERS: First of all, may I speak concerning the hours of labour. The hon. member has suggested that the men worked ten hours per day when the agreement called for an eight hour day. I am quite sure he has examined the agreement and is familiar with its provisions. He will correct me if I am wrong when I state that in the past a ten hour day has been the accepted rule for extra gang work on the railways in Canada. This is the first occasion there has been a recognition of the basic eight hour day. This is seasonal work, and no doubt the men will be interrupted because of a change in weather conditions. It is provided in the agreement that they may work in excess of eight hours per day provided that the total number of hours in the month shall not exceed 208 on an average for six months.

Mr. BENNETT: I noticed that provision in the agreement.

Mr. ROGERS: Having regard to the nature of the work and the period of the year in which it is to be done that appeared to be a reasonable arrangement. The hon. member has asked me about the wages being paid. In the course of the negotiations the government insisted that the men who worked

should receive not less than the current wage for this type of work. That wage, as the hon. member is no doubt aware, is twenty-five cents per hour.

He has also asked as to deductions. That is not covered by the agreement. The railway companies in the past have themselves made arrangements according to practice for the feeding of men doing this class of work. I understand the arrangements existing at the present time are in no wise different from those in force in other years with regard to catering.

Mr. HEAPS: What is the charge per month for feeding?

Mr. ROGERS: Again I speak subject to correction, but I believe it has been customary to charge $1 per day for the catering; that is to say, it would come to about $6 per week. That has been the practice.

Mr. BENNETT: That includes shelter and food?

Mr. ROGERS: Yes.

Mr. NEILL: When we go home we shall be asked immediately and frequently for the terms of the deal between the government and the railway. Much of this debate could have been avoided if we had had that information in front of us; I think the minister should furnish each of us with a copy.

Mr. ROGERS: I have arranged to have copies of the agreement mimeographed. I have at least fifty copies available and I shall be glad to have a copy sent to every member who desires one. The agreements themselves were tabled some time ago and were before the house for the information of members.

Mr. HEAPS: Before this clause carries, Mr. Chairman, I realize, along with others who have spoken before me, the importance of the question of our youth in the camps and the effect of the camps on them, but I think the question of the relief camps and of those employed in them is only a very small part of our general unemployment and relief situation. At this time when we are on the eve of prorogation I think we ought to have, if we possibly can, some definite statement of policy from the Minister of Labour on behalf of the government. At the beginning of the session when parliament had just met it might have been a little difficult for the minister to give that desired information to the house. But the present government were elected to a very large extent because of the economic conditions which prevailed in this country last year and in the years preceding, and the people who elected them hoped that when they met parliament they would present to the house definite and constructive proposals to deal with the problem of unemployment in this country. Not only have we not had those proposals presented to us but so far all that the government and the Minister of Labour have suggested to us, I believe, has been the employment commission which was recently appointed. That legislation took up a great deal of the time of the house, although in my opinion it was hardly necessary to have legislation to appoint the commission. But I think the people of Canada want something more than a commission to deal with this problem of unemployment. The commission with its limited powers can do very little to cope with the unemployment situation.

A few days ago the Minister of Labour indicated by the figures which he gave to the house that there was very little diminution in unemployment this year as compared with last. In presenting his various statements to the house the minister spoke of the haphazard and disconnected efforts of previous governments to deal with the whole problems of unemployment and relief, and yet this year it was impossible for us to find out from the minister exactly what the government are doing to cope with the unemployment situation existing in Canada to-day. A glance at the estimates will not give members the information they desire, and when the minister was asked to give the exact amount of money that is being spent on unemployment in the present fiscal year he was not able to do so, nor could he give a breakdown of the figures submitted in the estimates.

Mr. ROGERS: The figures are in the estimates. I do not need to do the calculations for my hon. friend.

Mr. HEAPS: If I asked the minister to say how much we are spending this year as compared with last, could he give those figures?

Mr. ROGERS: A comparison of the amount expended?

Mr. HEAPS: The total.

Mr. ROGERS: My hon. friend from Fraser Valley (Mr. Barber) asked me when this bill was before the committee what was the amount expended this year and last, and I think he will agree with me that I gave that information to the house a few days ago.

Mr. BARBER: That is right.

Mr. ROGERS: If there is any other information that my hon. friend desires I shall be only too glad to give it.

Mr. HEAPS: I am sorry if I misrepresented the situation. I remember asking the same question myself, and we could not get a break-down of those figures because there was an unexpended portion left over from the amount voted in the previous year.

Mr. ROGERS: It is right here in the recapitulation of the special supplementary estimates: Department of Labour, projects already undertaken, $7,720,115; other projects, $11,825,000. That is to be spent in conjunction with the provinces on a fifty per cent basis, so if my hon. friend desires to know precisely how much is going to be spent for joint relief projects he has simply to double each of those amounts.

Mr. HEAPS: That is assuming the provincial governments go into the scheme.

Mr. ROGERS: That assumption may be taken for granted. There has been no question whatsoever as to the intention of the provincial governments.

Mr. HEAPS: That is only part of the general statement which I wish to make. Assuming that all that is correct, and that an equivalent amount is going to be spent this year with last, that hardly begins to deal with the general problem of unemployment. The minister asked me a direct question a few weeks ago, whether I thought relief works in themselves were a remedy for unemployment. I answered just as directly, no, they were not a remedy for the unemployment problem.

I think as a nation we are about the most backward in the whole world when dealing with unemployment. I do not know any other civilized country that has not a definite scheme of some kind and that is not trying to do something in a general way for the unemployment situation, but in this dominion for the past six years we have apparently been proceeding on the basis that unemployment is a temporary problem. Unemployment is not a temporary problem, and while we may talk of conditions to-day as being abnormal, I am inclined to think what we call these abnormal conditions are likely to be normal for many years to come. If that is the case—and it is being accepted; I believe it is accepted to-day by all students of the problem of unemployment—I think the government ought to have some proposal to submit to parliament for coping with this problem in a completely different way from what has been followed in past years. We may hope for a good crop, but even a good crop will not solve the situation. I know the Minister of Labour is a keen student of economic problems and I believe he realizes as well as we do here that what he is doing now is merely toying with a very grave problem. Some of us who come from industrial centres will be back in our own constituencies within the next few days. We shall be going back to the men and women who are unemployed, to the men and women who are only partly employed, to the men and women whose jobs hang by slender threads, and what are we going to tell them as to what has been accomplished during the present session on their behalf? What has been accomplished in a definite sense? It is true that we have in a way taken control of the Bank of Canada; it is true that we have passed appropriations for relief and for the creation of public works; it is true that we have passed other pieces of legislation—

Mr. WOODSWORTH: And appointed a commission.

Mr. HEAPS: As the hon. member for Winnipeg North Centre (Mr. Woodsworth) says, we have appointed a commission to deal with the problems of employment and unemployment, but beyond that, what has been done? Year after year the unemployed have been living in the expectation that something would be done for them. We find that we must go back and tell them they are in just the same position as they were in previous years.

The hon. member for Rosetown-Biggar (Mr. Coldwell) referred to the demoralizing effect of unemployment upon the youth and even upon the older generation. I know there is nothing more demoralizing for a young man who has completed his school education than to tramp the streets of our industrial areas year after year and find no chance or hope of being absorbed into a useful vocation. It is quite true that camps have been closed, but although that was laudable, it does not solve the problem of thousands of other young men. The young men previously in the camps are now helping to construct railways, but when August or September arrives they will be no longer required. What is to become of them? May I point out to the Minister of Labour that we shall be faced with more or less the same problem as we were faced with a year ago.

I should like to see this government take hold of this problem in a definite manner and deal with it in a fundamental way. It cannot be dealt with piecemeal as has been done during the past few years. I should like to take back some ray of hope to the thousands of men who are either partly employed or

totally unemployed. I should like to be able to tell them that this government has proposed to deal with unemployment in a fundamental way, in a way which holds out some ray of hope for the future. I am sorry I cannot take that message back with me. All that has been done this session is very little different from what was done in previous years although it may have been done in a different way. It is true that instead of a blank cheque the government is being granted a definite amount, but I do not know that the man or woman who is out of work cares very much whether the government has been given a blank cheque or a cheque with a stated amount. All he or she is interested in is work at reasonable wages. Whether or not a cheque is blank is not the important question; the important question is how many people can this government by its policies absorb into useful employment in the Dominion of Canada? As far as the figures would indicate, so far only 8,700—the men previously in the camps—have been absorbed into some form of useful and productive activity in constructing railways, but what about the tens of thousands, yes, even the hundreds of thousands who are unemployed in our cities with no hope of any useful work in the immediate future? That is a problem we must face and we are going to leave this parliament in the next few days without having solved this very serious and grave problem.

Mr. BAKER: I should like to ask the hon. member how he would deal with the problem of young men who come to the cities and refuse to accept work?

Mr. HEAPS: There were 8,700 young men who were willing to go into construction work and who had probably never done that type of work before. Apparently they are giving complete satisfaction, and I shall not allow any hon. member to judge all the unemployed by the misdemeanours of a mere handful.

Mr. BAKER: I asked how you would deal with the young men who refuse to work.

Mr. Speaker having resumed the chair:

MESSAGE FROM THE GOVERNOR GENERAL'S SECRETARY

PROROGATON OF PARLIAMENT

Mr. SPEAKER: I have the honour to inform the house that I have received the following message:

Ottawa, June 20, 1936.

Sir,

I have the honour to inform you that His Excellency the Governor General will not proceed to the Senate chamber to-day for the purpose of proroguing the present session of parliament.

I have the honour to be, sir,
Your obedient servant,
F. L. C. Pereira,
Assistant Secretary to the Governor General.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

UNEMPLOYMENT

AMENDMENT OF UNEMPLOYMENT RELIEF AND ASSISTANCE ACT, 1936, TO ASSIST PROVINCES IN RESPECT OF RELIEF EXPENDITURES

The house resumed consideration in committee of Bill No. 100, to amend the Unemployment Relief and Assistance Act, 1936—Mr. Rogers—Mr. Sanderson in the chair.

The CHAIRMAN: Shall clause 1 as amended carry?

Mr. STIRLING: The minister told the committee that 8,700 men had gone from the relief camps to the railway camps. Could he tell the committee how many of them have remained in the railway camps?

Mr. ROGERS: According to the latest information available there has been a turnover to date of only six and a half per cent of the total number who went from the relief camps to work on the railways. I am advised that this compares very favourably with the turn-over of those engaged in normal industrial employment.

Mr. STIRLING: Ninety-three and a half per cent remain in the camps?

Mr. ROGERS: That is my information.

Mr. STIRLING: With regard to the 1,500 who are yet in the relief camps right across Canada, that number, I take it, is composed of those who, though physically fit, were not considered capable of taking on this work, and besides that, the supervisory staff. I do not remember the numbers of those men, but what will happen to those two classes of people on July 1? With regard to the second class, the supervisory staff, I should like the minister to remember the faithful and excellent work these people have done at a time of considerable difficulty when they helped us out.

Mr. ROGERS: The hon. member for Yale has asked as to the disposition of the men who will remain in the camps on July 1.

Those who, presumably, will be demobilized on July 1, will have received the $15 a month wage allowance from March 1 to July 1. My hon. friend will recall that there was a special provision under which a portion of that wage allowance would be deferred, so we are justified in saying that those who will leave the camps on July 1 will have this deferred allowance of $4 a week for at least seven weeks. They will also be given special rates upon the railways to the points from which they came.

Mr. STIRLING: And the supervisory staff?

Mr. ROGERS: There was also an increase in the allowances paid to the supervisory staff of the lower wage brackets. They have been offered work upon the railways if they desire to accept it. I doubt whether a very large proportion of them will accept work upon the railroads. I join with my hon. friend in the tribute he has paid to the excellent work they have done in a very difficult situation within the past two or three years.

Mr. STIRLING: Supervisory work on the railways, or labour?

Mr. ROGERS: Provision was made for some of these men to receive supervisory positions upon the railroads, but obviously there was a limited opportunity whereas the supervisory staff of the camps was quite large.

Mr. DOUGLAS: I want to make a few remarks with reference to this situation, but before doing so, I desire to know from the minister whether any deduction is made from the pay of these men in the railway camps for blankets and that sort of thing, other than board.

Mr. ROGERS: The figure that I gave before six o'clock covered—

Mr. DOUGLAS: Everything?

Mr. ROGERS: —provision for blankets and shelter as well as food, and I am informed that the figure I gave at that time was correct and that the deduction made is $6 per week.

Mr. DOUGLAS: I should like to follow up this question of inability to get these young men to accept positions in the railway camps. It may be difficult for us here, far removed from the actual situation, to realize something of the problems that have confronted these young men, many of whom have not worked for several years, while some have not worked at all.

Mr. ROGERS: My hon. friend will recall, perhaps, that they were supposed to be working in the relief camps.

Mr. DOUGLAS: I am sure the minister knows perfectly well that it was not very hard physical work, hard manual work.

Mr. STIRLING: Oh.

Mr. DOUGLAS: Be that as it may, let us look at the inducement that is being offered. The minister will correct me if I am wrong. Twenty cents an hour—

Mr. ROGERS: No, twenty-five cents an hour. In fact the wage paid is the wage which has always been paid for that type of work on railway maintenance.

Mr. DOUGLAS: Twenty-five cents an hour on the basis of an eight-hour day, twenty-six days a month, amounts to $52 a month. Deduct $24 or $25 for board, and the average young man would have to spend from $8 to $10 a month to keep himself supplied with clothing. I do not suppose that covers clothing, does it?

Mr. ROGERS: If my hon. friend will permit me. Provision was made for the clothing of the men while they were in the relief camps, and I am certain that instructions were issued that, when the men left the camps for the railway work, they should take with them this clothing.

Mr. DOUGLAS: Quite so, but any person knows how quickly shoes and gloves and overalls, in particular, wear out when men are doing the type of manual labour that these men are doing, and I do not suppose the railway or the government is supplying them with clothes during the summer. If they are, I want to know it; if they are not, this means that out of $52, of which $24 or $25 a month goes for board, they must buy clothing. It seems to me that that leaves them about $15 a month, which means that at the end of four months they have the magnificent sum of $60. I wonder what is going to happen after that. It is not much of an inducement to these young men to go out and do the type of work that is entailed in the railway camps, that at the end of the summer, if they are fortunate, they will have about $60, not including the nominal fee they may be charged for moving them from one place to the other. True, the minister says that is what has been paid for that type of work, but I think he will recall that it is what has been paid to, very largely, oriental labour in different parts of the country. It is what we call Chinese pay. I submit that this is no

inducement to young men, and while I am not excusing them for not taking up that type of work, I maintain that we have to put forth something much more concrete if we are to get definite results in so far as putting these young people to work is concerned.

I was very much struck the other day with a statement made by the hon. member for Vancouver East (Mr. MacInnis) that in most of these cases it would be far better to spend some of the money in dealing with the underlying causes rather than to try to mop up the results of our mistakes. I think that is particularly true of the problem we are facing to-day. In a case of this kind an ounce of prevention is worth a pound of cure. There are groups of transients gathering in different parts of western Canada. The hon. member for Davenport (Mr. MacNicol) told me just before the six o'clock recess that he noticed that a group of, I believe he said, a thousand unemployed were coming by truck from York, outside Toronto. They cannot all be malcontents; they cannot all be agitators. All over Canada groups of people, young men particularly, are looking to this parliament. The railway camps, which may absorb 10,000 of these men, cannot begin to meet the situation, and we are going to be confronted by a very real problem before this summer is out. What I have to say is said in no spirit of rabid criticism, for there is no man in this house who more demands our sympathy and admiration than does the Minister of Labour. He has a tremendous problem, and I can think of no better way to meet it than appears in one of the sensible statements made by the hon. member for Vancouver-Burrard (Mr. McGeer)—one of the most sensible he ever made—in a message to the Prime Minister of Canada (Mr. Mackenzie King) on May 1, 1935. He said:

> Communist organizers and agitators taking advantage of justifiable dissatisfaction on part of citizens in every state of society and particularly objectionable features of relief camp system.

Then I shall leave out a paragraph that deals with details which are not important, and continue:

> Am confident that if federal government would cooperate with provincial and municipal governments situation could be remedied and riots with their inevitable consequences would be avoided. In name of humanity I appeal to you to come to assistance of provincial and civic governments in this province so that our people who want to work may be permitted to earn wages.

I would direct attention to the words "justifiable dissatisfaction." I saw these young men who were mentioned this afternoon, when they went to the city of Regina. It has been said that there were agitators among them and I have no doubt that is true. The point we fail to see, however, is that agitators do not stir up trouble. It is economic dissatisfaction and insecurity that provide the material which enables agitators to make trouble. When the average Anglo-Saxon is working; when he has a job and a home and normal social ties, he is not good seed for revolutionary propaganda. The commissioners themselves said that these young men in the main were not of a vicious type. I met many of them. Some had gone partly through college; some had graduated from high school and some were university graduates. Never mind the leadership; the fact is that these young men were longing for some type of expression and were not finding it. A great mass meeting was held in Regina, and on the platform sat representatives of every church and of different social organizations. I shall never forget the words of the representative of the Roman Catholic church, who said, "You men, you have taken the only means left open to you to uncover the ulcer that lies at the heart of modern society." The commissioners who discussed this matter stated that in the main the citizens of Regina were sympathetic towards these young men because they came to know them and to understand their problems. It is significant that with the exception of the day of the riot there was no vandalism and no property destroyed. The very men who supported these young fellows and tried to help them were elected as mayor and city councillors in Regina the following fall.

I say this because I think it is very easy for us here in parliament, far removed from some of the realities of life, to throw the whole matter aside by saying that the young men were agitators. They were not agitators. I do not say that there were no agitators among them; I know better than that, but the great majority were not agitators, and we have to deal with the situation in a much more realistic manner.

Mr. BENNETT: Mr. Evans, for instance.

Mr. DOUGLAS: I am not discussing Mr. Evans. I am wondering why Mr. Evans ever was able to get the hold he did.

Mr. DONNELLY: Or Shaw.

Mr. DOUGLAS: Or Shaw, or anyone else. The fact remains that if these conditions had not existed these men would not have had the power they possessed. So my argument holds good, that the solution lies in giving these young men opportunities to live that will make ineffective the declamations and

harangues of the professional agitators. That is my position. But unfortunately we do not do that; unfortunately we refuse to realize the urgency and the dangerous nature of the situation until it is upon us. Then a catastrophe occurs for which no one wishes to accept the blame. I was in the city of Regina and I never in my life saw brutality to equal that which occurred in Regina on July 1 last. I am not going into the details of that incident, since it does not bear directly on this subject.

Mr. BENNETT: Did the hon. gentleman give evidence before the commission?

Mr. DOUGLAS: No; I was never asked to give evidence.

Mr. JOHNSTON (Lake Centre): What good purpose is served by talking about riots and agitators at this time, during this debate?

Mr. DOUGLAS: A very good purpose, I think. It is people who ask questions like that who help create conditions that lead to occurrences such as we had last year. If we continue to do nothing—and I mean not the government only but all of us—it will not be a trek of two hundred people, or ten thousand people or one hundred thousand people, marching on Ottawa. We shall have this thing growing all about us. We may resist it this year or the year following, but there can be only one result and that is bloodshed such as we have had in the past, only more so. This can mean only hard feelings, distrust and further material for the type of men who started the trouble last time. I am not speaking in this way to ask that such people should be absolved from blame; I am suggesting that we take such action as will make their action impossible in the future.

Mr. JOHNSTON (Lake Centre): Seven thousand of these men have been put to work at fair wages, and my hon. friend is criticizing that action.

Mr. MacINNIS: Is twenty-five cents an hour a fair wage ?

Mr. JOHNSTON (Lake Centre): Under present conditions it is not bad.

Mr. DOUGLAS: The hon. gentleman has a marvellous sense of proportion; he says that 7,000 men have been put to work, and at the present time we have on relief nearly a million and a half people.

Mr. JOHNSTON (Lake Centre): We are talking about the men in the relief camps.

Mr. DOUGLAS: I am talking about the whole situation, and the men in that trek were not necessarily men from relief camps; other men joined them, and other organizations are springing up. The men from York county who are planning to come to Ottawa, according to my hon. friend from Davenport, are not men from relief camps. I am not asking that we criticize what has been done in the past; I am asking that we do something for the future.

Mr. GRANT: What would the hon. member do?

Mr. DOUGLAS: If the hon. gentleman will just wait, he will see. We have placed our program before this house time and again.

An hon. MEMBER: So did Aberhart.

Mr. DOUGLAS: I am not worried about Mr. Aberhart.

Mr. DONNELLY: You would not say you were not a social crediter when you were running in the election, would you?

The CHAIRMAN: Order.

Mr. DOUGLAS: I am endeavouring to discuss an issue that is economic, that bears upon the welfare, happiness and livelihood of nearly a million and a half people throughout Canada. Unfortunately some hon. gentlemen opposite cannot forget partisan politics long enough to discuss anything. They sit in this house and sneer and laugh. Then when something takes place such as occurred in Regina last year we appoint a commission; we try to whitewash the thing, and attempt to forget about it. We say, "We all regret it, but we will let bygones be bygones." I say that is not sufficient; I say the time has come to go into this matter very thoroughly. I do not rise to criticize; I rise to ask the Minister of Labour—

Mr. GRANT: Who was responsible for the trouble in Regina last year?

Mr. DOUGLAS: I am rising to ask the Minister of Labour—

Mr. GRANT: They say you were the fellow.

The CHAIRMAN: I must appeal to all members in all quarters of the house not to interrupt.

Mr. DOUGLAS: If the hon. gentleman has any legitimate question he cares to ask, or if he wishes to debate the issue rather than hurl these remarks across the floor, I shall be glad to discuss the question with him. What I am saying to the minister is that a repetition of what took place last year is not at all improbable. In the light of that we ought to be prepared to approach this matter sympathetically. We ought to be prepared to see the men's point of view. I doubt whether many hon. members know much about the actual conditions under which these men are living.

We ought to know. There was the report of the Macdonald commission on the camps, which I believe have been cleaned up since, but no one believed that those conditions actually existed until the commission revealed them. We do not know what the conditions are in these camps.

Mr. ROGERS: If the hon. member will permit me. Is he speaking now of the relief camps?

Mr. DOUGLAS: No, of the railway construction camps. Has the minister some information on the question?

Mr. ROGERS: I have the information that the men who have gone from the relief camps to maintenance work on the railways are living under precisely the same conditions as the men who did this work before. We have received very few complaints from the men, and not a few letters expressing satisfaction with the conditions under which they are working.

Mr. DOUGLAS: I wonder whether the government is carrying on any inspection as to conditions?

Mr. ROGERS: If any complaint is received we see that an investigation is made immediately.

Mr. DOUGLAS: By whom is the investigation made?

Mr. ROGERS: Through the representative of the Department of Labour especially charged with this work, in cooperation with the railway.

Mr. DOUGLAS: I do not want to delay the committee, but undoubtedly during this coming summer the Minister of Labour will be confronted by many of the situations that arose last year.

Mr. McLEAN (Melfort): How does the hon. member know?

Mr. DOUGLAS: I have already cited a number of reasons: The fact that men are gathering in different parts of the country; the fact that there is talk of some coming down from East York. Undoubtedly if unemployment continues as now there are going to be mass demonstrations. I am asking the Minister of Labour to approach this question sympathetically. I am asking that we attempt to spend money in trying to clean up the situation rather than to whitewash it after it has occurred. I suggest that what occurred in Regina last year is an excellent demonstration of how not to settle a labour dispute.

[Mr. Douglas.]

Mr. QUELCH: I have had a good deal of practical experience in railway construction work and also in farm labour, and I say without any hesitation that it is absolute nonsense to expect that men who have been trained as clerks in a city or who are physically too weak are able to go out and do eight or ten or twelve hours' work a day on railway maintenance or farm. The minister stated, I believe, that some men had refused to go out. Were those men physically fit to do that work? I have been in some of those camps and I know that many of the men would not be able to stand up under such work. That was recognized in the camps and they were given work which was suitable. If they are not fit for railway work or farm labour, what is the alternative? Is it suggested that they are either to do that work or to be turned adrift? Are they to be treated as convicts and sentenced to hard labour? Are they to be condemned to what is nothing more or less than physical torture or to be told that they will be deprived of the means of living? I should like to know what other alternative will be given these men.

Mr. ROGERS: As I have said before, the men in the camps were given an alternative. As from March 1 the wage allowance for work in the relief camps was increased from $5 to $15 a month, and as far as the projects could be usefully continued an opportunity was given to the men to continue in that work. Subsequently, when the railways were able to take on men for this extra gang work, all the men in all the camps were given an opportunity to accept that work if they so desired. There was no compulsion whatsoever.

Mr. QUELCH: The rest were allowed to stay in the camps?

Mr. ROGERS: They were allowed to stay in the camps as far as the projects could be usefully continued. The Department of Labour also made every effort to secure alternative employment through cooperation with the employment service of Canada and the colonization branch of the Department of Immigration. As I have already mentioned, some 700 men found employment on farms in western Canada as a result of this effort. We have information also that a considerable number in the camps went to employment which they found for themselves.

I also suggest that at no time did I state that any large number of men in the camps had refused work. I was very careful to put the number in hundreds rather than in thousands. I know the danger of any general indictment. I was equally careful to point

out that the railway companies had expressed the utmost satisfaction with the quality of the work done by the men who did go to this work.

Mr. BENNETT: We are being asked by this measure to grant to the governor in council authority to deal with two specific matters, one of which is for an ascertained amount and the other for an undetermined sum. We are also asked to reenact the provision that permits the governor in council to make arrangements with corporations and companies. I suggested the other day that I thought it desirable that as we are to advance money by way of loan to the provinces for the sums they had expended, some supervision should be exercised with respect to those expenditures, and I indicated that at least at one time an officer was sent by the Minister of Finance to supervise in order to ensure: (a) that moneys being advanced by the dominion were actually being expended for drought relief; (b) that the dominion advances were being expended in such a way that individuals and municipalities in need of relief by reason of crop failure due to drought were being treated equitably with each other, having regard to crop record and other circumstances determining the degree of need; (c) that the moneys advanced for relief in the drought areas were being expended on a scale proportionate to and in line with relief payments made in other provinces and in other areas.

Under those instructions it will be recalled that certain investigations were made and that in one case payments were claimed amounting to $5,134 and the investigators were able to locate only $3,078. It was also found that payments made in adjoining municipalities were not on the same basis. It will perhaps be recalled that the representatives of certain municipalities explained that they did not regard it as their duty to take any action, if the population felt it desirable to receive relief, regardless of what their crop conditions were. And what was true in those particular localities was true, perhaps to a lesser extent, in other parts of Canada. The result was that the Minister of Finance satisfied himself that it was desirable to exercise the utmost care and supervision where moneys were being advanced by the dominion by way of loan to take care of the portion expended by the province, for in the result it merely means that we are furnishing the whole of the money, as the minister said the other day. The only difference is that in one case we have treasury bills, that may or may not be paid, for that portion of the expenditure which nominally is to be made by the province. This bill now before the committee, amending a statute already passed this session, which has been given the number 15, it being an unusual proceeding in itself that there should be an amendment of a statute during the same session of parliament, is brought about by the circumstances to which the minister refers. One can understand that difficulty, but it does not explain why it is thought desirable to provide a blank cheque with respect to the other matters, even though it would be on a qualitative rather than a quantitative basis, as the hon. gentleman said the other day, or perhaps it was the reverse.

I mentioned, too, that relief in Saskatchewan was being carried on by men in whom the public had not great confidence. I mentioned to the minister that the alleged commissioner of urban relief was a disbarred solicitor and that there were two other disbarred members of the bar engaged in relief work in that particular province. For some strange reason the commissioner of census for one of the constituencies in Manitoba was also a disbarred lawyer. Just why the preference should run to these men I never have been quite able to understand. I need not mention names, although I have them beside me. I have always refrained from mentioning names, so far as possible, unless it had to be done in court proceedings, when I have been speaking about a man who has been disbarred. But it is difficult to have relief administered in any area by those who have deprived deserving persons of their means, and who have found themselves in difficult positions by reason of the embezzlement of funds.

I suggest to the minister the desirability in the public interest, where the dominion is finding all the money, half of it by way of its own expenditures and half by way of loan, that there should be in cases of that kind in any province a general supervision which will satisfy the minister that the moneys have been properly expended. It will be recalled that an order in council was passed directing the auditor general to take such steps as might be thought necessary, and in one province, an eastern one, payments have not yet all been made because the proper vouchers have not yet been forthcoming. That, too, is a circumstance which strengthens the suggestion I make to the minister.

I desire also to point out that the criticism urged some years ago against the efforts made to provide work through the railways in shops and other facilities owned by railway companies is rather out of step, shall I say, with the action now taken. I quite agree

that it is desirable to take these men from the camps and give them work on the railway rights of way as maintenance men. But in looking at the agreement I find that it is nothing but a gift to the railway companies who become the agents of the crown to make expenditures, and are paid for making them. I was amazed when I read the first paragraph of the agreement to find that a substantial sum of money is being given the railway companies for the organization, and I use that word for lack of a better one. The sum they are to accept is stated in the agreement. If the minister will look at the agreement I believe he will find in the opening paragraph what I mention. I looked at it upon an earlier occasion when the agreement was laid on the table of the house.

From the terms of the agreement I suppose part of it could properly be regarded as a loan and part of it as not. The position taken by the government is the position taken by the former administration, the only difference being that in one instance the work was given in shops which were paying much greater pay per diem, and the men were from urban communities rather than from the camps.

I indicated to the house, as I do to the committee, that I think it was a mistake in policy to increase the monthly pay to $15 when the men were being given notice that on July 1, their employment—or, shall I say, their engagement—in the camps was to terminate. Of course the result was to create a situation of some difficulty, but inasmuch as it was a difficulty for the government perhaps it should be left at that. Fifteen dollars per month for food, clothing and shelter was regarded as a very satisfactory arrangement by some, obviously not by all, and not by the younger men who desired to have employment. But there is the fact. The protest made by the hon. member for Weyburn is hardly correct, because working twenty-six days at $2 a day they would receive $52, and board at one dollar per day for thirty-one days leaves $21. So that at the end of four months they would have a substantially larger sum than that which has been suggested.

Mr. DOUGLAS: I subtracted for clothing.

Mr. BENNETT: The hon. member states that he made an allowance for clothing, but, as the minister very properly pointed out, particularly after notice was given, those men were pretty well supplied with clothing, as we know from the indents which were made upon the stores of the country.

[Mr. Bennett.]

Those of us who have followed this matter from its beginning will remember that the camps originally came into being to meet a pressing problem in connection with single unemployed men, and it was never intended that the camps would become a permanent institution. When the government took the step of ordering that they be shut down by July 1, what amazed me was the number of bitter cries and criticisms which have gone out from certain men, and the earnest entreaties that they be allowed to remain in the camps. Those who have foregathered in Saskatoon are now saying, "Why is Dundurn to be closed on the first of July?" This illustrates some of the difficulties that any government must experience in dealing with a problem of this kind.

The situation as disclosed by the press—and the minister will have more information than I have—indicates that communications had been sent to the minister from Prince Albert and Saskatoon. In the Third Avenue church of one of the cities a meeting was addressed by a minister of the gospel and a social service worker. The attitude taken seemed to indicate that they did not quite appreciate the general policy of the government in dealing with the problem. I suggest that possibly through no fault of the minister, but through the fault of those who have charge of the matter, his intentions have not become thoroughly known to those who are directly affected, because some of the statements made could not possibly have been made had the authorities been aware of what the minister said this afternoon. I feel that possibly there has been a lack of understanding on the part of those affected as to just what the intentions of the minister and government are. It is quite clear that they seemed to think no opportunity was being offered for work, whereas the minister has made it clear this afternoon that there was an opportunity for work on maintenance of way operations, and that that opportunity was still open to at least 1,300 persons. That being so, it appears that it would be desirable—and I offer this in no sense of captious criticism—to make it clear in Saskatoon and Prince Albert that work is available. Press dispatches disclose that the situation in Prince Albert is a little different from that in Saskatoon.

Leaving that aside for the moment, I could not but reflect upon the fact that a year ago, as was mentioned by the hon. member for Rosetown-Biggar, complaints were made of the policy being followed. There has been no

departure from that policy. There is only one change in the policy of a year ago and that of to-day, and that is that the so-called relief camps are to be closed on July 1. That means that for the present there is no shelter afforded in the camps for the unemployed but it does not mean that some camps may not be required later to take care of a situation which may become pressing. So far as the general movement out of camps is concerned, it is quite clear that last spring there was a movement out of the camps which was not as large as the present movement, but during the summer, in the height of the season, the numbers in the camps did fall. I visited two of those camps and I am bound to say that what the minister said this afternoon is quite true, namely, that there were men in them who had come from farms, had remained during the winter and then, not being able to find employment on farms to their satisfaction, were remaining on. The action taken by the government in that regard is, I think, to be commended. That is, the camps, for the moment at any rate, are no longer to be kept open for the purpose of providing opportunities for food, clothing and shelter without work, and I trust very sincerely that the agreements which have been made and which contemplate the employment of the men in the camps upon railway maintenance work may be successful. On the other hand, it is equally true that the criticisims which were urged against the former administration for endeavouring to secure employment for men on the railways, in shops and among skilled mechanics, can no longer be directed in view of the steps, and, I believe, proper steps, taken by the government to meet the situation at the moment.

I mentioned the other day a difficulty which had been experienced in Belleville in connection with the employment of these men, and the Minister of Railways was to look into the matter. I stated that my information was that the men had been required to produce cards. I find that that is not the statement which is now made. It is that two employees of the Canadian National Railways who are supporters of the government pass upon the fitness of each individual to receive employment on the railway. It was not a question of receiving cards in an organization but rather that they should be acceptable to these two gentlemen, who are employees of the railway. I believe an investigation by a royal commission will substantiate that fact beyond a question of doubt. I think such a situation is very much to be deprecated, if it exists. I have no doubt that the minister will be told it does not exist. As soon as anyone is discovered carrying on actions of that kind, at that moment they deny any such thing and abandon the operation. But even at the risk of losing their jobs I believe there are some who are prepared to indicate, if a proper investigation is held under oath by a properly constituted commission, that such conditions have existed.

Mr. HOWE: I have asked for an investigation. I had received a snap report and I sent it back to the management with the demand that the matter be investigated by officials whose probity could not be questioned. I had hoped to have the report by now, but it could not be. I sincerely hope to have it by Monday for my right hon. friend's information. I may say that if such a thing has happened there, it will never happen again.

Mr. BENNETT: I am satisfied that neither the Minister of Railways nor the Minister of Labour was cognizant of the facts, because I do not think either of them would become a party to such a thing. But it created a good deal of feeling in some quarters. I naturally felt that there must be some mistake, but the information was so accurate with respect to that phase which I have now presented that I do not think there is any question about it. I am of the opinion, as the minister says, that the practice has stopped for very good reasons, among others the inquiry which was made.

I could not but be reminded, as I was saying, of the barrage of criticism and attack that came from this side of the house a year ago. I wonder if those present in this chamber at that time recall the nature of the attacks which were made from time to time and from hour to hour. To-night, a new government, through an enterprising and patriotic Minister of Labour, is desirous of giving effect to policies that for the life of me I cannot see differ in any respect from those of his predecessors, except in so far as closing the camps on the first of July is concerned. Railways? Yes. Advances of money to enable them to carry on? Yes, the same as before. Farm placements? Yes, the same as before. Increased payments, it is true, are being made to the men in the camps, with, I think, doubtful results.

Mr. ROGERS: My right hon. friend would not expect me to agree with that.

Mr. BENNETT: Not for a moment, because undoubtedly the minister took the action he did after careful consideration, believing it a useful thing to do. Then you have your agreements with the provinces, your

contributions to the provinces, your loans to the provinces, your public works—the same old story in the same old way, all these things just as they were before, without a single change, not different by the crossing of a "t" or the dotting of an "i" so far as bringing them into legislation is concerned. And now we have the last, the blank cheque, on a small scale. It was on a larger scale. Quantitative and qualitative distinctions had not then been made; the disarmament conference had not then been held, but as it is now, with the restrictions upon the armaments that protect the federal treasury removed, we find the government still clings to the desire without limitation to make "agreements with corporations, partnerships, or individuals engaged in industry respecting the expansion of industrial employment." That, of course, is very desirable; it sounds well, and I hope it will have something more than mere sound to it as the months go by. That is all I have to say with respect to that, except to point out how differently men view matters when they occupy different positions in a legislative assembly.

Mr. MACKENZIE KING: My right hon. friend forgets that he did not allow the present government to get into office until away on in October, and at that time it was wholly impossible to make many changes that might otherwise have been made.

Mr. BENNETT: I am delighted to have the Prime Minister make that observation because, whatever may have been his intentions, it is quite clear, like the language which he used with respect to the Bank of Canada Act, that when his intentions became crystallized into legislation we could certainly understand what he meant, and this legislation provides for loans, l-o-a-n-s, spelled the same old way, provides for public works, spelled in the same old way, for advances, spelled in the same old way, provides for agreements, spelled in the same old way, provides for employment by the railway, spelled in the same old way. It is not a matter of time with these things; they are all now matters of legislation. They have been reduced and crystallized into statutes. However skilful one may be in disguising one's thoughts with words, when they find expression in a statute it is not so difficult to understand them, and the legislation we have here, as my hon. friend from Winnipeg North said, is exactly similar to what we had before, not the slightest difference except with respect to the amount of the blank cheque.

Mr. MACKENZIE KING: Previously it was all done under peace, order and good government or the blank cheque, except that in his last year or two of office my right hon. friend yielded to the pressure of the opposition and enacted certain legislation.

Mr. BENNETT: No. Orders in council speak for themselves. There was special provision for loans to provinces, just as there is to-day. There was special provision for public works, without limitation as to the amounts. To-day the public works are stated in the appropriation bill that has been passed, passed twice, for that matter, part of it passed two years ago and part of it this year. I congratulate the minister upon having the courage to act as if change was not necessarily progress; when he adopts and continues the methods in vogue by his predecessors, he must realize after all that they were the best methods available under the circumstances that existed, and he finds himself unable to make any changes except as to the method in which he carries out some of these matters.

Mr. ROGERS: That is a very important factor.

Mr. BENNETT: Oh, yes, very important to the man who is looking for a job. He is vitally interested in knowing whether there is a limitation by parliament on the amount that may be expended.

Mr. MACKENZIE KING: So is the taxpayer.

Mr. BENNETT: He is going to pay anyway. As one hon. member said this afternoon, he has to pay. The Minister of Public Works said that there was no reduction in the amount available for the purpose of looking after unemployment relief. Perish the thought that there should be. We are taking a generous attitude towards this matter and providing for it just as did our predecessors. He tells the committee that there is no reduction in the amount to be expended. But, forsooth, the taxpayer receives no protection. It does not make any difference in actual fact whether the amount of $20,000,000 is arrived at by one method or another, the taxpayer has to pay. It does not make any difference to him if he has to pay it in one way or in another way. The difference between quantitative and qualitative payments is so refreshing. It is such a delightful thing for the unfortunate taxpayer to be told that he should not complain, that this is a qualitative tax measure, whereas the one he had before was a quantitative tax measure, or vice versa. How delightful it is to think that, after all, we can look into the past and perhaps we can learn something, even though it comes from Thomas Carlyle, but for the present we shall shut our eyes to the facts and look into the future.

Mr. MacINNIS: Mr. Chairman, in discussing this question we do not seem to be able to get away from the blank cheque. I have always had the idea that the blank cheque was not adopted in order that the government might raid the treasury; I believe it was adopted in order that expenditures might be kept as low as possible. I can see how that situation would come about. After the former government was elected a special session of parliament was held and $20,000,000 was voted for unemployment relief. This money was distributed to the various municipalities and provinces on the understanding that the municipalities and provinces would appropriate an equal amount. The result was that some of the municipalities, thinking they were getting something for nothing, very nearly went bankrupt in order to meet the amounts being paid by the government. The astute Prime Minister of that time decided that another method should be adopted; that he would ask for a blank cheque. That meant he could pay as much as he wished, or could issue as little as he wanted. He did issue as little as he could get away with. I do not think there need be much time wasted on that phase of the matter.

I have been interested in the agreements entered into with the railway companies. These agreements were not tabled until a few days ago. As has been pointed out by the leader of the opposition (Mr. Bennett), each railway company is given $1,502,450. As far as I can see, this is a clear gift to the railway companies, on the understanding that they will employ a certain number of men.

Mr. ROGERS: And that sum will be paid in wages to those men.

Mr. MacINNIS: Quite so. Furthermore, the government is to loan each of the railway companies two amounts, one not to exceed $554,700 and another amount of practically the same size. These amounts are to be used for organization work and materials. I noticed in the estimates the other day that there is an item of $55,000 to pay the sales tax on the materials the railway companies are going to use for this purpose.

Mr. ROGERS: In the absence of the Minister of Railways and Canals (Mr. Howe) I hesitate to correct my hon. friend, but my impression is that that item for sales tax relates to the transaction of last year when certain equipment orders were placed with certain railway and locomotive companies in this country.

Mr. BENNETT: I think that is right.

Mr. MacINNIS: If the Minister of Labour is satisfied I shall make no further mention of it. What will happen is that each railway company will receive $1,502,450, which they will pay out in wages to the men who are to do the maintenance work. If these men work eight hours a day—I shall come to the matter of hours a little later—it will mean $2 per day. For every day a man works, and, I assume, as well for the days he does not work, he pays approximately $1 to the company for his keep. Each railway company is getting a free gift of $1,502,450 worth of labour from the people of Canada, while the men who perform the labour will receive very little.

I do not know, nor, do I suppose, does any one else, how long the men will be working. Any estimate as to the time they will put in before the end of the season would be merely a guess but I think five months would be a good average. At the rate of twenty-five cents per hour, working eight hours per day and six days per week, the total wages for the five months would amount to $260. A man's meals would cost about $125, at $6 per week. I am told that there is a blanket rental of fifty cents per week, which would amount to approximately $11 for the five months. That would total $136, which would leave the man $124 after working five months.

Mr. ROGERS: I hope my hon. friend will allow me to correct his statements as he goes along, as I know he does not want to make misstatements. I am sure that the blanket rate is included in the $6, which is a deduction for shelter and food.

Mr. BENNETT: There is also a small deduction for medical services.

Mr. MacINNIS: The statement was made to me that this $6 was for meals, and that there was a blanket rental of fifty cents.

Mr. ROGERS: In addition to the $6?

Mr. MacINNIS: My information is that it is in addition.

Mr. ROGERS: I think my hon. friend is misinformed.

Mr. MacINNIS: I thought the hon. member for Rosetown-Biggar (Mr. Coldwell) was in his seat. He was present when I got that information. At the end of the five months, provided a man does not spend anything on tobacco, provided he does not spend anything on clothes, provided he does not spend anything on magazines and books, provided he does not spend anything on amusement, provided he does not spend anything on any

of those things the average individual requires, he will have a total of $124 provided he has worked every working day during that time.

The minister said that the agreements called for a basic eight hour day. That is correct, but the wording is such that a ten hour day can be worked most of the time. Let me read that part of the agreement referring to the working day. It says:

> The basic working day for men so furnished shall be eight hours, but inasmuch as this is seasonal work, subject to intervals of discontinuance, and exceptional owing to pressure of work for the time being, the hours of work may exceed eight hours in any one day, or forty-eight hours in any one week, in which case the men so furnished shall be paid overtime pro rata for the additional time worked beyond eight hours; provided that the number of hours during which any man is actually engaged in work on his regular assignment during any six consecutive months shall not exceed 208 hours per month as an average.

The possibilities are that the men will not be working six months, and when you take into account that month which they have not worked at all, and calculate the average of the time they have been working, they could not possibly work more than ten hours a day and be within this agreement, so that I do not think that part of the agreement is worth very much.

A question was raised of some of the men having refused this kind of work. I do not think the minister wished to give the impression that this happened generally; he said that a few hundred out of a good many thousands refused this kind of work, and I think in that respect he was right. But let us look at the situation as it is. A great many, if not the majority, of the men in the camps are young Canadians. Many of them have had a fairly good education. In the past this kind of work on the railroads has been done by Chinese, at least on the Canadian Pacific Railway to some extent, and in many parts of Canada by Europeans recently arrived in the country. Very few Canadians heretofore have done this sort of work, and it is not surprising that a few men out of eight or nine thousand should have refused to do it.

Mr. ROGERS: Will my hon. friend permit me to state that I have received representations from Canadians in, I believe, every one of the provinces, desiring to participate in this particular work at the present time?

Mr. MacINNIS: Yes, I can quite understand that.

Mr. ROGERS: My hon. friend is speaking of times when there was an ample supply of general employment for Canadian workmen.

[Mr. MacInnis.]

Mr. MacINNIS: The Minister of Labour must realize how hard it is for men who expected something very much better than that to bring themselves to the position where they have to do that kind of work, which offers no hope whatever for any future advancement or progress. I do not know whether the minister is able to make any announcement in the matter or not, but I should like to know what the government has in mind to do for these men after the work on the railways is over. It does not seem to me that we can hope that through any general improvement in conditions these men will find work in the ordinary channels of trade and industry. Clearly they cannot do that. They will have very, very little money when they leave railway work, and it will not carry them very far. And men who have been away for several months from all contacts with the rest of the community will be very likely to have a "blowout" when they get away from the monotony of four or five months of such work, and who can blame them?

Now, let me refer to the general improvement about which we hear so much. Building construction is one of the best barometers of industrial activity that I know of. I have before me the figures compiled by MacLean Building Reports Limited for the first four months of the present year. Taking the seven largest cities in Canada, I find that in all but one of those cities building permits in that period are considerably lower than they were last year. Vancouver is the only city where they are higher than they were last year. There is a reason for that, namely the new city hall and a few buildings of that kind. The figures are: Vancouver, this year, $2,219,000; in 1935, $621,000. Let us look at the other cities: Toronto, 1935, $3,008,000; 1936, $1,477,000; Montreal, 1935, $2,446,000; 1936, $1,118,000; Ottawa, 1935, $1,740,000; 1936, $312,000; Hamilton, 1935, $1,056,000; 1936, $305,000; Winnipeg, 1935, $1,911,000; 1936, $160,000; Quebec, 1935, $125,000; 1936, $90,000. I have given round figures. So there is no possible hope of improvement, and I think, before the house adjourns, the government ought to give some indication of what the general policy is in regard to unemployment for the coming fall and winter months before parliament meets again.

Mr. GARDINER: Mr. Chairman, I had decided before lunch that probably it would not be necessary for me to deal with a matter that had been brought up on two previous occasions while discussions of this bill were under way, but since lunch time the matter

has been again referred to. Therefore I should like to clear up one or two references that have been made to the administration of relief in one of the provinces of Canada. On page 3653 of Hansard I read these words, spoken by the leader of the opposition:

Since we were dealing with this legislation before I have had occasion to follow up the question which I then raised as to the supervision which the government was exercising. I pointed out that the government had removed from office one who had been sent by the Department of Finance to check over the expenditures in Saskatchewan.

In the first place I should like to call to the attention of the committee that the man spoken of in this connection was not sent to Saskatchewan to check up on the work which was under discussion on a previous occasion we referred to, that is on farm placements. He was sent there under an arrangement made between myelf, as premier of that province, and the council of the government of Canada, meeting in the council chamber under the chairmanship of the present leader of the opposition, and the arrangement made is set out in a letter under date of November 2, 1934. That letter is signed by Hon. Edgar N. Rhodes, who at that time was Minister of Finance.

Dear Mr. Gardiner,—

Confirming our telephone conversation of last evening, we are to-day forwarding to Regina by wire the sum of $750,000 as an accountable advance, to be used only for relief purposes.

The government has from the outset recognized that there was a grave problem in Saskatchewan in the drought areas which could be properly regarded as national in character, and which called for special assistance from the dominion government. This view was kept fully in mind when the Prime Minister telegraphed to you on the 31st day of August offering to assume full responsibility for food, clothing and shelter, and to deal with the question of feed and fodder as outlined in that telegram.

While we are still of opinion that inasmuch as the dominion was providing the funds it was our duty to assume responsibility for their expenditure, notwithstanding the fact that you declined the proposal made by the Prime Minister as outlined above, we would adhere to that position if to do so would not impose hardship upon a large number of people resident in the province of Saskatchewan.

Notwithstanding the fact that our position was made clear to you as far back as August last, you now return seeking assistance at a period when it is too late in the season to attempt to set up our own machinery, and therefore to provide further assistance, there is no alternative to our utilizing the machinery you have set up for distribution.

We are prepared to advance such sums of money as may be necessary to take care of our full obligation in the drought area and such further assistance from time to time as it may be our duty to render, also to provide such portion as may be required for general relief purposes, if any, over and above the sum of $200,000 per month which we are now paying, provided always we are satisfied that the moneys so advanced are required and expended for the purposes intended.

The measure of this advance will have to be determined as we proceed, and to avoid delay and to ensure that the expenditures are being made in conformity with this understanding, we propose to take such steps as may be necessary to provide for a proper check and audit of all relief expenditures which will only be paid by us from time to time as it may be established that the expenditures are warranted and made for the purposes intended.

I take it that in conformity with your advice to me over the telephone this course will be perfectly satisfactory to you and that you will confirm this arrangement by wire as speedily as possible after receipt of this letter.

This letter is signed by Hon. Edgar N. Rhodes. It was addressed to me at Regina, under date of November 2, and there are one or two references in the letter to which I should like to direct attention. I should like to read this statement from the letter once more:

Notwithstanding the fact that our position was made clear to you as far back as August last you now return seeking assistance at a period when it is too late in the season to attempt to set up our own machinery, and therefore to provide further assistance there is no alternative to our utilizing the machinery you have set up for distribution.

We are prepared to advance such sums of money as may be necessary to take care of our full obligation in the drought area—

I wish to point out that in those and other statements contained in the letter it is emphasized that the obligation was an obligation of the federal government which the Prime Minister of that time undertook to assume, as early as August of 1934. The objection I took to the proposal when I met the government was due to the fact that the greater part of the expenditure to be made in the drought area would be for feed and fodder. The cost of feed and fodder in the drought area is much greater in a year when there is a crop failure than is the cost of actually feeding, clothing and sheltering the people who live in that area. I emphasized the fact that it would be inadvisable to have set up in the province of Saskatchewan one relief organization to look after feed and fodder and another relief organization to look after direct relief. I indicated that either one or the other, either the provincial or the federal government, should assume full responsibility for setting up the organization for distribution of both direct relief and feed and fodder. During the period intervening, between August and the 2nd November, an organization was set up in Saskatchewan to purchase feed and fodder, to make provision for straw as it came away from the threshing machines, and to look

after the problem generally. When the then Prime Minister returned from Great Britain, where he had been during October, I met him in Ottawa and made the arrangements that are agreed to in this letter I have just read.

The point I wish to emphasize is this: The provincial government was asked at that stage to use an organization that it had set up in order to look after an obligation which was entirely an obligation of the federal government, and recognized by the federal government as such. In order to check the expenditure of the money required they sent a man to Regina. Some of the reports that were made by Mr. Barnett, who was appointed to do this checking, were quoted to-night by the right hon. leader of the opposition without being referred to definitely as having come from that source. I recognized them because of the discussion that took place at the time in connection with reports dealing with the treatment of one municipality in Saskatchewan as compared with another, in the matter of giving assistance under this plan. All I wish to say with regard to that criticism is that after Mr. Barnett had been on this job during the entire winter; after he had investigated an expenditure that ran to something like $9,000,000 prior to the time he left the service of the Department of Finance, he had refused payment of only $40,000 of the amount that had been distributed. The federal government, out of the $9,000,000 that was involved, paid all but some $40,000, after they had placed a man in a position to check the accounts both before and after payments were made. Well, I venture to say that no other organization set up by one government in Canada to administer the affairs of another government in Canada, in connection with the expenditure of money, has shown as great efficiency as was shown in Saskatchewan both under the government in power in Ottawa at that time and under the government that has had to meet some of those expenditures since.

I wanted to make that statement in order to clear up the reference that is here made. This man was not appointed for the purpose of checking up on farm placements; he was appointed for the purpose of checking up on the expenditure of federal money spent by an organization created by the federal government in order to do a federal job.

Well, Mr. Chairman, having made that perfectly clear there are one or two observations I think should be made with regard to the other matter that has been referred to continuously, namely the payment of those who were entitled to $5 a month from the fund provided for farm placements. I have before me letters and telegrams from the files of the Department of Labour which I had copied a few days ago, after the reference made to this matter by the right hon. leader of the opposition. I find at an earlier date a telegram sent by myself to the Minister of Finance on January 8, 1935:

Hon. E. N. Rhodes,
Minister of Finance,
Ottawa.

Reference placement; single homeless persons on farms under terms agreement September 15, 1933, and privy council order of October 11, 1934. Chief accountant unemployed relief branch federal Department of Labour rules that agreement instituted to assist in the relief in urban centres of homeless persons and who are definitely found not to be a legitimate charge on any municipality. Therefore persons who have resided in rural municipalities are not qualified for bonus even though they are homeless, destitute and unemployed. Primary object of whole scheme as concurred in by your premier at interprovincial conference 1933 was to provide measure of relief to thousands of farm labourers in drought areas of province thus retaining men on farms in preference to their congregating in cities. Ruling department labour officials above referred to practically nullifies whole scheme in so far as our drought areas are concerned and would urge you request labour department to issue ruling based on terms of agreement which simply states that five dollars bonus available to persons placed on farms.

That matter was referred to by the Minister of Municipal Affairs in Saskatchewan, in charge of labour, on February 5, 1935, and I shall read one paragraph from that letter for the purpose of indicating to the committee and to the leader of the opposition what the point at issue was between the government of Saskatchewan and the government at Ottawa:

I understand that during the winter 1933-34—

That is the winter before the change of government in Saskatchewan, the winter before the last provincial election.

—a large number of farm labourers were placed on farms, presumably under the terms of the agreement, and that the records and accounts for these placements were submitted to representatives of your department, approved, and payments were made.

Let me emphasize that point. These accounts were submitted to the representative of the Department of Labour; they were checked by him and they were paid in the winter of 1933-34.

We now find that a sum amounting to nearly $90,000 of the money which had been passed upon one year ago, and actually paid out, is being questioned by your department because of an interpretation placed upon the agreement by officials of your department, and that this interpretation is also being applied to the placements being made this year, which also will undoubtedly result in a large percentage of the moneys paid to these single homeless men being charged back to this government.

That was the point at issue throughout November and December, 1934, and January, 1935, and with that point at issue during January, 1935, I took the position as premier of the province that we could not become responsible for the payment of $5 a month to men placed upon farms in Saskatchewan, from funds of the dominion government, for the purpose of carrying out a policy of the dominion government, if payments of $90,000 made in the year previous were going to be charged back against the province. We indicated to persons who were receiving payment from that fund that no payments would be made after January 31, 1935, by the province. We took the position that we would not make the payments until the matter of policy had been definitely settled. We did this because to have followed the policy set out by the Department of Labour with regard to payments for the previous winter would have resulted in money paid out from this fund being charged back to the province on all but a very small percentage of the cases. We notified all the men that payments would not be made after January 31, 1935.

What action was then taken by the dominion government? The action is set out in a letter dated February 23, 1935, written by the Deputy Minister of Labour to the Deputy Minister of Finance. I am going to read that letter in part, because it sets out the action taken by the government at that time and the reasons for it:

Under the provisions of P.C. 2465, October 11, 1934, the agreement between the dominion government and the province of Saskatchewan, dated September 5, 1933, was revived as from October 1, 1934, effective to March 31, 1935, thus providing for payment by the dominion government to the province of $5 per month for persons placed on farms. I enclose copies of the order in council and agreement referred to for your information.

Now these are the important parts:

The provincial authorities have interpreted this measure of assistance as applying to all persons, whereas this department has taken the stand that the 1933 agreement and the revival thereof by order in council merely renews the provisions of the 1932 agreement, confining this provision to transients.

I may say by way of explanation that by that time the transients were supposed to be in the relief camps, and transients as they came along and qualified for the relief camps by health tests were placed in the relief camps.

This situation is set forth in my letter of February 18 to the Minister of Municipal Affairs for Saskatchewan, copy of which I enclose. I also enclose copy of a letter of February 18, addressed by the Hon. Minister of Labour to the premier of Saskatchewan. If you will refer to the final paragraph of this letter, you will see that the minister has informed premier Gardiner that the dominion will provide for the continuation of the bonus of $5 per month to the 5,300 persons reported by the province as being on farms under the plan as at January 1, last.

I may say that there is apparently a stenographical error here as the 5,300 persons referred to were reported by the province as at January 31, last.

I do not think it necessary to read every paragraph of the letter, because this paragraph really sets out the point that I wish to bring before the committee. It is this, that down to February 1, 1935, the dominion government refused to make payments to men other than those who were transients. There were 5,300 persons receiving $5 per month from the provincial government, who qualified under the provincial interpretation of the plan to be paid by the federal government at January 31, 1935. The dominion government refused that payment through the provincial authorities, and therefore the provincial authorities refused to pay it to the men. But immediately the provincial government stepped out of the field, the dominion government took on the whole 5,300 men and agreed to pay them $5 a month, not through the provincial government at all but through a man they themselves appointed to do this. That man is indicated in this letter:

This department has at Regina an auditor, Mr. Symons, who is engaged in auditing the accounts of the Saskatchewan relief commission and who is familiar with the situation as regards the $5 a month farm placement plan. He will be instructed to place himself in touch with Major Barnett and it is suggested that he shall jointly, with Major Barnett, certify the accounts sent to this department for credit to the advance made.

The point is that Major Barnett was sent to Saskatchewan for the purpose of checking the accounts as they passed through a provincial set-up, with regard to moneys that were being paid to farm labourers through an undertaking that the federal government assumed as their responsibility. He had nothing to do with farm placement until the provincial government entirely passed out of the picture. Then the payments of the $5 amounts were made through Mr. Barnett by the federal government advancing to him $60,000, $30,000 per month, with which to make payments during February and March, and those payments were made and audited without any necessity for any check on the provincial government whatsoever. The moneys were paid by the dominion official, and paid directly by the dominion officials to the farm labourers who were placed on farms.

Mr. Barnett and, later, Mr. Burgess, checked the payments in the drought area. In dealing with their criticism I want to read to the committee one document I found on the file of the Department of Labour. This is a letter addressed to Harry Hereford, Esquire, Dominion Unemployment Relief Commissioner, Department of Labour, Ottawa, reading as follows:

Dear Mr. Hereford:

I enclose herewith quotations from letters and telegrams received by the minister with reference to relief in Saskatchewan.

Yours very truly,
D. L. Burgess.

D. L. Burgess was secretary to the Minister of Agriculture. On the file sent down to the Department of Labour from the office of the Minister of Agriculture are samples of some of the checks that were being made and the results of those checks upon relief expenditures in Saskatchewan, under the set-up referred to. I have before me a letter which I shall read. I do not know who wrote it, because the file does not show, but the letter I have just read indicates it was clipped from a communication received by the Minister of Agriculture:

Since Mr. Gardiner took office the relief allowances have been cut down from $2.50 per family to $8 per family.

"Per family" obviously should come after the "$8."

Remembering what was said in this house in connection with the necessity for checks and the insinuations that have been made—I call them insinuations because of the references I shall make in a moment—that all was not well in connection with the administration of relief in Saskatchewan, and the inference to be drawn that some very close check should be kept by the Minister of Labour upon expenditures in Saskatchewan because of what is happening there, let me read it again:

Since Mr. Gardiner took office the relief allowances have been cut down from $2.50 per family to $8 per family. I know this, and here are the actual reductions, for a family of fourteen in April, 1934, received $15 and two sacks of flour. In April, 1935, $10 straight. From this you will see the difference and they say now it is all going to be cut off and a single man cannot get work here so I should like you to try and picture what will happen here if they do cut it off and they are not giving us any road work yet.

That is the kind of reports which were coming in, the kind of report being sent by one department of government in Ottawa to another department of government in Ottawa, in order to see to it that a proper check was kept by the department on the Saskatchewan expenditures of relief moneys which, the leader of the opposition is quite correct in saying, were supplied by the government of Canada.

But that report shows that the government of Saskatchewan was actually cutting down the relief allowances. Actually it was paying less than was being paid before, actually saving money to the government of Canada. I say if there were many reports of that kind being sent on from one department to the other they could not have resulted otherwise than to make the ministers believe that relief was being properly administered.

I now come to the other statement to which reference was made to-night, and which has been referred to on previous occasions. I read from Hansard of June 12, 1936, page 3653 where the leader of the opposition is reported as follows:

I pointed out that the government had removed from office one who had been sent by the Department of Finance to check over the expenditures in Saskatchewan. I find that certain relief expenditures in that province are under the control of a disbarred lawyer who was guilty of embezzling trust funds. That would hardly be a highly desirable person to have in charge of the expenditure of moneys which we have to pay.

Before going on to deal with the statement itself and the reference it makes to an individual in Saskatchewan, I want to say that ever since the government in that province was taken over by the Liberal party in 1934, or at least ever since the reorganization put into effect after that, direct relief expenditures in that province have been under the control of T. M. Molloy who was at first Deputy Minister of Labour, and who is now in charge of the Bureau of Labour in that province. I know that any official in the Department of Labour in Ottawa will agree with me when I say that Mr. Molloy is one of the most capable labour officials to be found in any provincial government. He has had twenty-five years' service in the province of Saskatchewan. He is the man who has administered the expenditure of all direct relief funds in Saskatchewan, ever since the present government of the province of Saskatchewan came into office and set up a new organization for the expenditure of those funds. He is not a lawyer.

Naturally we were concerned the other evening when my right hon. friend made that statement. The Minister of Labour asked this question:

Mr. Rogers: Would my right hon. friend care to name the official in question?

Mr. Bennett: I prefer not to mention a man's name.

Mr. Rogers: Is my right hon. friend suggesting that he is an employee of the dominion government or of the Department of Labour?

Mr. Bennett: I said he was in charge of expenditures in the province of Saskatchewan.

Those two statements are very plain ones, namely, "I find that certain relief expenditures in that province are under the control of a disbarred lawyer who was guilty of embezzling trust funds," and "I said he was in charge of expenditures in the province of Saskatchewan."

Later on I came into the house and asked one or two question in regard to the matter. I asked:

Mr. Gardiner: What was the nature of the position held by the gentleman?

Mr. Bennett: In connection with the administration of relief.

Mr. Gardiner: Out in the country or at the head office?

Mr. Bennett: My memory is that he was in a position of some considerable authority, that he was not an ordinary administrator out in the countrly, that he had come into Regina and was administering from there. I will have the letter with me and will give those particulars when the bill is in committee.

Mr. Gardiner: I understand that three persons were referred to.

Mr. Bennett: There were two others who were also members of the legal profession and who, according to my information, were also in the same unfortunate position.

I think there can be no misunderstanding about the inference which was left in the minds of all those who listened to that statement, and there can now be no doubt in the minds of those who listened to it as to what it really means.

Mr. BENNETT: Hear, hear.

Mr. GARDINER: It means that someone in the province of Saskatchewan who had been disbarred as a lawyer—and I might say some persons have held responsible positions in Canada after they have been disbarred as lawyers—

Mr. McPHEE: Cabinet rank.

Mr. GARDINER: This gentleman is said to have been disbarred. That evening, after the discussion, the leader of the opposition was kind enough to send to me the name of the individual. I did not know the man. I had never heard of him, as a matter of fact. Not having heard of him I was quite satisfied he was not in charge of the administration of anything. So I wired Regina in order to get the facts. On the night of June 12, 1936, I sent this wire to the Hon. T. C. Davis, Attorney General, Regina, Saskatchewan:

Mr. Bennett stated in house to-day that a member of the legal profession who had been debarred because of embezzling funds had held or now holds an important position in the administration of relief funds in Saskatchewan. He also stated there were two other employed who were in the same unfortunate position. Kindly wire me any information possible. If such persons were employed, give details re time of debarring and present standing.

I received a reply to that wire from Mr. Davis. The wire is dated Regina, June 13, the following morning, and reads as follows:

Statements made by Mr. Bennett are not true and the facts are as follows. Former solicitor in employ of relief department in minor position of correspondence clerk at salary which barely provides existence. This man was at one time a practising lawyer but was accused of failure to account for some funds and was struck off the rolls of law society. Since then he has made complete settlement of claim against him and I am satisfied that if he applied for reinstatement he could secure it, but he has never had the funds wherewith to do this. No profession in this province more hard hit through depression than that of law. Two other former practising solicitors employed in connection with northern settlers' reestablishment in minor clerical positions. One is still solicitor in good standing.

I have had information since that this gentleman who was still a solicitor in good standing is not practising because his practice practically disappeared because of the hard times. The wire continues:

The other was suspended for three months for irregularities and subsequently voluntarily filed statement of non-practice with law society and therefore is not on the active rolls.

I am informed, on applying for further information, that this gentleman while not on the active rolls at present, was reinstated, had not sufficient practice to be able to get along in the community where he was, and then ceased to be a practising lawyer.

These three gentlemen have been given employment in very inferior positions, not in the administration of relief, but merely clerks in the office in charge of distribution. They are not handling any funds whatsoever. After a man in Canada has met with a difficulty which has been brought upon him by the situation through which our country is passing, after he has got into some difficulties that probably he would have been wiser had he not got into, and after he has had his punishment, whatever that punishment may be, is anyone going to say that that man is never again going to obtain employment in this country? Is any man going to say that governments must see to it that he is passed up every time he makes application for a job? Is anyone going to say, if that man can write letters properly and be a correspondence clerk, he must, instead of taking that kind of work, go into a relief camp or some other place to find an existence?

I do not think even the leader of the opposition would take that position. I can

quite agree with him that had any of these gentlemen been in positions such as the leader of the opposition must have thought they were in from the correspondence he has obtained, he would probably have been justified in raising the question, but I think all of us, before raising questions about individuals who find themselves in difficulties in these days, should be very careful to get all the facts with regard to them; and if I had not all the facts with regard to these men, I would very much prefer to err on the side of not knowing all that is to be known about them than to err on the side of coming into this house as a representative of the people, even as a humble member attending his first session, and raising the matter on the floor of the House of Commons. I think we have much bigger matters to talk about, much bigger matters to discuss, much bigger problems to settle. I regret that the right hon. gentleman found it necessary to bring up this matter on three occasions in order to elicit some kind of reply to the question. I hope that the incident is closed.

Mr. MacNEIL: I wish to bring to the attention of members of the committee another aspect of this problem. I think nothing could be more dangerous than to allow the impression to go abroad that members of this house are not entirely sympathetic with the plight of those whose welfare is being discussed. It would be equally dangerous to have the impression go abroad that we are more interested in what might be termed the political aspects of the problem rather than in the rehabilitation of Canadian homes and the lives of many of our Canadian people.

I am not disposed at this stage to indulge in any criticism of the government's policy. We must, I assume, adjust ourselves as best we may to the plans outlined. I appreciate the magnitude of the problem and the difficulties facing the Minister of Labour (Mr. Rogers) and in the name of those who are suffering misery and distress at this time I hope that we may achieve in the ensuing months some appreciable degree of progress towards the solution of this problem.

I have on previous occasions stated my views with regard to the government's policy, and I cannot admit to any optimism as to the outlook. I cannot see any hope of the reabsorption into productive employment of any substantial number of those now on relief. But at this moment I would rather plead with the Minister of Labour to give his most earnest consideration to some aspects of the problem that in my humble opinion seem to be most important. When the Minister of Labour was dealing with the unemployment situation on a former occasion, in committee on the bill, he gave statistics of those now unemployed and on relief but he did not have an opportunity to give the statistics on employment. I notice in our journals in Canada several attempts to analyze the situation and to give the impression that the number of those on relief is not decreasing as might be expected from the statistics given as to the increase in the number of employed, and propaganda is abroad that the majority of those out of work are out of work because they won't work and that relief should be severely reduced accordingly. I think the most effective answer to that propaganda was given by the Minister of Labour himself this afternoon when he stated that 8,700 men in the relief camps had accepted work on the deferred maintenance work of the transportation systems. Nevertheless this opinion is abroad, and I would ask the Minister of Labour, in administering the measures under his supervision, and also the Minister of Transport, to attempt to convince the single men and the married men on relief that it is the earnest desire of the government to give all these people a square deal.

There is on the part of many officials dealing with this problem what is sometimes called a hard-boiled attitude. Without question there is the occasional chiseller, the result being a tendency on the part of some to judge all the unemployed on relief as being a class of human beings quite different and apart from the rest of our people. It must be held in mind very clearly at all times that even if a man is down and out, even if he is unemployed and on relief, he is still a human being; those whom we classify in general terms as the army of the unemployed, the jobless and so on, we must never forget are human beings, and unemployment is doing terrible things to human beings. These people are part of our nation. We cannot divide our nation into a number of water-tight compartments. These men live in a separate world, for those on relief do live in a separate world. But they have the same aspirations, the same ambitions and the same desires as other people and these things are being denied them. The denial of these natural ambitions and natural aspirations over a prolonged period is bound to have a terrible influence upon human beings, and the results of a prolonged period of unemployment with inadequate relief measures must be taken into very sympathetic consideration. There must be some effort made to gain an understanding of the problem, from this point of view.

I urge the consideration by the Minister of Labour of the problem of our single, homeless young men, to whom reference was made this afternoon. It was said that some of these men would not accept work when it was offered to them. The minister has said that no medical examination was provided to determine the physical fitness of these men for this arduous, manual labour, or their aptitude for this kind of work.

Mr. ROGERS: Perhaps I should have said that I had no knowledge of such an examination having been made.

Mr. MacNEIL: I am sorry if I have misquoted the minister. My information is that no medical examination was conducted. May I remind the minister that in every large relief camp which I have visited there was a sick bay or hut. At all times there were a certain number of men requiring medical attention in spite of the physical examination they had received upon admission to camp. I have personal knowledge of men who were quite incapable of undertaking maintenance work such as is being arranged for them with the transportation systems. There are also a number of elderly men in these camps. I met men of the ages of sixty and sixty-five years, and it is quite obvious that they would be unable to do this arduous manual work. I ask the minister to investigate the cases of men alleged to have refused work, and to ascertain whether or not their reasons for refusal were valid. I am very sure that all but a small percentage who did refuse to work did so for justifiable reasons. From my personal knowledge I know there are a considerable number of these men who are wholly unfit for this work.

I bring to the attention of the minister the question of clothing, a problem now facing these men on maintenance work. It is quite true that they were permitted to retain the clothing they had in the relief camps, but very little of that clothing is of the protective nature necessary for the work in which they are now engaged. Many of these men are working in swamp lands and some of them are working in rough country where, for instance, they require gloves. If we consider the work they are engaged in, a pair of gloves would last only a week or ten days.

An hon. MEMBER: Boxing gloves?

Mr. MacNEIL: I am talking about work gloves to be used in clearing work. I am endeavouring to gain a sympathetic consideration of this matter. Any one who has done work of this kind will realize the truth of what I am saying.

Another point to be considered is the conditions under which these men are living. We all know that men engaged in construction work must endure a certain amount of hardship, but these men are of the opinion that they are being treated as coolie labourers. Very often they are housed in box cars which are not clean, and sometimes through lack of a sufficient supply of water they are unable to keep themselves clean and observe the ordinary decencies of life. I ask the minister to exercise the most careful supervision and try to obtain the best possible living conditions for these men under the circumstances. What is more important, the men should be convinced that the federal government is endeavouring to give them a square deal. I speak feelingly of this subject.

There has been a disposition in the past to treat these men as cattle. Some time ago a young man from a relief camp was killed on the railway in the Rocky mountains, and I am told that when they were gathering up the boy's remains, the official in charge complained of having to go to Vancouver to attend the inquest and referred to this boy and his companions in profane terms as being cattle. That attitude has been communicated to the men and I leave it to hon. members to realize that there can be only one result when men believe they are being treated as cattle.

Mr. ROGERS: Would my hon. friend give me the particulars of that incident, when it occurred and where? Perhaps not now, but if he would send me a letter.

Mr. MacNEIL: I was not making any charges, I was using this incident to illustrate a general attitude.

Mr. ROGERS: I would not for the world have my hon. friend leave the impression that that is typical of railway officials, and least of all of any official of the government.

Mr. MacNEIL: I assure the minister that it was not an official of the government; it was an official of the railway. I am merely illustrating the attitude.

Reference was made this afternoon to the unfortunate occurrences which took place in Vancouver and Regina. I am not attempting at this time to fix the blame, but I want to say that I have an intimate knowledge of the circumstances leading up to the most unfortunate occurrences in the city of Regina last Dominion day. I also had knowledge of the facts long before the men invaded the city of Vancouver. Time and again efforts were made to make representations to the authorities that certain action

was necessary to prevent any disorderly occurrence. All that was necessary was a frank man to man negotiation in this matter. The men finally came into Vancouver and I had daily contact with them. I knew the men who were designated this afternoon as communist agitators, and I also knew a large number of other men who came to me day after day and told me that they had no sympathy with the communist leadership which was directing the movement. They told me that all they wanted was a chance to present their views. I think I am fair when I say that during the earlier stages of the negotiations, which were conducted on behalf of the men by many representative business men in Vancouver, the attitude of those in authority and in close contact with the problem was arbitrary and high-handed. The result was that some of these men, decent men and some well educated, told me that they would rather take the bull whips in the gutters of the streets of Vancouver than return to the conditions they had had to endure in the relief camps.

Time after time we pleaded with them not to engage in any disorderly action, and they told us that they had no intention or desire of challenging constituted law and authority. On the other hand, they contended that they had been denied the processes of reasonable negotiation. Time went on, and I was personally present in the streets of Vancouver when these men were beaten up in a most brutal fashion by the city and provincial police. I ask any hon. member: If you had been present on that occasion, would you regard those occurrences any differently? The attack made upon these men on that occasion was unnecessary, unjustifiable and unprovoked. They were ousted from their quarters where they had been holding a peaceful and orderly meeting. When they scattered through the streets, they were followed and beaten up with bull whips. However, this is all past and ancient history. I point to it in the hope that we may profit by the mistakes which have been made.

If I know anything about the situation, as I think I do; if I know anything about the thought processes of these men whose interests are at stake, as I think I do, I fear for the situation that will arise next winter when these men are released from this maintenance work. It is for this reason that I urge upon the minister at this time the necessity of taking, through the very capable men he has around him in his department, such action as will make clear to these men that he is endeavouring to give them a square deal.

[Mr. MacNeil.]

May I point out that there is a great deal of confusion with regard to the wages paid to these men, and the general tendency or influence of that schedule of wages set forth in the agreement is to alarm other recipients of relief who are working for their relief that the rate of wages secured by them while on relief projects will be lowered. The Vancouver Daily Province of June 15, 1936, in an article from Victoria, has this to say:

> When the federal government agreed to finance half the cost of the work and loan the province the remaining half, it was understood at the labour department that men would be paid at the rate of twenty-five cents an hour with a ten hour day. This is the rate which the department is informed will prevail on railway maintenance work under the federal government and it was understood the federal authorities would insist on the same scale in provincial work. This rate was considered far too low here. It has been arranged now that the current wage rate shall be paid and this, while varying in all districts, is much higher than $2.50 a day.

Mr. ROGERS: There is no foundation whatsoever for that statement in so far as it pertains to the agreement between the dominion and the provinces.

Mr. MacNEIL: I appreciate that, in view of the minister's statements in the committee, but I bring to his attention that a great deal of confusion and alarm resulted from this misunderstanding. The article goes on to say:

> Wages usually average about 40 cents an hour for an eight hour day.

I fear that the measures employed by the government to achieve economy have been misunderstood by municipal and provincial authorities, and a series of repressive measures that are quite unnecessary is being brought to bear upon the unemployed. The result can be only bitterness and discontent, and I think something should be done to allay this uneasiness, otherwise the ministerial chair in the months to come will be a very warm and uncomfortable seat. I think we should address ourselves to this problem with the idea of stabilizing this situation, and one way of stabilizing it is to create an altogether different atmosphere with regard to this problem, having in mind at all times the depression, misery and degradation endured by those who must accept relief. May I ask the minister to do what may be done to bring to the attention of the public the factors that are maintaining the number at present on relief? As each day goes by there are people who are reaching the end of their resources. Prior to this period they have been able to maintain themselves, but now they must,

very reluctantly, apply for relief. Only this week I have had no less than a dozen men, all of them ex-service men, call at my office in this house. They say: We have managed so far to get along without accepting relief; God knows we do not want to take relief; we have done this, that and the other thing to secure employment; do you know of any employment we can get in any way? The only alternative before them is that of applying for relief. That illustrates in a degree, I think, how people who have hoarded their resources through these years, with the help of casual employment, are now coming on the relief rolls. In addition, there are the young people—a new draft each month, of course—and besides them, an increasing number of people suffering from impaired physical health. I am not placing the blame entirely on the federal government; rather I am asking the government to do what may be done to avoid the sort of thing that is illustrated in a notice I have before me. For obvious reasons I shall not mention the town, but I notice, in a newspaper published in that town—

Mr. McLEAN (Melfort): What newspaper?

Mr. MacNEIL: Unless the hon. member insists, I would rather not give it.

Mr. McLEAN (Melfort): We should have it.

Mr. MacNEIL: Well, it is in the Pembroke Advertiser, "Notice! Change of Relief Regulations," addressed to the "relief recipients and ratepayers of the town of Pembroke." Among these "changes" I find the following clauses:

3. All clothing allowances of 20 cents per head shall be cancelled after March 31, 1936.

6. No fuel allowance will be granted during the months of May, June, July, August and September.

7. The rate of 20 cents per hour shall be used in computing the amount of time to be worked for relief granted for the month of March, 1936, and thereafter.

8. Any relief worker not doing an honest day's work while on the job may be discharged by the foreman or town engineer in which case he will be cut off relief.

10. All families who have wage earners in the home earning in excess of the relief schedule for such a sized family are struck off relief.

11. All relief recipients 70 years of age are to be granted no further relief after March 15, 1936. Also, anyone upon attaining age 70 will be automatically struck off relief regardless of whether they have applied for an old age pension or not.

12. All deserted families are to be cut off relief March 1, 1936, and advised to secure support from their fathers or husbands. No "grass widow" will receive relief while her husband remains at liberty.

13. Single persons who marry and apply for relief will not be granted same until they have been married at least one year and a half.

14. Single persons will not be granted relief unless they are physically or mentally incapacitated; in such cases arrangements will be made to transfer them to an institution.

15. The following food allowances are effective after February, 1936:

Number in family:	Monthly food allowance
Man and wife (2)	$ 8 67
Man and wife and 1 child (3)	10 83
Man and wife and 2 children (4)	13 00
Man and wife and 3 children (5)	15 17
Man and wife and 4 children (6)	16 25
Man and wife and 5 children (7)	17 33
Man and wife and 6 children (8)	18 42

The maximum monthly food allowance shall be $18.42.

16. Any family applying for relief in Pembroke who have not established their residence here (12 months' continual residence previous to application) must arrange with the municipality responsible for them to have the cost of same relief charged back to the municipality they moved from.

17. All relief recipients who are unable to work for their relief shall receive ten per cent less than those that work.

20. All relief recipients who are not satisfied with the relief distribution after publication of this notice and who create any disturbance whatsoever will be cut off relief entirely.

That is about the general trend of these regulations.

Mr. FINN: Will the hon. member say who signed them?

Mr. MacNEIL: They are signed by the Pembroke Relief Committee, A. E. Cockburn, Chairman; D. W. Blakely, Secretary; G. E. Doran, Administrator. I understand Mr. Cockburn is the mayor of that town. Taking all these regulations together one may get some picture of what must result in that particular municipality or town. It is apparent that such regulations can only lead to disorder, for the very obvious reasons that they result in dangerously lowering the living standards of those on relief; they make it practically impossible to live decently; they deny all responsibility for those who reach the age of seventy, and for the wife who has been deserted.

Mr. BENNETT: There is the old age pension.

Mr. MacNEIL: I point out to the leader of the opposition that the regulation states that at the age of seventy relief recipients will be cut off relief whether the old age pension is paid or not.

An hon. MEMBER: It is not paid if it is not applied for.

Mr. MacNEIL: The regulation applies to all persons seventy years of age.

Mr. BAKER: If they are cut off relief they would be eligible for the old age pension.

Mr. MacNEIL: The point I am objecting to is that—

—anyone upon attaining the age of 70 will be automatically struck off relief regardless of whether they have applied for an old age pension or not.

There are lots of cases where, for obvious reasons, under the regulations, such as residential restrictions, those people cannot immediately obtain the old age pension. In my humble opinion such regulations provoke disorder. They create the impression that no responsibility is assumed for the welfare of those who are helpless, under these circumstances, to fend for themselves. These regulations are restrictive and coercive. I would urge upon the Minister of Labour at this time that he exercise as far as possible the supervisory powers conferred upon him with regard to the expenditure of federal moneys through provincial governments, insist that reasonable standards of living be maintained, that the utmost freedom be allowed to enable people to live decently, and assure them that there is some hope that as quickly as possible the federal government will institute projects which will enable them to obtain a secure and decent livelihood. I feel that at this time these considerations are important in order that we may avoid many of the unpleasant and regrettable occurrences which we have experienced in the past.

Mr. BENNETT: Mr. Chairman, I must make a few observations in reply to the statement made by the Minister of Agriculture, and I shall endeavour to do so without being offensive to certain gentlemen who have been mentioned.

As far as the supervision of expenditures is concerned, under the drought relief act it is quite clear that provision was made to deal with it; that Major Barnett did deal with it and that there was an auditor who dealt with it under the directions of the treasury department, also endeavouring to check up expenditures made by other branches of the public service. That, I think, goes without saying from a perusal of the records.

As to the other point, with regard to the extent to which bonus payments were made in connection with farm placements, if the hon. member had read the whole of the letter written by Mr. Dickson to the deputy minister of finance, which I assume the hon. gentleman will lay on the table since it is a public document, it would have been clear that there were also difficulties in the auditor general's office, and that because of certain attitudes taken by the Saskatchewan government Mr. Gordon, then Minister of Labour, directed that payments should be made through the Regina representatives of the dominion government, one of them being the auditor whom I have mentioned. Receiving that list from the Regina government, of 5,134, the representatives of the dominion government were able to trace only 3,828 persons. That is what I said was the difficulty, and I did not say it was in any sense a matter of criminal intent. It was a fact, however, that payments were thus being made to something like 1,300 more people than the auditors could ascertain. That is why I suggested to the minister that it was desirable that some steps should be taken to see that the public purse was safeguarded.

Mr. GARDINER: If I may say just a word here, which will probably save quite a bit of discussion, all the men were cut off on the 31st day of January, and the Department of Labour at Ottawa naturally did not come into the field until two or three weeks later. In the interval some of these men who had been cut off had gone away from their jobs before the work was taken over by the dominion government.

Mr. BENNETT: I simply say there were 5,134 on the list and the representatives of the dominion government found less than 4,000 when they made the payments for the months of February and March. That is what I said originally, and it seems to be borne out by what the hon. gentleman has said.

The other question is not so easily disposed of; the reply received from the Attorney General of Saskatchewan would seem to indicate that unfortunately there must be more than three of these gentlemen. The first gentleman to whom I referred and whose name I gave the minister, because I do not intend to use his name in the course of this discussion, was known as commissioner of urban relief. That was his title.

Mr. GARDINER: According to this telegram, which is the only information I have, that is not so.

Mr. BENNETT: I am saying that is his title; that is what he calls himself, and that is not hearsay at all. I have that information from a source that had to deal with him. That is that. One of the other two, unfortunately, was a registrar of land titles, and he was convicted of theft and sentenced to the penitentiary.

Mr. GARDINER: He is not connected with this service at all.

Mr. BENNETT: He was, when I spoke of it; he was in the relief service.

Mr. GARDINER: No, not at any time.

Mr. BENNETT: At least he put it in that way; perhaps he is doing something else now. The other had embezzled funds belonging to private persons.

The only reason I mentioned these three was because people who have had their moneys embezzled now find themselves in an impoverished state, and they raise the question as to why these men should be retained in positions connected with the administration of relief to those who, by their actions, they have compelled to be on relief. That is a very serious situation. I have—and I suppose as long as I live I shall continue to do so—tried to assist men of the legal profession who have found themselves in that unfortunate position. I have paid large sums of money for that purpose, and I have no regrets for having done so. But I suggest that when a government desires to assist such men—and I have no objection to a government doing so—it should not be done in that branch of the service having to do with the administration of relief. That brings these men into contact with those who have suffered by reason of their actions and who are now denuded of their moneys and their properties. These people see these men enjoying such positions; they write down and ask: "Is it possible that, going on relief, I must suffer and be placed in this position because my money has been embezzled, and the person who embezzled my money is now employed in the administration of this very relief?"

That is the position, and I have been very careful not to mention names. I do not intend to do so, though the provocation is great. I hold that men have every right in the world to another chance, but they should not be given that chance in such a way that their person is obtruded upon the attention of those who have suffered by reason of their action. That, I think, is a pretty elementary rule and one which should not be departed from. For the reason that I do not desire to do any harm to these men I have not mentioned their names, but with the influence the minister has, I trust he will suggest that they be kept in positions in which they will not have anything to do with the administration of relief.

There was an observation made with respect to persons occupying high places. That gentleman had not been disbarred. There is a power of punishment possessed by the courts of the country with regard to members of the legal profession who may be thought to have committed offences against the ethical rules of the profession. That is an entirely different matter from having embezzled moneys. In the case in question the gentleman was suspended for six months for the offence which the judges thought contravened the rules of the profession. That is the story as far as that is concerned. I know of men who have held very eminent positions, on the bench of the country finally, who in earlier days had been guilty of offences which brought upon them the punitive power of the courts. That is an entirely different matter from the embezzlement of moneys that impoverishes and brings suffering upon people. It was with great hesitancy, notwithstanding what the Minister of Agriculture may think, that, having been appealed to, I brought the matter to the attention of this committee without mentioning names, because I believe it is a bad thing for society—using the word in the broad sense—to have men obtrude their activities upon the attention of those whom they have defrauded. That is the real truth of the matter; they have brought themselves to the attention of those whom through their criminal acts they have brought to a position of poverty. In any help I have endeavoured to give to men thus situated I have tried at least to keep them out of the sight of those who have suffered by reason of their conduct.

That is all I have to say about the matter. I shall give the minister the other two names, as I gave him the first name, without mentioning them in public, because I have no desire to do any harm or injury to these men. I wrote to the persons who were complaining to me and said that I had always taken the opposite view, that men must be given a chance. But do not obtrude them upon the attention of those who have suffered by reason of their conduct. That is the story. The other part of it was that apparently they were fairly active politically, which makes the matter a little worse, and that is one of the difficulties. The reason I mentioned the fact of the commissioner of census for one of the counties being a disbarred practitioner in Manitoba, was that it was stated in the newspaper that he had been disbarred. Notwithstanding that fact, however, that man was appointed a commissioner, and the very persons who suffered by his defalcations are now in such an impoverished condition that they wonder whether they cannot do something to garnishee the moneys which he is to receive in order that they may be kept from relief and obtain the money of which they were defrauded. That is the

reason I bring these matters to the attention of the committee, without mentioning names, in the hope that sufficient has been said to bring a remedy for the conditions to which I have referred.

Mr. DUNNING: Just one matter to which I think I should refer, not in any controversial way. Frequent reference has been made by the leader of the opposition to the removal of what he describes as certain checks which were formerly exercised by the Department of Finance. The position in that regard was, as I think my right hon. friend now knows, that in connection with Saskatchewan, because of the special arrangements made in respect to the drought area, there was a degree of supervision the complete effect of which I need not repeat—

Mr. BENNETT: But there was a representative of the treasury there who supervised other matters in respect to drought.

Mr. DUNNING: But I see no reason for undertaking any different method of supervision in Saskatchewan from the method now obtaining in connection with all the other provinces of Canada. The audit of the auditor general is available in that case just as in all others.

Mr. BARBER: Statements have been made to-day in regard to there being a considerable percentage of men in the camps who are unable to work. I have visited these camps for some time; I have fourteen in my district, and have kept in close touch with them. I cannot agree with the hon. member for Vancouver North (Mr. MacNeil) as to the conditions, because I think the conditions are as nearly ideal as they can be in any camps, and I have visited lumber camps and other camps. The camps were clean, the food wholesome, and the men in charge were ideal. I do not think a better class of men than the foremen and superintendents could have been found in Canada; they were sympathetic, always willing to help the men, and taking a paternal interest in them.

Is it the intention of the government to dispose of these camps, or do they intend to keep some of them open so that some of these men who are not capable of working may be taken care of?

I should like to ask another question, which I believe has already been answered but as to which I should like to put in a plea. As to those foremen and superintendents who have been so faithful in that work during the last few years, many of whom are not prepared now to step out into the cities and get a job, some of whom are engineers, very capable, I should like to know if something could be done to employ them. I understand the minister said that he has had something under consideration or at least might make provision for some, but I should like an answer to the other question in regard to the future of these camps; is the government going to dispose of the buildings or to put someone in charge by way of a caretaker?

Mr. ROGERS: My hon. friend, of course, will realize that the disposal of the physical equipment is a matter to be determined by the Department of National Defence. It is not the intention of the government to continue to maintain these relief camps as such after July 1. I quite appreciate the point raised by the hon. member with regard to those in the camps who perhaps are no longer employable because of age or of temporary illness. We are looking into that side of the question and taking the most humane measures possible to meet it. As my hon. friend will understand, the camps were designed for physically fit men and there was no assumption of obligation to care for men who are not physically fit, that is apart from giving them hospital care. If they are unemployable we must consider that question with the provinces in which the camps are situated. But I again assure my hon. friend that we are not indifferent to the various important considerations which he has raised.

Miss MACPHAIL: We hear much about single unemployed men, and a good deal has been done to take care of them, whether it has been well done or not, by way of camps, and now by transferring them to work on railway maintenance. This leads one to wonder what has become of single unemployed women. There must be a terrible unrevealed condition affecting single unemployed women. Often in listening to the debates in this chamber I have thought that we have a pretty masculine society, and at no time am I so impressed with that condition as when we are dealing with unemployment. A great deal has been said and written in times past about the "weaker sex." If men are not capable of taking care of themselves during periods of stress and unemployment, does parliament think women are more capable of taking care of themselves? If they are not, what provision has the government made, or what provision does it propose to make for single, unemployed women?

Mr. ROGERS: I am not sure that I can do more than recognize as fully at this time as I have before the importance of the question raised by the hon. member. As she is

aware, we have appointed a woman on the national employment commission, and also propose to set up a special committee of the advisory committee to deal with the employment of women. It is a phase of the problem which so far has received inadequate attention. I can only hope that as time goes on we may be able to make some amends for this lack of attention.

Mr. STIRLING: I do not think the minister answered the question just asked as to whether the buildings in the camps will be disposed of.

Mr. ROGERS: I think I answered it; I think I said that the physical equipment—

Mr. STIRLING: That is the contents, but what about the buildings, the lumber?

Mr. ROGERS: None of that has been transferred to the Department of Labour; it all belongs to the Department of National Defence, and that question is under discussion between the two departments.

Mr. COLDWELL: Does the minister think it is wise to dispose of the buildings or the equipment? We may be as optimistic as we please, but we must be realistic too. I was recently in a camp where there were fifty-eight men whose average age was fifty-four, unable to look after themselves. I am quite convinced either that our institutions for aged people will have to be greatly enlarged or that something will have to be done in the way of camps for this class of men.

Then, however optimistic the government may be, I am convinced that under the measures taken by parliament at the present time there is no possibility of providing employment for all single and married unemployed persons in the Dominion of Canada within a measurable time, so I suggest that very careful consideration be given to the matter before disposing of the buildings and equipment.

Amendment agreed to.

Section as amended agreed to.

Bill reported, read the third time and passed.

SUPPLY

The house in committee of supply, Mr. Sanderson in the chair.

DEPARTMENT OF PUBLIC WORKS

Other Projects

Harbours and Rivers

Quebec

Amos—wharf extension, $3,325.
Anse à Beaufils—repairs to harbour works, $15,000.
Anse à Brillant—fishing harbour, $45,000.
Bolœil—protection work, $7,700.
Black River—dredging—the provincial government to contribute a like amount, $4,000.
Bonaventure—protection work, $9,000.
Cap Chat—protection work, $7,700.
Chandler—wharf repairs, $7,000.
Cross Point—dredging, $12,000.
Etang du Nord, M.I.—harbour improvements, $25,000.
Granby—protection work, $6,000.
Gros Cap, M.I.—landing pier, $3,100.
Havre Aux Maisons, M.I.—wharf, $6,500.
Lac Duparquet—wharf, $2,600.
Lac Rouyn (Mercier)—wharf, $2,300.
Lanoraie—extension to protection wall, $2,800.
Laprairie—icebreakers, $4,200.
Laprairie—repairs to dyke, $28,000.
Lavaltrie—extension to protection wall, $3,100.
Lévis—wharf, $50,000.
Malbaie—small landing pier, $1,780.
Matane—extension to east breakwater, $60,000.
Mont Louis—protection work, $5,600.
Moffette—wharf, $3,500.
Moisie — protection wall extension and repairs, $2,500.
New Richmond—protection work, $7,000.
Notre Dame de Pierreville—protection wall, $16,000.
Notre Dame de Pierreville (Chenal Tardif) —icebreaker, $3,200.
Notre Dame du Portage—wharf repairs, $10,000.
Paspébiac—wharf extension, $46,000.
Peninsula—wharf extension, $2,600.
Petite Rivière St. François—wharf extension, $15,000.
Petite Vallée—wharf extension, $27,000.
Pointe Claire—completion of approach, $2,000.
Pointe du Lac—protection work, $10,000.
Pointe Jaune—improvements to fishing harbour, $27,000.
Pointe St. Pierre—wharf reconstruction, $12,500.
Richelieu River—improvement of river and Chambly canal system, $500,000.
Rimouski—harbour improvements, $150,000.
Rivière au Rats—wharf, $4,900.
Rivière Beaudette—protection work, $2,000.
Rivière Blondelle—protection work, $5,200.
Rivière des Hurons—contribution towards dredging, the balance of cost to be borne by the province, $75,000.
Ruisseau Pariseau — contribution towards dredging, the balance of cost to be borne by the province, $15,000.
Ste. Anne des Monts (river)—extension of training pier, $8,000.
St. Antoine de Tilly—wharf reconstruction, $17,000.
St. Etienne de Malbaie (Casgrain wharf)—fill spans, $5,000.
St. Godfroy (Rivère Nouvelle)—protection work, $16,650.
St. Grégoire de Montmorency—repairs and completion of protection wall, $5,000.
St. Maurice River—dredging, $18,000.
St. Michel des Saints—extension to protection works, $1,800.
St. Omer—raising protection work, $4,400.
Ste. Rose—protection wall, $4,900.
St. Siméon de Bonaventure—protection work, $12,200.
Saguenay River—dredging, $200,000

Harbours and Rivers—Concluded.

Sorel—harbour improvements, $85,000.
Tadoussac (Anse Tadoussac)—wharf improvements, $15,000.
Val Barette—protection work, $3,000.
Varennes—protection wall, $15,000.
Verchères—protection wall, $10,000.
Victoriaville—protection work, $5,000.
To provide for payment of salaries and expenses in connection with the investigation in Canada of the improvement of the waterway from Montreal through lake Champlain to the Hudson river, $20,000.

Mr. MacNICOL: When the house rose on May 8, I believe one of the items under discussion was that referring to the Richelieu river improvements, and in connection with that item I should like to make a few observations. From what the minister said at that time it would appear that this expenditure of $500,000 is only an initial amount, and that the ultimate improvements in connection with Richelieu navigation may cost about $10,000,000 or $12,000,000.

In the course of his remarks the minister referred to two of the proposed junction canals from the St. Lawrence river system to the Richelieu system, one from Chambly and, if I remember correctly, the other from lake St. Francis, which might be considered in the future. The subject of canals and everything pertinent to the waterways of this country and those of the United States has long been a study of my own. I have in mind the fact that in 1897 the report sent by the Deep Waterways Commission to the United States government, and later confirmed in the 1919 report of the War Department of the United States, proposed several other routes including the two mentioned by the minister. As I understand the situation, those routes would tap the traffic in the St. Lawrence system and divert it from Montreal and the St. Lawrence river east of Montreal to the Richelieu system, and via the Hudson river system to New York.

One of the routes began in the two western lakes, namely lake Superior and lake Michigan, afterwards entering lake Huron. From lake Huron one route according to the map I have, proceeded through lake Nipissing and the Ottawa river to lake St. Louis, and then from the west end of lake St. Louis over to Chambly on the Richelieu. From that point it went on up over the height of land and down through the Hudson river to New York. Another route which is not commonly referred to, but which is shown on the map, was to leave Georgian bay at the mouth of the Nottawasaga river, then overland, I assume, via the Nottawasaga valley and the Humber valley to Toronto, then by lake Ontario to Oswego and the Erie canal, or down the St. Lawrence to lake St. Francis, and from lake St. Francis over to lake Champlain at a point near Plattsburg.

Another proposal was to divert the traffic by lake Michigan and the Chicago canal to the Illinois river, the Mississippi river and then to New Orleans. Personally I am opposed to any proposal which would divert traffic that should follow the St. Lawrence river to Montreal harbour and the river, east. The St. Lawrence river route is the natural route for traffic from the west via water, and the route via the Richelieu river, the Chambly canal and the Hudson river is an unnatural route. The United States Champlain canal, from the point where it enters the Hudson river at the Mohawk river is and for some years has been canalized to take care of boats of considerable length. I believe the locks are 331 feet long and 45 feet wide, with a draft of twelve feet. As I understand the matter, the minister proposes to follow up with other locks in the Richelieu river to permit traffic up that river of boats which would pass through the Champlain canal locks. The locks are to be 339 feet by 49 feet, with a twelve foot draft. I cannot help feeling that that would divert from the St. Lawrence system a great deal of traffic that should be going down that river. That traffic should go from Montreal down to the sea by the natural route. It is some considerable distance longer by way of New York than by way of Montreal to Father Point, which is in the deep water section of the St. Lawrence river.

After referring to these maps which I secured some years ago from the War Department, during trips to Washington, I wonder if the department is certain that the building of the canal would be beneficial to Canada. Personally I do not believe it would. I feel that any diversion of St. Lawrence traffic down the Hudson river would be detrimental to traffic in the St. Lawrence river which is Canada's great artery and certainly the natural route. Unless the United States up traffic is particularly beneficial, I cannot see how it would be of great benefit to the boats using the system, because of the elevation that ships would have to ascend from Sorel to the south end of lake Champlain where Champlain canal commences. I believe it rises about ninety feet in all, then from lake Champlain up over the height of land and into the Hudson river, which I believe is up about forty-five feet and down about 140 feet, before it enters into the Hudson river near Albany. It is to cost $500,000, and then later millions will have to be paid out. In my opinion that large amount of money might be better spent in Montreal harbour and the route east from that harbour.

The Montreal Standard of March 30 has a little item headed "Low water in port vexing problem. Channel control now suggested. Montreal port future menaced." That is just one of many articles which have appeared in the papers for some time past. In my humble opinion it would be much better to spend this money on deepening the Montreal harbour or providing works east of Montreal or improving the St. Lawrence river. I do not know if the minister can change the item from the Richelieu to the St. Lawrence river, but I hope it is possible to do so. I am not opposing the spending of this money because it will provide work, but I would much rather see this ten or twelve million dollars, which the minister has given as an estimate of the eventual cost, spent in Montreal harbour and on the river east of Montreal than on the Richelieu river.

Mr. STEWART: When we left off the discussion of this item on a previous occasion I had raised certain objections to this expenditure. There are two very serious objections to it at this time. The first is the amount of this item itself, but more serious than that is the fact that it commits the Dominion of Canada to a very much larger expenditure in the future.

Following the discussion in this chamber there was some newspaper comment of which I am sure the minister has taken notice. The Montreal Gazette of May 14, 1936, contains an article which sets forth opposition to this expenditure and it indicates that the local council of the board of trade—

Mr. DUPUIS: I do not think, Mr. Chairman, the hon. gentleman is in order in reading from a newspaper.

Mr. STEWART: I have not yet done so. I am just referring to the fact that the newspaper contained comment on this expenditure. I do not desire at this stage to read long extracts from newspapers, but I desire to base my comments on what has appeared in the newspapers, and a very responsible paper in the city of Montreal is opposed to this project. It is being opposed by the council of the board of trade, and I assume the minister has been made aware of the objection from that quarter.

The Montreal Daily Star of May 29 also contains a long article setting forth objections and criticisms of this proposed expenditure.

As the minister knows, this is not a new proposition at all. It is one which has been considered by the department at different times, and one which has been postponed for reasons with which the minister is familiar. This waterway, if developed at an estimated expenditure of eight or ten or twelve million dollars, will, after all, be a light draft waterway. The minister knows that the tendency of the day is toward larger ships, ships of deeper draft. In years gone by ships of lighter draft did serve a useful purpose and carried quite a large volume of traffic. Still, the trend of traffic is toward larger ships and deeper waterways. There is also a very marked tendency toward the carriage of local freight by truck. In view of these facts we should seriously consider at this time whether it is advisable to undertake the deepening of waterways which, after all, will not carry ships of heavy draft and which will have to depend to a certain extent upon local traffic.

The minister indicated that there would be tourist traffic coming up from Albany and from the Hudson to the St. Lawrence. That is all right, but it is, after all, not a very heavy volume of traffic and not very profitable from the standpoint of the government. The minister knows that in Ontario the Trent canal system has been abandoned and taken over from the Department of Railways by Ontario for the development of power. The Rideau canal, a good canal in days gone by, passing through my own county, and a canal in which I am very much interested, has outlived its usefulness except for small craft and for tourist purposes. I am sure that for the traffic which would be on any of these canals we would not consider to-day the expenditure of any large amount, and this proposed expenditure is a very large sum, ten or twelve million dollars, and that in these days when we are urged and find it necessary to economize in every direction. I would urge upon the minister that this is a work which is not justified by the volume of traffic that will be on this waterway, and if the minister presses the item and carries it through the committee I beg of him to reconsider and review the whole situation from every standpoint. The passing of an estimate is not a commitment of the government. It is not a contract to undertake the work, and I would ask the minister to review and discuss the matter with his colleagues and delay this comparatively very large expenditure for this year, and the very much heavier commitment for the future. I really think from my knowledge of conditions acquired in the department and from everything that has been said as to the possibilities of this waterway, that circumstances at this time do not justify our embarking upon an expenditure that ultimately will amount to eight or ten or twelve million dollars.

Mr. CARDIN: Mr. Chairman, I think it is only fair that I say a word in answer to the two hon. gentlemen who have spoken on this matter. At this late hour I do not feel like entering upon a lengthy discussion to justify the proposal which has been made, or mentioned incidentally, the rebuilding of the Chambly canal. Certain comments have been made outside this house by certain people who, I am sure, do not know the first thing about the matter, and have never seen the Richelieu river and its surroundings. Without being too severe I may say that that criticism and their contention were most unfair and were evidently the result of a desire to say something disagreeable to the minister.

My hon. friend (Mr. Stewart) has referred to an article in the Montreal Gazette. That article is really very mild, but it contains some kind of answer to the fear expressed by my hon. friend. It says that already a very important paper company in the province of Quebec has built two ships capable of navigating the rowboat canal as we have it at present at Chambly, and that other paper companies are contemplating the building of ships capable of navigating that canal in order to ship their paper and wood pulp to the United States, avoiding by that method going round the Gaspé peninsula into the gulf of St. Lawrence and the Atlantic ocean in order to reach New York and other important ports in the United States. They have found it advisable to build ships to navigate the present canal. We must remember that this canal is capable of being navigated only by vessels of 250 tons. That was all right in the old days, but the experts tell us that it is possible to develop this canal to permit its navigation by ships of 1,800 tons. This would be quite sufficient to take care of any possible traffic.

The objection was raised the other day that there was no traffic available. Well, there was no traffic available when the Canadian Pacific Railway was first initiated. There was no traffic available when both parties decided to build the Hudson Bay railway and to develop a port on the Hudson bay. We all wanted to develop any possibilities in Canada, and we took those methods of developing traffic. Many undertakings have been started without any present justification. The development of the St. Lawrence river from the ocean to Montreal was not undertaken when vessels were waiting in the gulf to go up to Montreal. The development of the wharves and other port facilities at Montreal were not undertaken when the traffic was waiting in the harbour; those facilities were provided for the traffic that might develop later on.

The same thing applies to the Richelieu river and the Chambly canal. There is no traffic at the present time because it is no longer profitable to use ships of only 250 tons. The traffic through the St. Lawrence canals when they were of the same size as the Chambly canal would compare very favourably with the traffic passing through the Chambly canal. To-day there is a great difference in the traffic through the two canal systems because the St. Lawrence canals have been deepened to permit vessels of larger draft to go through. If the St. Lawrence canals had been kept at the old depth of twelve feet, the present depth of the Chambly canal, there would be no traffic going through the St. Lawrence from the great lakes to Montreal because it is not profitable to transport goods in vessels of only 250 tons.

I regret I have discussed this canal at this time because there is no necessity of this entering into the discussion. The vote which I am asking the committee to pass provides for a regulating dam between St. Johns and Chambly. This will be used more particularly for reclaiming low lands in the vicinity of St. Johns-Iberville and Missisquoi counties. It has been established by a report now in the Department of Public Works that a revenue of $500,000 per annum can be obtained from these low lands. These lands are so low that they cannot be cultivated at the present time. They are flooded every spring and as far back as 1900 requests were made to the department for the dredging of the Richelieu river in order to permit the water to flow off in the spring so that these lands might be cultivated. When the federal government started to dredge the Richelieu river an objection was made by the United States. It was contended that this dredging would precipitate the flow of water in the Richelieu river and lower the level of lake Champlain. The Canadian government then submitted to the United States authorities a proposal for the building of a dam, which was approved. This dam would regulate the flow of water in the spring. When the water is high, the dam would be opened and the river having been dredged, would permit a more rapid flow of water and the lowlands in the vicinity of St. Johns-Iberville would not be flooded. When water is needed in the summer or fall for navigation purposes, the dam would be closed and the normal flow of water would be permitted down the Richelieu river.

That is the proposal under consideration. Out of this vote of $500,000 to cover the building of the dam we want a few thousand dollars to be used for survey purposes to

determine the desirability of rebuilding the Chambly canal. My hon. friend mentioned an amount of $12,000,000 for this work, but the figure I mentioned the other day was $8,000,000. This figure was a mere guess on the part of the engineers. As there are no plans in the department for the rebuilding of this canal, no one can say definitely just what it will cost. I gave that figure the other day because I was pressed, but it represented a mere guess on the part of the engineers. If the government should decide to proceed with this rebuilding, the matter would come up next session or at another session. There would then be a vote placed before the committee, or possibly some other legislation would be introduced to provide for the reconstruction of the Chambly canal. I want it to be clearly understood that this amount is just to cover the building of a dam which has been contemplated as far back as 1900. After this explanation I feel that any apprehension which may have existed with regard to the rebuilding of this canal should disappear. If it is definitely decided to rebuild this canal, the house will have an opportunity to discuss the matter at a future session.

Item stands.

Progress reported.

CUSTOMS ACT AMENDMENT

MESSAGE FROM THE SENATE WITH RESPECT TO SENATE AMENDMENTS

Mr. SPEAKER: I have the honour to inform the house that a message has been received from the senate informing this house that the senate agrees to the amendment made by the House of Commons to the tenth amendment made by the senate to Bill No. 67, to amend the Customs Act (Canadian waters), without any amendment.

COMBINES INVESTIGATION ACT

MESSAGE FROM THE SENATE WITH RESPECT TO SENATE AMENDMENT

Mr. SPEAKER: I have the honour to inform the house that a message has been received from the senate informing this house that the senate do insist upon its amendment to Bill No. 97, to Amend the Combines Investigation Act, for the reason that the amendment is necessary to accord witnesses the reasonable protection vouchsafed them in all British courts.

NATIONAL HARBOURS BOARD

MESSAGE FROM THE SENATE WITH RESPECT TO SENATE AMENDMENTS

Mr. SPEAKER: I have the honour to inform the house that a message has been received from the senate informing this house that the senate do not insist upon its first, second and fifth amendments to Bill No. 17, respecting the National Harbours Board, to which the House of Commons have disagreed, and do substitute the following in lieu of its third amendment:

Page 6, lines 1 to 6 both inclusive. For subclause 2 of section 12 substitute the following:

"(2) Whenever, in the case of any works, tenders are required by this Act to be called, the board shall, after having given the tenderers reasonable notice of the time and place of the opening of the tenders, open them in public and thereafter submit them to the minister, who shall submit them to the governor in council and the contract for the work shall be awarded under the authority of the governor in council."

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Monday, June 22, 1936

The house met at eleven o'clock.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

VIMY PILGRIMAGE

Mr. REID:

1. What persons have been invited by the government to attend the unveiling of the Vimy memorial on July 26, 1936?
2. Have any Canadian pipe bands been asked to take part, and, if so, will the personnel consist of representation from the various militia units of Canada?
3. Is the government taking any steps to look after any Canadian pilgrims who may suffer through illness or disability during their visit to England and Europe?
4. In what way, and to what extent is the government cooperating with the Canadian Legion with respect to this national ceremony?

Mr. MACKENZIE (Vancouver):

1. The following have been invited to be the guests of the Canadian government at the unveiling of the memorial: Sir Robert and Lady Borden; Sir George and Lady Perley; Sir Eugène and Lady Fiset; Lady Byng; Lady Currie. A number of invitations to be present at the unveiling will also be issued by the High Commissioner for Canada, London, England, and the Canadian Minister to France.

2. Yes. One piper (selected by the officer commanding the regiment) from each high-

land regiment in Canada; and the drummers will be supplied by the 48th Highlanders of Canada.

3. The hon. the Minister of Pensions and National Health has given authority to cover the pensioner-pilgrims during the official trip as if they were resident in Canada. All pensioner-pilgrims have been notified to this effect in detail under circular letter issued from the department under date of May 29, 1936. The honourable the minister has designated the 31 ex-soldier doctors who are accompanying this trip as pilgrims, as temporary medical representatives of the department, with power to act. The minister has also arranged for a certain amount of casual medicines for all pilgrims at departmental cost, and is sending a medical hamper with each ship.

4. While the government is making the necessary arrangements for the unveiling of the memorial, there has been the closest possible cooperation between the government and the Canadian Legion. The Canadian Legion has not asked that any financial assistance should be extended to the pilgrims; but in fixing the date for the unveiling and in all other arrangements, the government has at all times had first regard to the requirements and convenience of the pilgrims.

INSPECTION OF CATTLE—VETERINARIANS

Mr. REID:

1. At what cities or towns will examinations be held for positions as temporary veterinary surgeons in connection with cattle inspection at the various customs ports?
2. Who will conduct the various examinations?

Mr. GARDINER: No examinations are contemplated to fill positions as temporary veterinary surgeons in connection with cattle inspected at the various customs ports, but the Department of Agriculture is holding an examination on July 8 to increase the number of accredited veterinarians. These veterinarians are not remunerated by the department but are paid for their services by the live stock owner who employ them. They are authorized to conduct tuberculin tests of export cattle and tuberculin tests of animals purchased for additions to herds under the department's tuberculosis control policies, and to collect blood for serological tests for Bang's disease of export cattle.

These examinations will be held at: Moncton, New Brunswick; Montreal, Quebec; Ottawa, Ontario; Toronto, Ontario; London, Ontario; Winnipeg, Manitoba; Brandon, Manitoba; Regina, Saskatchewan; Saskatoon, Saskatchewan; Calgary, Alberta; Edmonton, Alberta; Vancouver, British Columbia.

[Mr. I. Mackenzie.]

An officer of the health of animals branch will be in charge of the examination at each of these points.

*REVEREND HENRI LANCTIN

Mr. BROOKS:

1. Was the Reverend Henri Lanctin at any time debarred by the Canadian radio commission from the use of the broadcasting station at Moncton, New Brunswick?
2. If so, for what reason or reasons?
3. Was a formal complaint made against the said Reverend Henri Lanctin, and, if so, was such complaint investigated?
4. If investigated did the radio commission find the complaint justified?
5. Has the radio commission withdrawn the suspension, if any, against the said Reverend Henri Lanctin?

Mr. HOWE: This is a matter for the broadcasting commission. The Canadian Radio Broadcasting Commission filed a return of papers in this connection, and evidently they thought that covered this question as well. If further information is required I shall be glad to secure it and give it to my hon. friend.

ROYAL CANADIAN MOUNTED POLICE—ALERT BAY, B.C., STATION

Mr. NEILL:

1. Has a station of the Royal Canadian Mounted Police been recently started at Alert Bay?
2. Has it been recommended that a barracks should be built for their accommodation?
3. Was there a station of the Royal Canadian Mounted Police at that place about the year 1921?
4. If so, when was it closed?
5. Since then has there been any considerable increase in the number of crimes committed?
6. Since then has there been any serious crime committed, and at what place?
7. Is there a station of provincial police at Alert Bay?
8. Is there any reason to suppose that they are not competent to handle the enforcement of the law in that neighbourhood?
9. Before recommending the establishment of a station of the Royal Canadian Mounted Police at that place, was the attorney general of British Columbia or the commissioner of police, for that province, consulted or asked if they were unable to handle the enforcement of the law in that place?
10. On whose recommendation was the establishment of the Royal Canadian Mounted Police station at that place authorized, and what reasons were given.
11. Were any steps taken to check up the accuracy of such statements?

Mr. LAPOINTE (Quebec East):

1. Yes. A detachment of the R.C.M. Police was reopened at Alert Bay on the 15th January, 1936.
2. No.

3. Yes. It was opened in the first place on the 26th January, 1920.

4. 26th April, 1924.

5. No information.

6. No information.

7. Yes.

8. They are believed to be competent to handle the situation, but the Department of Indian Affairs report that the members of the provincial police are too busy with other matters to attend to Indians who are considered federal charges.

9. No, but the conditions complained of were investigated by the R.C.M. Police, and charges were laid and convictions obtained. This seems to bear out the contention that the British Columbia provincial police are too busy to attend to such matters. Furthermore, some of the Indians in the area have become hostile to authority and are alleged to be getting out of hand.

10. In October, 1935, the representative of the Department of Indian Affairs in British Columbia requested the officer commanding the mounted police in that province to establish a detachment at Alert Bay, in order to protect the Indians in that area from the sale of intoxicants. As stated above, the conditions complained of were investigated by the R.C.M. Police and charges were laid against certain persons and convictions followed. After the investigation previously mentioned, the officer commanding at Vancouver recommended the establishment of a detachment at Alert Bay, principally to prevent the sale of intoxicating liquor to Indians, and to enquire into any infractions of the Excise Act.

11. Answered by No. 10.

CANTERBURY STATION, N.B., POSTMASTERSHIP

Mr. BROOKS:

1. Has Thomas J. McMullin been removed as postmaster of Canterbury Station post office, York county, New Brunswick?

2. If so, for what reason or reasons?

3. Was the said Thomas J. McMullin appointed by the civil service commission?

4. Is the department aware that the said Thomas J. McMullin is a returned soldier who served overseas with distinction and bears a military decoration?

5. Has the department received any protest or protests from any branch or branches of the Canadian Legion of the British Empire Service League relative to the above change?

Mr. ELLIOTT (Middlesex):

1. Yes.

2. In order to place the office at a more central site and to provide better accommodation and service.

3. Yes. Before the office was removed from the jurisdiction of the civil service commission.

4. Records show that Thomas J. McMullin is a returned soldier.

5. Yes.

GOODS IMPORTED UNDER $100 EXEMPTION

Mr. PURDY:

1. What is the value of the goods brought into Canada during the month of May, 1936, by tourists returning from the United States, under the $100 exemption?

2. Under what classifications do these goods come?

Mr. ILSLEY:

1. $107,172.

2. For the purpose of this item the following classifications of goods have been adopted:

Automobile accessories	$ 2,643
Automobile tires and tubes	2,065
Boots and shoes	10,393
Clothing	60,481
Foodstuffs	115
Furniture and household appliances	11,280
Miscellaneous articles	20,195

*STEAMER TASHMOO

Mr. CHURCH:

1. Has the attention of the government been called to a disaster in Ontario waters at Amherstburg on Friday, June 19, to the steamer Tashmoo conveying 1,400 passengers and which steamer struck a shoal in the Detroit river?

2. Will an inquiry into the said accident be held by the wreck commission under the federal statute?

3. Will the government consider some form of recognition to the captain and crew who showed great heroism?

4. What steps, if any, will be taken to improve these navigation channels with a view to the public safety?

Mr. HOWE: I answered this question verbally on Saturday.

*STEAMER KINGSTON

Mr. CHURCH:

1. Has the attention of the government been called to an accident which happened at Brockville on Friday, the 19th instant, to the steamer Kingston?

2. Will an inquiry be held into the same?

3. If so, in these inquiries will protection be given the captain and crew?

Mr. HOWE: Answered on Saturday.

*NIAGARA RIVER SHOAL

Mr. CHURCH:

1. Has the attention of the government been called to a large sand shoal and formation at the mouth of the Niagara river on lake Ontario, partly on the Canadian side and partly on the American side, which sand shoal

is a menace to navigation and to the large steamers using the Niagara river ports and the new Welland canal?

2. Will the government take steps to protect navigation in the interests of public safety?

3. Will the government negotiate with the government of the United States regarding the removal of this shoal in the eastern entrance to Toronto harbour in the interests of navigation and public safety?

Mr. HOWE: Answered on Saturday.

MOTIONS FOR PAPERS

REPRESENTATIONS FROM HAMILTON BUSINESS MEN REGARDING THE $100 DUTY EXEMPTION

Mr. MacNICOL (for Mr. Wilton):

For a copy of all letters and all correspondence from Hamilton business men to the Minister of National Revenue on making effective the $100 duty exemption on American goods coming into Canada.

Mr. DUNNING: The hon. member for Hamilton West (Mr. Wilton) is not in the house, but if he were here I should like to request him to withdraw this motion, in view of the fact that I have received communications from the parties concerned stating that they do not think any correspondence addressed to me on a matter of public interest should be used in a manner which would be calculated to injure their business, and requesting me not to make their communications public. I feel a little embarrassed about it; I am quite sure the matter is not one of great importance to the hon. member for Hamilton West, and I am quite sure he would have withdrawn his motion on that representation if I had had an opportunity to speak to him.

Mr. BENNETT: Mr. Speaker, the hon. member for Hamilton West is not present, but the issue raised by the observations of the Minister of Finance would, I think, require further consideration. Inasmuch as we are at the end of the session it seems to me the question can be dropped for the moment, but I could hardly be taken as agreeing with what the minister has stated. Those who write letters on public questions to departments of the government must be prepared to accept responsibility for the communications they make, assuming they are in the public interest.

Motion dropped.

CANTERBURY STATION, N.B., POSTMASTER

Mr. BROOKS:

For a copy of all correspondence, letters, affidavits or any other documents in the possession of the Post Office Department regarding the dismissal of Thomas J. McMullin, postmaster at Canterbury Station, York county, New Brunswick.

SANCTIONS AGAINST ITALY

NEWS BROADCAST FROM STATION 2RO, ROME, ON WEDNESDAY, JUNE 17

On the orders of the day:

Right Hon. R. B. BENNETT (Leader of the Opposition): Before the orders of the day are called I desire to direct attention to a matter which may or may not affect the privileges of this house, or at least of parliament as a whole. At seven o'clock Atlantic standard time on Wednesday evening last there came in the news broadcast from Station 2RO, Rome, the station through which the Italian government sends its broadcasts, the following:

The Canadian council of ministers at a meeting held yesterday decided to favour the abolition of sanctions because they had proved worthless.

That was two days before the news was communicated to this house. It may or may not involve the necessity on the part of the government of making some inquiries; I do not know, but I think it is my duty to direct attention to it.

Right Hon. W. L. MACKENZIE KING (Prime Minister): My right hon. friend is quite right in directing attention to the communication to which he has referred. I had not personally known of the matter which he has brought to the attention of the house. If I had I should certainly have adopted the course which he has suggested and had it inquired into at once. It will be inquired into forthwith.

STAFF AT PORT OF CHURCHILL

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): Mr. Speaker, I wish to address a question to the Minister of Railways (Mr. Howe). On June 15 an order was passed for a return showing the seasonal and temporary employees at Churchill. The minister was kind enough to write me a note stating that he had sent on the reference to Churchill. If it is not tabled to-day it certainly cannot be tabled during this session. I wonder if he would be kind enough to agree that when the return comes back from Churchill he will let me have the list of employees.

Hon. C. D. HOWE (Minister of Marine): The orders for returns go through the Secretary of State. I am sure if my hon. friend will write a note to the Secretary of State he will receive the list from him.

Hon. FERNAND RINFRET (Secretary of State): Perhaps I may add that my officer has had instructions to collect everything possible to-day, and returns will be tabled right along during the sitting. I shall direct the special attention of my officer to my hon. friend's request.

REFERENCES TO SUPREME COURT

NATURAL PRODUCTS MARKETING ACT

On the orders of the day:

Hon. GROTE STIRLING (Yale): May I ask the Minister of Agriculture (Mr. Gardiner) whether he has any information to impart to the house or any statement to make in regard to the effect of the supreme court decision on the Natural Products Marketing Act?

Hon. J. G. GARDINER (Minister of Agriculture): Mr. Speaker, up to the present council has not had time to consider the matter fully, but the vote in connection with marketing is still to be considered and I hope to have some information at that time.

PRINTING AND DISTRIBUTION OF OPINIONS

On the orders of the day:

Hon. C. H. CAHAN (St. Lawrence-St. George): I should like to ask the Minister of Justice (Mr. Lapointe) whether it is the intention to print and publish the opinions of the Supreme Court of Canada on the matters referred to it by the government at the last session of the court.

Hon. ERNEST LAPOINTE (Minister of Justice): Yes.

Mr. CAHAN: Will the printed opinions be available for distribution to members?

Mr. LAPOINTE (Quebec East): Yes, this has been arranged, and as soon as possible my hon. friend will be supplied with a copy.

Mr. HEAPS: And all hon. members?

Mr. LAPOINTE (Quebec East): Of course.

RAILWAY MAINTENANCE WORK

EMPLOYMENT OF MEN FROM RELIEF CAMPS UNDER AGREEMENT WITH THE GOVERNMENT

On the orders of the day:

Mr. R. A. PELLETIER (Peace River): I should like to ask a question of the Minister of Railways (Mr. Howe). Why have men from British Columbia been brought into the Peace River country by the government to work on the Northern Alberta railway when there are many hundreds of residents on relief at the point where the work is being done?

Hon. C. D. HOWE (Minister of Railways): My hon. friend is aware of the agreement entered into with the Canadian Pacific and Canadian National Railways to absorb men from relief camps. It is pointed out that this work is in addition to maintenance work which would normally be done this season, and obviously in order to absorb 9,600 men from the relief camps it is necessary to distribute them in every part of the dominion. My hon. friend's position in that respect is no different from that of any other hon. member of the house.

Mr. D. A. CAMERON (Cape Breton North-Victoria): I should like to ask the minister if the undertaking given in parliament that the employment of these men would not interfere with the ordinary maintenance work is being adhered to by the railways.

Mr. HOWE: It has been suggested to me by some hon. members that this clause was not being adhered to, and I have stated to each of them that if they will give me the name of any man employed in this work last year who is not employed this year I shall be very glad to take it up with the railway. Up to date I have received no names.

Mr. CAMERON (Cape Breton): By the time you get the names of the men the work will be pretty well all over.

Mr. ANGUS MacINNIS (Vancouver East): In the agreement between the government and the railways in connection with the employment of men from relief camps on maintenance work there is provision for overtime pay when overtime is worked. I should like to know whether the pay for overtime is at the regular rate of twenty-five cents per hour, or if there is a difference in the pay when the eight hour period per day is exceeded.

Mr. HOWE: The agreement covering this work has been tabled, and my hon. friend could very easily look it up. I am not able to answer offhand.

Mr. LAPOINTE (Quebec East): The hon. member wants to know what it means.

Mr. MacINNIS: The agreement says—

Some hon. MEMBERS: Order.

Mr. MacINNIS: I do not wish to cause any debate on the matter, but the agreement states that overtime will be paid at pro rata rate. I should like to know just what that means. Perhaps the Minister of Justice might answer.

Mr. N. J. M. LOCKHART (Lincoln): I should like to ask a question of the minister of transport, in regard to the agreement between the department and the railways in connection with the relief camps. In municipalities where there are large relief lists of registered men, and where railway work might be done on spur or subsidiary lines in connection with the department, is the department working in conjunction with the relief authorities in that division where they may want five or ten men for a short time? Is that being worked out?

Mr. HOWE: The agreement between the department and the railway speaks for itself. It covers one particular feature of unemployment relief, namely single unemployed men previously in the relief camps. I believe that a few hundred men required to fill up the quota have been obtained by the Minister of Labour from certain municipalities, but that course is not general in any sense. Only some six hundred men were involved.

Mr. LOCKHART: The department is working in conjunction with the municipalities in that connection?

Mr. HOWE: Quite.

SMALL PROPERTY OWNERS

PROPOSED STUDY OF THEIR FINANCIAL SITUATION LOOKING TO EQUITABLE TREATMENT

Mr. DAVID SPENCE (Parkdale): Some time ago the hon. member for St. Mary (Mr. Deslauriers) introduced a resolution in regard to giving assistance to industrial workers in urban centres. It was discussed in this house and supported by many and accepted by the Secretary of State (Mr. Rinfret). It is understood that people in industrial centres are losing their homes as rapidly as people in rural centres. The government promised to give them some consideration or assistance by way of lower taxation or lower interest. I assume they cannot lower the taxation, but it is taxation and interest that is killing the people who are losing their homes. The Prime Minister said that day that the Secretary of State was not in the house but he would see that he would answer the question. That was a month ago.

Hon. FERNAND RINFRET (Secretary of State): If my hon. friend will allow me, I made a reply the day after the Prime Minister said I would take the matter up. The hon. member will find the reply in Hansard.

Mr. SPENCE: Well, I am sorry; I happened to miss it in Hansard the next day.

[Mr. MacInnis.]

PENSION ACT AMENDMENT

CONCURRENCE IN SENATE AMENDMENTS

Hon. C. G. POWER (Minister of Pensions and National Health) moved the second reading of and concurrence in amendments made by the senate to Bill No. 26, to amend the Pension Act.

He said: The amendments are not of great importance. For instance, the word "seconded" has been changed to "delegated."

Motion agreed to; amendments read the second time and concurred in.

BANK OF CANADA

CONCURRENCE IN SENATE AMENDMENTS

Hon. CHARLES A. DUNNING (Minister of Finance) moved the second reading of and concurrence in amendments made by the senate to Bill No. 82, to amend the Bank of Canada Act.

He said: The only change made was the insertion of the word "registered" before the word "holder" in conformity with similar changes made in this chamber.

Motion agreed to; amendments read the second time and concurred in.

NATIONAL HARBOURS BOARD

CONCURRENCE IN SENATE AMENDMENT

Hon. C. D. HOWE (Minister of Railways and Canals) moved the second reading of and concurrence in amendment made by the senate to Bill No. 17, respecting national harbours board.

He said: The amendment requires that the board shall open tenders in public. The previous amendment, which was rejected, provided that the minister himself must open the tenders in public. The change removed the objection, and I therefore ask that the amendment be accepted.

Mr. STEWART: I understand that the bill retains the essential feature of opening tenders in public.

Mr. HOWE: Yes.

Motion agreed to; amendment read the second time and concurred in.

COMBINES INVESTIGATION ACT

CONSIDERATION OF SENATE AMENDMENT

The house proceeded to consideration of a message from the senate insisting upon its amendment to Bill No. 97, to amend the Combines Investigation Act—Mr. Mackenzie King.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, as the house will observe, the senate insists upon its amendment to Bill No. 97, an Act to Amend the Combines Investigation Act. By the bill as it went from this house to the senate it was sought to have the word "documents" dropped from the act as it stands, because the presence in the act of that word, in the opinion of the chief commissioner of the Trade and Industry Commission, renders the act useless. The opinion of the chief commissioner, Mr. Sedgewick in that regard was supported, as was shown when I referred to the matter for the second time in this chamber, by the opinion of the Department of Justice. However, notwithstanding the views as expressed in that official way, supplemented by statements at some length as to reasons why the fears of the Senate would appear to be unwarranted, and the grounds upon which the amendment had been insisted upon not well founded, the senate insist upon their amendment. Of course the effect of the senate amendment, as I have already said, is that of rendering the Combines Investigation Act worthless.

May I point out that this is the third time this chamber has requested that the clause in question in the Combines Act should not include the word "documents" in order that the act might serve the purpose for which it was intended. At the last session the present leader of the Opposition (Mr. Bennett) then Prime Minister sought this in a bill which passed this house and was sent to the senate, which bill contained a clause similar to the one which appears in the bill introduced by the present government. As the leader of the opposition has remarked, when the bill of last session returned from the senate it contained the amendment which the senate has now insisted should be made at this time. It was very late in the session and the government of that day permitted the senate amendment to remain, under protest.

At this session of parliament reasons were given in this house before the bill was sent to the Senate making clear wherein the amendment made by the Senate at the previous session rendered the Combines Investigation Act valueless. As a matter of fact it has not been thought advisable to proceed under the act since the Senate took their previous action. It will not be possible with the present suggested amendment to proceed under it, from now on, until the act is changed in the particulars indicated by this house.

For three times in succession within a year the Senate has refused in connection with the Combines Investigation Act to make a change which this house regards as imperative, and has each time said so unanimously. May I point out that the last time we discussed the matter not only was the view of the government supported by the leader of the opposition but it was supported by the hon. member who leads the Cooperative Commonwealth Federation. In short, the view of the government was supported by all hon. members. Ordinarily I assume the next step would be to ask for a conference between this house and the Senate. Indeed it was suggested before the bill was sent over to the Senate for the second time this session that a conference might be asked for. However, from a reading of the debate in the Senate it would appear that no useful purpose could possibly be served by a conference. The bill was sent back to the Senate last Saturday afternoon, and before the evening session the Senate had taken its action upon it. Apparently the opposition in that house did not seek even to ascertain the views which had been expressed in this house on the matter. In fact, reference to the debate of that chamber will show that when the leader of the government in the Senate was about to put the motion that the Senate do not insist upon its amendment, the leader of the opposition in the Senate anticipated what the leader of the government was about to say and suggested that the words in the motion should be that the Senate insisted upon its amendment. When the leader of the government in the Senate sought to have further consideration of the matter and drew attention to the fact that the Department of Justice had given an opinion on the matter, as well as Mr. Justice Sedgewick, who is Chief Commissioner of the Trade and Industry Commission and, who as hon. members well know, was for years an eminent judge of the High Court of Ontario, the leader of the government in the Senate was told by the leader of the opposition in that chamber that he was not aware of any will of the Department of Justice in the matter, that he had not seen any opinion of that department, and to put the matter briefly that he the leader of the opposition was not going to debate the matter over again. The leader of the opposition concluded by saying, "I intend to resist the position of the Commons, and to stand by the position the Senate has taken." I might also point out that another member of the opposition in the Senate stated that it might be well for the House of Commons to try the matter again next year.

In these circumstances I can not see that any useful purpose would be served by a conference at this time. As I said the other day, the government has determined to carry out certain investigations which i' regards as

very much in the public interest, and which it had intended to have proceeded with under the Combines Investigation Act. But seeing that the act has been rendered valueless by the action of the Senate we will, in all probability as I indicated the other day, where other provisions of the act respecting the trade and industry commission do not suffice proceed with these investigations under royal commission between now and the time the house reassembles. The Combines Investigation Act will need to have several amendments. These amendments will be considered between now and the next session of parliament, and the amendments which will be sent from this house to the senate at an early stage of the next session will include the clause which, as I have said, this house has three times already asked should be inserted in the combines act in order to render that measure effective. But, with the position what it is at the moment, I certainly do not intend as leader of this House of Commons or Prime Minister of this country to go on my hands and knees to the senate to ask for consideration at least of the representations which this house has made to the senate with regard to an act which is so all-important to the public interest.

Right Hon. R. B. BENNETT (Leader of the Opposition): I greatly deprecate the language the right hon. gentleman has just used. It is not seemly that the leader of the House of Commons should speak of one of the other houses, one of the three factors that constitute parliament, in the terms in which he has spoken. I think this is a case for the utilization of such conciliatory powers as we possess, and our constitution has provided for a conference; that is the usual course. Why is a conference not held?

Mr. MACKENZIE KING: I gave the reason.

Mr. BENNETT: The reason being that the suggested amendment had been rejected by the senate. But there is another method, the method of conference, and twice to my certain knowledge we have been able through that method to arrange matters, because it afforded the opportunity for an understanding. I feel quite certain there has been a misunderstanding in connection with this matter, and that if the Minister of Justice and others were to meet the representatives of the senate there would be little or no difficulty in having it adjusted.

Neither is it correct to say that insistence by the senate upon the amendment in any sense nullifies the powers of the combines act. It does not lessen them in the least; it has to do only with what may be done in a criminal court. There is no restriction upon the power of the commission under Mr. Sedgewick to make any inquiries it may desire to make. The only result of the action taken by the senate is that thereafter there is a limitation upon the use that may be made of the material thus secured: the witness can set up the plea or defence that it will incriminate him, and that will be the end of it. Now the law will stand as it did before we introduced the amendment into this house. It does not take out the section that we passed last session; it leaves it as it then was. The proposal we made in this chamber was that—

> No person shall be excused from attending and giving evidence and producing books, papers or records, in obedience to the order of the commission, on the ground that the oral evidence or documents required of him may tend to criminate him or subject him to any proceeding or penalty,—

That is one phase of it.

> —but no such oral evidence so given shall be used or receivable against such person in any criminal proceedings thereafter instituted against him, other than a prosecution for perjury in the giving of such evidence.

That is the section we sent from this house. The senate struck out the section and left the act just as it was. In other words, the action which we took dealing with documents was nullified by the action taken in the senate. I cannot but think that if the Minister of Justice were to discuss the matter with a committee of the senate in the sense in which it was done in this chamber last Saturday, the result would be an adjustment of the difficulties; because I still think the senate is labouring under a misapprehension with respect to what the action is, and is confusing two terms. Apparently, when the leader of the government in the senate pressed his motion the senate had not before it the discussion in this house, and I think, had the discussion in this house been before the senate, whom I know to be reasonable men, they would have taken a different attitude from that which they have now taken.

I cannot think it is conducive to the conduct of orderly government to suggest that any one house of parliament goes on its knees to any other house of parliament. That is entirely beside the question. They have coordinate powers and jurisdiction except with respect to money bills; they are a part of the constitution of this country. A method is provided by which reasons may be given when we disagree with them or they with us; they are read to the chamber affected, and then appropriate action is taken. I think it

would have been better to have a conference rather than to send the bill back the last time, because when there has been a rejection once of a suggestion of the commons the next appropriate course is a conference. I recall several occasions upon which a conference has been held with satisfactory results.

Mr. MACKENZIE (Vancouver): May I ask my right hon. friend whether we had a conference last year on the same point?

Mr. BENNETT: No, because, as the hon. gentleman will remember, when it came down—

Mr. MACKENZIE (Vancouver): It was the last day of the session.

Mr. BENNETT: It was a few hours before the time fixed for prorogation.

Mr. MACKENZIE KING: Have there been conferences with this house this year on any other bills when the senate had rejected certain of their provisions?

Mr. BENNETT: Not that I know of. That is why I say there should be a conference. Last year we had conferences; the year before we had conferences. Conferences are the method by which we meet together with the representatives of the other body and arrive at a conclusion, and I think it is the appropriate method; because in a debate in the house there is not the same opportunity for explanation and contact as there is when a conference is held. I cannot recall any conference I have known of that has not resulted in a satisfactory adjustment. I feel that if a conference were held there would be no necessity for using the language that has been used, nor would there be any cause for complaint or any grievance against another chamber. That is the position I desire to make clear. I think the senate is entirely in error in rejecting the proposals we have made in the measure we passed. I think so for the reason I gave in the house the other day, and I will not repeat it. I also feel confident, from my knowledge of the members of the senate as reasonable men, that if they understood clearly the effect of our proposal they would not so summarily reject it. Further I believe that a conference of a few minutes' duration would remove the difficulties, and I think we are not taking the right course in not holding one. It is no lessening of our own dignity or our own authority or importance to deal with the senate in a manner which heretofore has always been the method employed when there has been a deadlock. I regret very much that the minister has taken the view that the conference should not be held. It is not conducive to harmonious working, nor in the long run will it improve the position of the institution of parliament in this country.

Mr. MACKENZIE KING: The right hon leader of the opposition says he thinks a conference should have taken place at the present stage.

Mr. BENNETT: After the first rejection.

Mr. MACKENZIE KING: After the first rejection. May I point out that the senate has rejected several clauses of bills which have been sent over from this house in the course of this session, and in no instance has anyone suggested that a conference should take place at that stage; indeed a conference was not necessary, because the senate at the time was prepared to reconsider its attitude, and on reconsidering it they did accept in most cases the views of the House of Commons. There is no reason why a conference should have taken place after the first reading in the case of the combines bill any more than it should have with respect to the harbours bill and several other important bills—

Mr. BENNETT: Oh, yes; because last year they rejected it.

Mr. MACKENZIE KING: —which have gone over from this house. That is the first point. In the second place, may I say my right hon. friend is wrong when he says that the reason we are not asking at the moment for a conference is that the senate insists upon this amendment. That is not the reason. If the senate had taken due notice of what was said in this house, if it had taken notice of what the leader of the government in the senate asked its members to consider, namely the opinion of the justice department, the opinion of Mr. Sedgewick, and I may add, the opinion of the right hon. leader of the opposition, and the leader of the Cooperative Commonwealth Confederation (Mr. Woodsworth), and if there had been a disposition to consider the matter at all, I think then that possibly a conference might have served some useful purpose. May I point out again just how all-important the request of this house is and why the attitude of the senate at this time would seem to render any conference fruitless. The Honourable Mr. Sedgewick has given in a sentence or two his opinion as to the significance of the clause in the amended form in which this house wishes to have it appear:

> The purpose of the amendment is not to render admissible documents otherwise inadmissible, but to provide that admissible documents are not inadmissible.

If the section stands, the best thing that could happen to a person guilty of combining in restraint of trade is to be required on investigation to produce the documents proving the offence. Thereafter he will be immune from conviction by means of the agreement.

Mr. CAHAN: Did the leader of the government in the senate bring that opinion and the opinion of the Minister of Justice (Mr. Lapointe) to the attention of the senate?

Mr. MACKENZIE KING: As my hon. friend has asked me that question, I will answer it by reading from the senate report. It is as follows:

Hon. Mr. Dandurand: —that the Senate do not insist upon its amendment. I suppose my Right Honourable friend after having made a noble fight to affirm his own principles, will abide by the will of the Department of Justice, supported by the opinion of Mr. Justice Sedgewick, and will vote for my motion.

Mr. Sedgewick's opinion is referred to there specifically.

Mr. BENNETT: Did he read it?

Mr. CAHAN: It was not read.

Mr. MACKENZIE KING: It was not read, but for what reason? Immediately after the leader of the government used those words in the senate, the right hon. leader of the opposition in the senate used these words:

I do not know of any will of the Department of Justice in parliamentary matters, and I have not seen any opinion of the Department of Justice.

Mr. BENNETT: Hear, hear.

Mr. MACKENZIE KING: Listen to what follows:

To put it briefly—for I am certainly not going to debate the matter over again—I intend to resist the position of the Commons and to stand by the decision the Senate has taken.

What further opportunity was offered to the leader of the government in the senate to discuss the matter at that stage?

Mr. BENNETT: He should have seen the two opinions.

Mr. MACKENZIE KING: The right hon. leader of the opposition says that the senate action does not render the act ineffective, that other provisions of the act remain, but the other provisions are not as important as this one. Mr. Sedgwick says that this provision is all-important; that if it is not there you simply enable a man who has taken a course of proceedings which may be criminal to protect himself against any subsequent criminal proceedings by attempting to proceed under the Combines Investigation Act. I am reminded that Mr. Sedgewick's views were expressed in the discussion which took place when we first dealt with the matter on June 12.

Mr. BENNETT: But it was a subsequent opinion which was read later.

Mr. MACKENZIE KING: The first opinion covered the essential points. It was after this that the leader of the opposition in the senate stated that he did not see any object in debating the question further. In these circumstances there would appear to be no prospect of having the amendment made at this time. Having regard for the language used by the leader of the opposition in the senate I certainly think it would be quite futile to attempt anything further by a conference.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, we are apparently unanimous in our opposition to the senate amendment. We differ only as to method. While I should be the very last to advise going on our knees to the senate, it does occur to me that since a conference is the recognized procedure, it might be a good thing to go through every possible step, if for no other reason than to pile up a case against the senate and leave them no loophole whatever. I say to the Prime Minister (Mr. Mackenzie King) that I am very glad indeed that the government has determined to go through with the inquiry in spite of the senate.

I should like to take this occasion to suggest to the government that the people generally—I hope I can interpret aright their ideas—are ready for the government to take some steps to curb the power of the senate in this country. As every hon. member knows, in Great Britain the House of Lords, to which in its functions our upper house to a certain extent corresponds, is unable to thwart permanently the will of the people. As I understand it, they can twice reject legislation passed by the commons, but when such legislation is presented a third time it must go through automatically. In any case the House of Commons in England has a club over the House of Lords in that it can create a larger number of lords. I think we have the most antiquated form of control by a second chamber to be found in any democracy. Since the Liberal party has for years urged the reform of the senate, in view of the various incidents that have recently taken place it is high time steps were taken to reform the senate, if necessary by changes in our constitution.

In this particular case the situation is aggravated by the fact, known to all, that a well known member of the senate was recently involved in an inquiry. It is an outrage that the fullest inquiry into what is a very serious state of affairs should be blocked by a chamber which has not taken action against certain of its members.

Mr. MACKENZIE KING: May I draw attention to the fact that the opinion of Mr. Sedgewick was brought to the attention of the senate on June 17, 1936.

Mr. BENNETT: That was the first opinion.

Mr. MACKENZIE KING: Yes, and it includes the following words in conclusion:

> I am quite satisfied in my own mind that the Dominion Trade and Industry Commission —of which I am chief commissioner—would not risk having an investigator require the production of any documents until this act is amended.
>
> I hope it may not be considered presumption on my part to say the amendment suggested is indispensable to a proper administration of the Combines Investigation Act.

Apparently the fact that Mr. Sedgewick's opinion had been cited in this house, and that Mr. Sedgewick had ventured an opinion was resented by the leader of the opposition in the senate instead of inducing further consideration, because I find the following words on page 579 of the senate record:

> Right Hon. Mr. Meighen: Yes.
>
> Honourable members, I want to make a brief comment on the letter of Mr. Justice Sedgewick, just read by the leader of the government. The intimation of the letter is that the amendment made in this house and accepted by the other house, was merely in the nature of a last gasping spasm while we were in the midst of death.
>
> As far as this house is concerned, it was nothing of the kind.

So far as this house is concerned, there will not be any last gasping spasm in connection with securing further action in this matter from the leader of the opposition in the senate. I want to say to my hon. friend who has just spoken (Mr. Woodsworth) that I concur very strongly in the views he has expressed on these matters which so vitally affect the well being of the great masses of the people of this country. Where the House of Commons, representing the people in their elected chamber stresses at least on three occasions the necessity for some all important legislation, unless there is something in the nature of very exceptional reasons to the contrary, that legislation should be granted by the senate.

I would say further that this is not the only piece of legislation which the present government has introduced at this session, which we regarded as of importance in dealing with the most difficult of all problems facing the country at the present time, and which the senate has thrown out. It may be just as well for hon. members of the Senate to have a month or two to reflect upon what is going to be the consequence of repeated action of this kind; and, believing that reflection is advisable, the government proposes to allow the matter to stand as it is for the present, with respect to the Combines Investigation Act, but to proceed again at an early stage next session with amendments to that measure including the one which we have endeavoured to have carried at the present session.

Mr. LAPOINTE (Quebec East): For the purpose of setting the facts right, and in answer to my hon. friend from St. Lawrence-St. George (Mr. Cahan), I may say that not only was the opinion of Mr. Sedgewick given to the senate on June 18, when this bill was in committee of the whole in the senate, but the opinion of the Department of Justice was also given to the members.

Mr. BENNETT: Not the second opinion.

Mr. CAHAN: I have no doubt the first opinions were before the senate, but the second opinions were not. I should have had great confidence in the conciliatory presentation of the case by the Minister of Justice to the members of the senate. In the last five years I have been on joint committees of the house and the senate and I believe that on one of them the present Minister of Justice was also a member. In any case, a reasonable presentation by oral argument, in which misapprehensions are removed, will almost certainly lead to an amicable agreement with respect to almost any difference of this kind.

Amendment read the first time.

SUPPLY

STATEMENT OF MR. BENNETT WITH RESPECT TO DISMISSALS

Hon. CHARLES A. DUNNING (Minister of Finance) moved that the house go into committee of supply.

Right Hon. R. B. BENNETT (Leader of the Opposition): This would seem to be the only appropriate opportunity that will be afforded this session to present grievances before supply is granted, and I desire to direct attention, in no acrimonious spirit, to one or two matters that have arisen out of the conduct of government in connection with appointments to the public service and dismissals. I am not for a moment dealing with that phase of administrative action that has to do with ordinary employment and dismissals. I

recognize, as I have so frequently said, that the government of the day must necessarily, under our institutions, give effect to the views of its supporters and make appointments and dismissals of those who are not protected by the terms of the Civil Service Act or who have in other ways, by other methods, made themselves amenable to the punitive provisions of our statutes with respect to those who are in the public service. But there is another phase of the matter to which I should like to direct attention. It is far more important in one sense to every member of this house than any mere question of patronage because it affects an arrangement that was made many years ago and which in the main has successfully worked, but one that can work only with the exercise of the utmost good faith on the part of those who are responsible for its administration.

In 1911, when Sir Robert Borden came into office, a discussion took place in the first session regarding the question of patronage and dismissals from the public service. Sir Robert Borden said:

I would like to point out to my hon. friend what he seems to have forgotten, that with respect to both the inside service and the outside service this matter has been settled. In the first place by a statute of Canada concerning the inside service, in the second place by a resolution of this house, concurred in by both political parties with regard to the outside service. So far as the inside service is concerned, the statutory provision to which I desire to call attention is to be found in the act of 1908 introduced and passed by the late administration. Section 43 of that statute is as follows:

No officer, clerk or employee in the civil service shall be debarred from voting at any dominion or provincial election if under the laws governing the said election he has the right to vote; but no such officer, clerk or employee shall engage in partisan work in connection with said election.

That has been somewhat modified, amended by section 55 of the Civil Service Act; but the general purpose is exactly the same and the end sought is attained, I think, by the use of substantially similar words. Sir Robert Borden continued:

Now, so far as the outside service is concerned, the rule was embodied in a resolution of the House of Commons moved by Mr. Lake on the 17th July, 1905, and accepted by my right hon. friend (Sir Wilfrid Laurier) who was then leading the government, and that rule is in these words:

That whilst it is desirable that every official in the employ of the government of Canada, should enjoy perfect freedom of political opinion, and the untrammelled exercise of his franchise in accord therewith, no official should be engaged, or permitted to engage, in partisan work of any description in the election of a representative to the provincial or dominion legislature.

[Mr. Bennett.]

On the same page—890—referring to Mr. A. K. Maclean, he said:

Now, my hon. friend has spoken of what should be necessary to convince the government or a minister of the crown that an official has taken an offensive part in any election. There are obviously some cases in which inquiry would be rather futile. For example, on the 21st of September last, I myself personally saw three office-holders of this country engaged in active partisan work in the city of Halifax. ... In that case I would not grant an inquiry because I saw it with my own eyes.

At page 891, he said:

Now, my hon. friend is anxious that inquiry should be had in proper cases, and so am I. No one is more unwilling to dismiss officials that I am, but where the government or responsible ministers is convinced that an official has been guilty of violation of the plain terms of a statute or of a resolution of the House of Commons concurred in by both political parties, by which his conduct ought to be guided. I would ask my hon. friend what alternative would a government have in a case of that kind?

Then Mr. E. M. Macdonald, member for Pictou at that time, raised a very interesting question as to whether or not representations made by a defeated candidate would have the same force and effect as those made by a member, and he put the case very shortly in these words, as reported at page 923:

I have no objection to an offensive partisan being dismissed, but we should have evidence to bear out the charge that he is an offensive partisan. I am not here to say that a statement made by a member of this house under his hand in writing to the minister giving specific facts would not be sufficient evidence. I think that every member of this house is entitled to be considered as worthy of credence and there is this further protection that we can discuss the question in the house with the member who makes the statement. But when we come to deal with the written statement of a defeated candidate—

Mr. Rhodes: Does the hon. gentleman object to a minister taking the recommendations of a defeated candidate?

Mr. Macdonald: Most certainly, and I have just given the reason why. We are now dealing with the question of the minister being satisfied by the evidence that a certain fact is true and the minister must justify his judgment to parliament. If he takes the statement of a member of parliament, that statement can be discussed in this house in the presence of the member who made it.

But if he takes the statement of a defeated candidate, he takes the statement of one who cannot discuss the question here, who cannot even give the details to the minister, or put them on record in the department as well as one can who holds a place in this house.

In 1928, on May 29, the then member for St. Lawrence-St. George brought to the attention of the house a case in which a gentleman had been dismissed for partisanship. He had held office for seven years and seven months and was efficient. An inquiry was asked for

but not granted. It was contended that as the minister had given a certificate he should be dismissed without further inquiry. The present Minister of Trade and Commerce in that debate said, at page 3526:

I will admit that the matter to which the hon. member has just referred has given me some little concern. The dismissal took place entirely in accordance with the principle that has been observed by all parties. The complaint of a member of the house that an individual has been exercising partisanship in elections has always been accepted by the minister as a reason for dismissal. I have followed that principle, but I am glad to say there have not been many instances in my own department. I am not going to express an opinion as to whether that is a good practice to follow, although perhaps I might be just so bold as to say that I have a good deal of sympathy with the position taken by my hon. friend. Although many members may differ with me, I can see no particular reason why, where a man happens to be in the service of the government, he should not be allowed to exercise any influence he may have on behalf of any political principle in which he believes. However, I will have to take any responsibility there may be in following out the practice that has always been followed.

The result was that the gentleman dismissed from office was without any appropriate remedy. I am going to refer to that presently. During the progress of the first debate, to which I have alluded, Sir Wilfrid Laurier was not entirely in accord with what had been said by the previous speaker. Sir Wilfrid said:

I beg my hon. friend's pardon. We said in 1896 that no man should be dismissed unless he was first given the opportunity of being heard. But I said also that we would accept the written statement of a member of parliament, giving the facts, and asking for the dismissal. That is the rule we laid down, and we have lived up to it. I am told by hon. gentlemen opposite that we did not live up to that rule. I do not admit the charge. I think we did, but even if we were deficient I would expect that the hon. gentlemen who are on the treasury benches at present would at least act according to their own doctrine. Are they going to throw over their own doctrine and institute dismissals right and left without giving any man the opportunity of defending himself or without any member of parliament taking the responsibility of placing on record a charge against the man whose dismissal he seeks?

He then proceeds, and these words are important:

I would insist on the leader of the government that he should enforce the rule that no man should be deprived of office without being given the opportunity of defending himself or at least unless the member of parliament who asks for his dismissal has the courage to put on record the reasons why he demands it.

That principle was the one to which I alluded as being under discussion by the Prime Minister, Sir Robert Borden, in 1911-12. Then we come to 1923, and according to Hansard for February 15, 1923, at page 286, the present Prime Minister (Mr. Mackenzie King) used these words:

In some cases charges have been preferred against certain officials by hon. members of this house. Where an hon. member has been prepared to state to the house that of his own knowledge an offence contravening the provisions of the Civil Service Act respecting political partisanship has been committed, the government has acted under the provisions of the Civil Service Act, which provide that a civil servant guilty of political partisanship shall not be retained in the service. I think that list will cover any of the dismissals to which my right hon. friend has referred.

Mr. Meighen: I presume that that list would cover practically every case, because the statement from any member that a man has been guilty of political partisanship is not very hard to secure from a partisan supporter.

To which Mr. Mackenzie King replied:

I did not say a statement from any member. I said a statement from an hon. member of this house that of his own knowledge a civil servant had been guilty of a certain offence which was in the opinion of the government sufficient to warrant his dismissal under the provisions of the Civil Service Act.

That principle having been accepted, I am rising in my place this morning for the purpose of directing attention to the fact that it is based upon one assumption, which is that an hon. member of this house who certifies to such a condition has satisfied himself of his own personal knowledge as to the authenticity of the statements which he makes and that they are true. But if he sees fit to make a statement without regard to the fine detail of its being true or untrue and the man is dismissed, I think probably the man has an action against that member of parliament because he has compassed his dismissal and destroyed his position. At any rate I think the question will be determined in some of the courts of the country within the next year, because there are cases in which members of this house have certified that a man has been a partisan, of their personal knowledge, when as a matter of fact not only was the man not a partisan but he took no part in the elections in any way. But he has lost his position, with all the rights that appertain to it and obviously, having suffered damage, that matter will have to be contested in some other way.

The cases to which the hon. member for St. Lawrence-St. George referred in a previous parliament need not now be discussed, but there are three cases to which I desire to direct attention because they affect this matter very directly. Some years ago a man

who occupied a position on an Indian reserve was dismissed from office on the certificate of the member of parliament for the district in which he lived. The servant of the Indian department said the member had been incorrectly informed, that the member had no knowledge of him personally and did not know him at all. In the end, after much effort, the unfortunate man having been out of office for years, an investigation was obtained. The investigation was held and the secretary of the Liberal association in that community was called as a witness. Without a single dissenting voice they all agreed that this man had taken no part in the elections and that they had seen no evidence of his activity in any shape, form, kind or description whatever. That man lost his position by an improper certificate having been given by a member of parliament.

Since the present government came into office several cases have occurred in which, under the certificate of members of parliament, employees have been dismissed. Those returns have been tabled in this house during this session, but there are two cases in Quebec to which particular attention is directed because the papers brought down in the house indicate that a very grievous wrong has been done to an unfortunate man. One is the father of eight children and he has been in the employ of the government for a very long time, in fact since November, 1915, twenty-one years this fall. No complaint has ever been made against him, but in a letter directed to the Minister of Public Works (Mr. Cardin) on the 29th January, 1936, a member of parliament stated that to his personal knowledge this man was guilty of political partisanship. Immediately the man was removed from office. As soon as he ascertained why he had been removed he began to gather together his friends, who were all able to say that for twenty-one years he had taken no part in politics, realizing how important it was for him to make a living for himself and his eight children. He has supported that statement further by a statutory declaration which he made on the 19th day of March, 1936. In that declaration he makes the following statements:

I, the undersigned, Michel Bedard, of Boischatel, do declare and say:—

1. I was employed by the public works department of Ottawa, as chauffeur, at the Quebec post office building, since the 28th of November, 1915;

2. Since then, I have always worked for the same department in the same capacity, and my work was always satisfactory to the department;

3. During the time I have been employed by the Department of Public Works, as above mentioned, I never did any political partisanship; I never took any interest in the political campaigns and all what I did was to vote, according to my own conscience;

I have never taken any part in any meeting or any political discussion;

4. I am the father of eight children and, since I have been dismissed by the department, I am without work, and I cannot see where I can find some;

5. No complaint was ever made before against me, and I do declare that I do not deserve the situation in which Mr. Wilfrid Lacroix put me lately in asking my dismissal as he did;

6. It is absolutely impossible that Mr. Wilfrid Lacroix be aware of any act of political partisanship on my behalf, I never met him anywhere and I believe that he does not even know me personally;

7. I make this solemn declaration according to the federal statutes, to have the same effect as if it was a declaration duly sworn.

And I have signed:
(Signed) Michel Bedard.

Solemnly declared before me,
this 19th day of March, 1936.
(Signed) F. O. Demin,
Commissioner Superior Court,
Dist. of Quebec.

The reason I am directing this matter to the attention of the house to-day is that I have not seen any evidence on the part of my fellow members, even though they are supporting the government in large numbers, that would induce me to believe they would consciously do an injustice to a man who has been in the employ of the government for twenty-one years. I have no reason to believe that the Prime Minister would desire that that be done. The effect of this is to throw a man on the street after twenty-one years of service in a particular position. The file is here, having been brought down in consequence of a motion passed by the house, and the file indicates clearly that the Minister of Public Works acted upon representations made to him by a member of parliament. The member of parliament asked that it be done, the Minister of Public Works therefore did it. I am not complaining of the Minister of Public Works having done it, but I am saying that it creates an almost intolerable position if the government is not prepared to take steps to protect one who has thus been injured, thus been deprived of his position. I said a moment ago that I believe the man who made the recommendation has subjected himself to an action. I have not much doubt about that, although it may be that as a member of parliament he can protect himself.

The other man was employed from October 8, 1930, and the man who was appointed to office believed that the first man, who has made a declaration in the same sense, had obtained a position to which he was entitled.

But the report made indicates that that was incorrect, and the people of the settlement in which the man lives, without regard to their political faith, signed a recommendation to Mr. Lacroix, M.P., asking that the injury which had been done to this other man, namely Mr. Ubald Vézina of Beauport, be undone. He makes a declaration, which I shall not take the time to read, in exactly the same sense as Mr. Bédard. He says he has not been interested in political matters, nor has he been a partisan since his appointment, but he has lost his job because a member of parliament made a certificate upon which the Minister of Marine took the steps I have indicated, and he was replaced by another.

These two cases I mention. There are two or three others, which perhaps I should not deal with at length at this time of the session, but I desire to invite the attention of the government and the house to the principle involved. It is of far-reaching consequence, and I believe that appropriate measures should be taken to place in the estimates provision for this man. That is a strong statement, but if a man who denies any partisanship has been deprived of his position on that ground, I suggest he should be allowed an investigation. I ask the government to provide an investigation for these men, either before a judicial commission or by such other commission as they think proper. In other words, in view of the challenge to the statement made by the member of parliament, should he not now have the right to present his case before a proper tribunal?

Mr. MACKENZIE (Vancouver): What was the employment of the man in question?

Mr. BENNETT: I said he was a chauffeur, and the other man was working as a sort of carpenter. One was under the Indian agent, a chauffeur, and the other was employed as a carpenter or general labourer.

Mr. MULOCK: Was he a temporary employee, or permanent?

Mr. BENNETT: The record shows that he was there for twenty-one years.

Mr. MULOCK: I beg the right hon. gentleman's pardon, I meant the second man.

Mr. BENNETT: I should say the second one would be regarded as not a permanent employee, although I cannot say with certainty. The record is not clear on it and I therefore speak subject to correction on that point. But even if he were a temporary employee I suggest to the government the desirability of following the case and permitting an investigation.

If hon. members take the trouble to look through the records of the last five years they will find that in some cases complaints were made that we set up too many investigations. Well, Mr. Speaker, I hold the view that it is better to suffer from giving men a chance to be heard, as Sir Wilfrid Laurier contended, than to take arbitrary action if there is a possibility of being wrong. Mr. Macdonald, of Pictou, who presented the case in 1911 or 1912, felt that there was an obligation upon a member of parliament whose honour was pledged by reason of a certificate he gave, but one ventured to point out that in these days of extreme partisanship you might have a situation which would be difficult to reconcile with that principle.

I do not desire to make any acrimonious observations with respect to the matter: I still believe in the fairness of mind of the Canadian people, regardless of what party may be in power. I hope that steps will be taken to afford to these men the right of investigation, and that if it is found, as was found in one case, that they have been improperly removed, it will be seen that they are recompensed for what has happened. In the case of this unfortunate man who was in the Indian department, it was years later when he got the investigation, because, he having been dismissed before the late government took office, they felt hesitant about granting an investigation. But finally the minister of the department said: This man has pleaded with me for his own reputation. He said: "My reputation is at stake. I accepted office and pledged myself by that acceptance that I would not engage in political activities, and I have kept faith in that regard." That was in 1927. Finally a commission was appointed and after hearing the evidence of people in the community of the Liberal faith, including the heads of the organizations, the commissioner was satisfied beyond question and reported that there was not the slightest evidence of this man having been a partisan.

Mr. CRERAR: When was the commissioner appointed?

Mr. BENNETT: Not until 1934, I think. The minister, as I say, felt that this was an old matter which should not be reopened, but the man was so insistent, putting it on that ground, not asking for compensation but seeking only to vindicate his own reputation that an investigation was ordered. Officers of the Indian department on the spot were examined, and many others, including the mayor of the

town, the former Indian agent, merchants and others, who had been associated with the complainant—the minister of the church who was there at the time, and those who had had to do with this Indian agent in the closest way. One of them, a lawyer and the secretary of the Liberal Association at the time this occurred, went so far as to say that he had no personal knowledge of the man being active politically, that in fact he "considered him quiet in that respect." One of them went so far as to say that if there had been any partisanship on his part he at least would have heard of it; and he had not.

Mr. CRERAR: Would the right hon. gentleman give the name?

Mr. BENNETT: Yes, but I wondered whether it was desirable to give names. The name of the man was MacConnell, of Kamsack, Saskatchewan. The former minister endeavoured to escape, as I say, but finally an appointment was made; the report was not made until January, 1935, at Kelvington, Saskatchewan, and they all agreed that there was not the slightest evidence of political partisanship on the part of this unfortunate man who lost his job. I think the difficulty arose because of the fact that after his dismissal he held a position under the provincial government as liquor vendor or something of that sort, and there was confusion as to the two positions. That may explain it in part. At any rate I have given the facts as shown on the record.

Under these circumstances I suggest that in all cases of this kind the rule should be laid down by the government, consequent upon a certificate being given by a member that to his personal knowledge—although Sir Wilfrid Laurier said he should recite the facts—an employee of the crown had been guilty of partisanship, and the employee denying it in toto, the government should grant him the right of investigation. I do not wish to go farther than that at this time, because I realize that this is a matter about which there has been much controversy and which has been discussed at various times. But I go so far as to say that where a man has been removed, on certificate given to the minister by a member of this house, if he makes denial immediately upon being made acquainted with the fact that he has been removed in consequence of such complaint he should be accorded the privilege of investigation. That is all I ask. I might go farther, because I believe there are certain consequences or implications which arise, but I believe my request is reasonable. Certainly we endeavoured to act on that principle.

[Mr. Bennett.]

Mr. DUPUIS: Does he not have his recourse before a court of justice?

Mr. BENNETT: That is an open question. But how can a poor unfortunate man be driven to court and to consultation with lawyers on these questions when probably he is making only a poor subsistence for himself and his family? He has not the money with which to consult lawyers; he has not the money with which to carry on litigation. But if he is accorded an investigation, all would be well. No member of parliament should complain for a single moment against an investigation of his certificate when a man denies validity of the charge made against him. I do not think any hon. member would consider such investigation unfair.

The other point to which I wish to direct attention arises out of the same matter. Numbers of men holding positions have been let out, and others have taken their places. Some of those dismissals have been made under great hardship, because the returned man's preference has been swept aside. I will not go into the cases before me in detail, but I have been asked to bring the facts to the attention of the house as strongly as possible. These facts affect a number of men who occupied positions in the public service. For instance, a returned man, whose name I shall not use unless I am asked, who had worked for a long time in the Prescott elevator, has been replaced by a man who, to use the expression of the complainant "while I was fighting for my country, was stealing from his country," the present employee having stolen from the mails and having been sentenced to the penitentiary. This man now occupies the position formerly held by the returned soldier. I ask any hon. member how he would feel under like circumstances.

Mr. HOWE: I would ask the right hon. gentleman to give me a memorandum respecting the situation he has just mentioned. I was not aware that any man had been replaced in the Prescott elevator, for any cause.

Mr. BENNETT: I will gladly give the minister a memorandum. I shall not mention any names unless I am asked to do so, because I feel that in some sense such action might result in handicapping the man's position, and if at all possible I desire to avoid doing that. As a matter of fact I have three complaints. One man puts his case this way: "While I was offering my life for my country, the man who succeeded me was stealing from my country. He was convicted for theft from the mails, and served two years in the penitentiary." Now this unfortunate complainant is walking about without a position, and naturally he

feels keenly his present circumstances. Then, a second man, I am sorry to say, has been succeeded by one who did time. I am not raising the issue because men have done time and should therefore be precluded from re-establishing themselves, but I am saying that returned men are entitled to different treatment, not because I suggest it but because the statute says so. That is the reason. Do not for one moment think that I do not appreciate the difficulties the government faces. For instance, I do not believe that the Minister of Railways and Canals would for one moment sanction such conditions; but these are the facts. How they have developed, or how they have been brought about, is not for me at this time to discuss.

Then, I have another case which touches the Department of Railways and Canals. This is one affecting a man who had been working two or three years in the department. It is only fair to the hon. member for York North (Mr. Mulock) to say that this man might be classified as a temporary employee. However he had a position in the department, and had seen long service. He served in the South African war, in the Zulu war and in the great war. Before the war he was what might be described as a bridge man, and had been given a position of lesser importance on the Welland canal. However, only a few days ago he found himself deprived of that position and succeeded by one who had not any such creditable service. This man is very much incensed and resentful about it. I shall give the facts to the Minister of Railways and Canals because if I were to discuss the matter in the sense in which I should like to discuss it I might prejudice a position which I desire to assist.

Other cases have come to my attention during the session. Letters dealing with some of them have been brought down. One is in the far west, one is in the far east, and so on But in connection with all these cases conditions develop, not because of a desire on the part of the government but because there is not an opportunity for the government to deal with every phase of a matter. That is what I desire to point out.

One of the men about whom I have spoken had worked for three years as leg operator at the Prescott elevator. From 1914 to 1919 he served in the great war, and has been replaced by a man whose name I shall not give, but who was convicted of robbing the mails and as a result served two years in the penitentiary. The man who succeeded the former employee is not a returned soldier. Another case to which I referred affects a man who had held a similar position at Prescott, and who has been replaced by one who was formerly convicted and served a sentence. The last case to which I referred affects a man who served in the Canadian artillery and who was in the Zulu revolution. In 1912 he went to Natal and joined the Natal Light Horse.

Mr. DUPUIS: How old is he?

Mr. BENNETT: I do not know.

Mr. DUPUIS: Is he not about seventy years old?

Mr. BENNETT: No. There are men who have served their country continuously since 1900 who are not seventy years old. He was discharged in Hamilton early in July, 1919, and on April 11 of this year was replaced, through a patronage committee which did not have a returned man on it, by a single man without a war record.

Mr. DUPUIS: Is that the man on the Welland canal?

Mr. BENNETT: Yes. The minister to whom he has appealed has been making some investigation. In this instance the minister to whom the appeal has been made is the Minister of Pensions and National Health (Mr. Power), not the Minister of Railways and Canals (Mr. Howe). The minister has been making certain investigations, and there the matter stands.

There are large numbers of these Canadians to whom I might direct attention, but my doing so would serve no useful purpose because I desire only to describe conditions which I believe require the taking of two steps: (1) Where the action taken by a member has resulted in the loss of a position by a civil servant, such servant should have an opportunity for investigation if he denies the correctness of the allegations made, and (2) we should continue to give effect to the provisions in our law with respect to returned men. Particular care should be exercised in placing those who, not having served in the overseas forces violated the criminal laws of the country during the absence of those whose positions they have taken. I think that is not too strong a position to take. I trust that I may present this grievance before we proceed with supply, in order that the government may be advised as to what the conditions are. I feel sure they will take such steps as may be necessary to protect those who desire only what Sir Wilfrid Laurier described as the opportunity to be heard before they are deprived of their positions.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I shall not attempt to review what my right hon. friend

(Mr. Bennett) has said, for the simple reason that, as all hon. members know, there is probably no more controversial question than that which relates to appointments to and dismissals from the public service. That is my first reason for not attempting at this time to go into the different cases which he has mentioned.

Mr. BENNETT: I would not expect the right hon. gentleman to do so.

Mr. MACKENZIE KING: In the second place, I do not feel that it is necessary to do so because in all that my right hon. friend has said he has not intimated that the government itself has departed in any way from the principle which he has enunciated as the one that previous administrations—

Mr. BENNETT: Oh, yes.

Mr. MACKENZIE KING: —followed or were supposed to follow, namely that of taking the word of a member of parliament with respect to dismissals for political partisanship and acting upon it without further question. My right hon. friend is now laying down, for the present administration, a course of action which I do not think was followed by himself—

Mr. BENNETT: Oh, yes; we gave an investigation.

Mr. MACKENZIE KING: —during the time he was in office. In the five years that my right hon. friend was in office there were, according to a return that was submitted to this house on June 10, no less than 6,352 dismissals from the public service. Of this number, as many as 1,370 were from the Department of the Interior, 1,600 from the Department of Marine, and 1,093 from the Post Office Department. But that does not begin to indicate the extent to which changes were made in the public service which resulted in men being dismissed or losing their positions without having any investigation at all.

Mr. STEWART: Will the right hon. gentleman allow me to ask him how many of those were dismissed because of reorganization?

Mr. MACKENZIE KING: I am coming to that.

Mr. BENNETT: We abolished the positions.

Mr. MACKENZIE KING: My hon. friend asks how many were due to reorganization. Perhaps I cannot better illustrate in what fashion they were due to any "reorganization" than by giving figures with respect to the Department of Agriculture. According to the figures brought down there were 187 dismissals from that department. There was another return with respect to appointments in the same department, which showed that the number of appointments made in the Department of Agriculture was 2,725.

Mr. BENNETT: That figure is cumulative, of course. Those were temporary from year to year.

Mr. MACKENZIE KING: No doubt that was "reorganization."

Mr. BENNETT: No, no; that was merely from year to year, covering temporary employees who came in during the spring and went out in the fall.

Mr. MACKENZIE KING: I do not want to go into this in any controversial spirit, because I believe my right hon. friend himself has been careful to avoid that. Moreover there is no opportunity at the present of hearing the other side of the cases cited or from the hon. members concerned. Further, at an earlier stage in the session I intimated that at the beginning of next session the government would ask the house to appoint a special committee to go into the whole question of appointments and dismissals under the Civil Service Act. That will be the time, I think, when matters of this kind can be taken up and gone into more fully and carefully.

That covers, I think, all I wished more particularly to say, namely that the course which my right hon. friend is now suggesting is not one which, up to the present, has been regarded as in accordance with the general practice. I do not wish to say that there may not be much to be said in support of the position taken by my right hon. friend. Where it can be shown that anyone has been dismissed from the public service obviously without any cause, as long as we have such a thing as justice, which is what above all else government stands for, the government would desire and wish to see that justice was done.

Mr. BENNETT: Hear, hear.

Mr. MACKENZIE KING: I cannot do more than say to my right hon. friend that the government will be glad, during the period of the recess, to consider carefully the representations he has made. As to indicating what further action, if any, it may be advisable to take, that will have to await a more favourable opportunity for intimating the results to the house.

SOCKEYE SALMON INDUSTRY—CLOSING OF HATCHERIES IN BRITISH COLUMBIA

Mr. H. J. BARBER (Fraser Valley): Mr. Speaker, before you leave the chair I desire to draw to the attention of the government

a matter which is of very great importance owing particularly to developments of the last few weeks. I refer to the sockeye salmon industry, one of our greatest industries in British Columbia. The reason I raise the matter at this time is that an order in council was passed in March which is not, in my opinion, in the best interests of the industry, and particularly now that the United States have accepted the treaty. I present the matter to the Prime Minister (Mr. Mackenzie King) and the government in the hope that they may decide not to carry out the provisions of that order in council.

The industry to which I refer is a very valuable one. At the present time it is worth something over three million dollars a year; that is as it stands to-day, with a depleted run. It should amount to twenty-five million dollars if we had given attention to it and to the propagation of fish to keep up those runs. The sockeye spawns altogether in Canadian waters. That is one reason why the adjoining states are vitally interested. Without doubt, the restoration of the Fraser represents the greatest conservation project which we in this country have attempted. I draw the attention of the government particularly to the fact that the order in council which was passed on March 2 of this year is based on a report filed with the minister on February 21, 1936. One clause of the order in council reads as follows:

> The minister, on the advice of the Deputy Minister of Fisheries, recommends that when the present season's operations in the above-named hatcheries—

Giving a list of ten hatcheries in British Columbia.

> —are completed, they be closed, and disposed of to the best advantage, and that the employees be then retired under the conditions imposed by law.

That action has been taken. I think it must be admitted that it is very drastic, when one considers that the two countries are about to come together under this treaty with the idea of helping this industry and trying to provide that the run of salmon be increased.

The fight for the preservation of the sockeye has been going on for some forty years. I think it was in 1922 that a commission was appointed to investigate the sockeye salmon industry in the province of British Columbia. This commission filed its report in 1922. The Department of Fisheries prepared a memorandum based on an interim report issued by this commission. In section 15 of that interim report the commission stated:

> 15. Hatcheries.—Your commission has gone into this matter very thoroughly and heard a great deal of evidence both from employees of the said hatcheries and men engaged in the fishing industry, both as fishermen and purchasers of fish, and we are of the opinion that most of the hatchery operations could be suspended except that two hatcheries be kept in operation to experiment with the new proposed system and that a certain amount of the moneys now spent in hatchery operations be used for the clearing of streams, obstructions in rivers and improving the spawning grounds for natural propagation.

In this memorandum, to which I have referred, the department in reply proceeded to make out a case for the hatcheries. They referred to the fact that during the sittings of the commission only two hatchery employees were called, and they were connected with small hatcheries. I shall not read this memorandum in full, but I should like to quote from page 1 as follows:

> There are twelve hatcheries in British Columbia in which there are several men who have had much longer experience in hatchery operations than Messrs. Catt and Reid, who, however, are both good officers. The district inspector of hatcheries for British Columbia and Major Motherwell, chief inspector of fisheries, could have given authentic and valuable information regarding results that are apparent from British Columbia hatcheries generally.

They then go on to show that from the official records the hatcheries have played a wonderful part in keeping up the runs.

Mr. NEILL: What memorandum is the hon. member reading from?

Mr. BARBER: This is a memorandum issued in connection with the interim report of the fisheries commission concerning hatcheries. Referring to the Skeena river watershed, this statement is made:

> It must be appreciated that, with 1,091 salmon gill nets, each 1,200 feet in length and with a depth of 50 meshes, if it were not for some extraordinary measure, which in this case is artificial propagation, there would be no likelihood of the run being maintained.

In connection with the Rivers Inlet area, they have this to say on page 5:

> Previous to the establishment of the hatchery sockeye salmon did not run in Meadows creek, which is situated just alongside the hatchery. Each year since hatchery operations were commenced fry had been liberated from the hatchery in Meadows creek. As a result a splendid run of sockeye has been built up in this creek and a considerable portion of the hatchery collection is obtained each year at this point.

On page 6, referring to the Vancouver Island area, the memorandum states:

When the hatchery was established, a considerable area had to be covered in order to secure the required supply of eggs. The fry, up to the last two years, have been liberated directly from the hatchery into the lake. The result has been that now large quantities of returning spawning fish come practically to the hatchery door and are obtained by seining on the lake shore. The greater part of the run of fish to this whole area in many recent years have spawned at this place.

From the foregoing it will be seen that the take of eggs now is from a run built up entirely by the hatchery operations and after the full toll has been taken from it by the commercial fishermen.

The New Westminster hatchery is referred to on page 9 as follows:

In 1916 sockeye fry were taken from the New Westminster hatchery and liberated in tributaries of Kawkawa lake. The stocking continued each year for four years. A good run of fish is now returning to that particular lake each year. Previous to this stocking, no sockeye were known to frequent these streams.

How ill advised are suggestions that hatcheries are responsible for the depletion of the Fraser will be realized from the foregoing. On the other hand it may be pertinently asked what the runs would have been in view of the notoriously excessive fishing that has been going on, due to international conditions, if the hatcheries had not been operating.

The following general observations are made:

It has been suggested that hatcheries are only useful for replenishing streams that have been depleted. If this argument is accepted and it is granted that the hatcheries will replenish a depleted stream, it must also be granted that they will maintain an established run equally as well.

There are numerous streams in British Columbia in which a good run of sockeye at one time occurred and which through overfishing is almost extinct. Artificial means are the only way by which these streams can be replenished and a commercial run reestablished. The existing hatcheries can only look after a portion of these streams and if they are again to be productive the fish cultural service must not only be maintained but must be largely extended.

And again:

Against the present condition of barrenness of these once productive areas where there has been only natural reproduction, the splendid condition of the lower Fraser, where natural reproduction has been assisted by artificial means, is strong evidence of the efficacy of hatcheries. The run to Pitt lake, where there is a small hatchery, is more than holding its own and the run to the Pemberton district has steadily improved since the hatchery was established there.

And then further along:

With the experience in British Columbia and Alaska there can be no doubt that the sockeye runs will not maintain themselves against commercial fishing unless fishing operations are so restricted as to imperil the success of the industry and that some assistance must be given nature and this can only be by means of artificial propagation.

It would be interesting to know just what knowledge is possessed by those whose evidence before the British Columbia fisheries commission has not been favourable to fish culture and the extent to which they have personally examined into and studied the conditions that prevail on the spawning grounds and in a sockeye stream, as against those that obtain in a hatchery during the period of incubation.

It is admitted by the sportsmen of the province and the numerous angling associations that hatchery operations with game fish have been eminently successful, and in this connection the introduction of Atlantic salmon at Cowichan lake, eastern speckled trout in the Kootenay district and black bass in Christina lake and Vancouver Island points are excellent examples. If such operations are successful with these varieties of fish why should they not be equally successful with sockeye?

Mr. DUNNING: What is the date of the report?

Mr. BARBER: It is a memorandum based on the interim report of the commission which sat in 1922. The concluding words of the memorandum are as follows:

One argument which is very eloquent is the fact that for hundreds of years hatchery operations have been carried on in some of the oldest countries of the world, and they are sufficiently satisfied with results to continue such operations.

Although the federal government of the United States does not administer and does not derive any revenue from the fisheries, except in Alaska, it operates a large and comprehensive fish cultural service entirely at its own expense, and which extends to nearly every state in the union.

In conclusion it is pointed out that the arguments against hatcheries are all presumptive. On such basis it may fairly be asked why—in view of the fact that the foregoing are points of definite knowledge—hatcheries are not the most effective and economical means known for maintaining our anadromous and inland fisheries.

That is the memorandum prepared by the Department of Fisheries. We have the example of Harrison lake, where 2,500,000 sockeye were planted in 1920. In 1927, when they were due to return, 12,000,000 eggs were taken from a point where there had never been any sockeye salmon. Surely this is evidence that the hatcheries have helped the Canadian runs. I have here a copy of the report of the Minister of Fisheries in which the superintendent of Cultus lake hatchery on page 12 states that in recent years not only have the runs increased, but the size of the salmon has also increased.

We have had on the coast for a number of years a fish that is not only recognized as

a sport fish but is used extensively in the fresh fish trade and to a certain extent in canning. In this connection I wish to give the house an illustration of what can be done through hatchery methods. I can remember the time some years ago when there were very few steelhead in the rivers leading to Cultus lake. Eggs were secured from other sections and hatched and the fry placed in the creeks. Here are the results, obtained entirely from hatchery methods. In 1932 there were collected from returning steelhead 18,600 eggs; in 1933, 98,900; in 1934, 125,163; in 1935, 133,560; and when I was home this year they had finished collecting and I was informed that the total collections for 1936 stood at 410,000 eggs. I do not think that one can get better evidence than this of the efficacy of hatcheries, and this is recent evidence. These fish stood the so-called hazards of the sea and returned, and if this is true of steelhead it is surely true of sockeye. This, I submit, should surely be satisfactory evidence, and it comes from the department itself, which has carried on this work for a number of years.

I wish now to refer to the order in council, and in this regard I should like to know the reason for this right about face in the department's policy. Perhaps I had better read the order in council:

The committee of the privy council have had before them a report, dated 21st February, 1936, from the Minister of Fisheries, submitting as follows:

As it was not clear that the hatching of sockeye salmon in British Columbia was justifying the cost involved, it was decided in 1925 to have the biological board undertake a thorough investigation into the relative efficiency of artificial and natural reproduction of sockeye salmon, and at the time it was anticipated that it would take twelve years to complete it, but it found it possible to report finally in the premises at its recent annual meeting. The basis of determination as to the efficiency of reproduction in any year was the number of young fish that of their own volition left the lake for the sea. This young sockeye do in the second year of their age and they remain at sea until they reach maturity. The results of the investigation, which comprehend different methods of hatching and also the rearing of the young fish to various ages up to nearly one year, are summarized in the following statement:

Natural Reproduction	1925	1927	1930
Migrants as percentage of total eggs available	1·13	1·05	3·16
Artificial Propagation With Liberation of Fry	1926	1929	1932
Migrants as percentage of total eggs available	3·93	2·38	1·71
Migrants as percentage of total eggs obtained from the adult salmon that were stripped	4·54	2·76	2·43
Artificial Propagation With Eyed Egg Planting	1928	1933	
Migrants as percentage of total eggs available	0·95	3·55*	
Migrants as percentage of total eggs obtained from the adult salmon that were stripped	1·44	4·67*	

* Indicates that possible two year old migrants of the 1936 migration have yet to be added.

In the light of the above, the following conclusion was reached by the biological board:

On the whole it may reasonably be concluded that in an area such as Cultus Lake, where a natural run of sockeye occurs with a reasonable expectancy of successful spawning, artificial propagation, for purposes of continuing the run to that area, is unnecessary and, if producing any additional results over natural spawning, these would not appear to be in any way commensurate with the cost.

This conclusion may not apply to areas where there is no reasonable expectation of successful natural propagation.

The minister observes that it was the hatching of sockeye salmon only that was in question, and the investigation does not reflect adversely on the hatching of trout and Atlantic salmon that is being carried on in different parts not only of Canada but of several countries in the world, the good effects of which so far as Canada is concerned, have already been reasonably established.

The following sockeye salmon hatcheries in British Columbia are being operated by the Department of Fisheries:

Babine lake and Lakelse lake on the Skeena river;

Rivers inlet;

Anderson lake and Kennedy lake on Vancouver island;

Cultus lake—Smith's Falls; Pitt lake, Harrison lake and Pemberton on the Fraser river.

In the light of the findings of the board, and as a natural run of salmon with a reasonable expectancy of successful spawning occurs to all the areas in which the above named hatcheries are operated, the minister, on the advice of the Deputy Minister of Fisheries, recommends that when the present season's operations in the above named hatcheries are complete, they be closed, and disposed of to the best advantage, and that the employees therein be then retired under the conditions provided by law.

The committee concur in the foregoing recommendation and submit the same for approval.

When this investigation was undertaken eleven years ago, hatchery methods as they then existed were taken as the basis of trial and no deviation has been permitted to this day. Four systems of fish culture have been tried at Cultus lake. The first is fry planting, the second egg planting, the third fingerling planting, and the fourth natural reproduction. The first, fry planting, was abandoned long before the biological board started the investigation; the second, egg planting, has never had a fair trial, a point I shall deal with later on; the third, fingerling planting, was altogether too expensive; and the fourth, natural reproduction, particularly in these mountain streams, has been too destructive.

These methods have been tried again and again by the biological board but nothing has been done to see whether they can be improved upon in any way. Sockeye rearing has been condemned owing to the excessive cost; it will be observed that the whole argument in this order in council turns on the question of cost. And notwithstanding this, no attempt has been made, nor has any suggestion been put forward, looking towards economy.

Mr. MICHAUD: Who makes that statement?

Mr. BARBER: I make that statement. I have gone through the whole report, which I have studied carefully, and I do not think you can find one suggestion as to any means by which the cost might be reduced. I want to call attention to the way in which the biological board arrived at the figures given in regard to the percentage of migrants as compared with eggs planted. If you will refer to the reports of the different superintendents from year to year you will get an idea as to just how these figures are arrived at by the board. So many eggs are planted in the different streams. They are counted, the operators know how many have been planted, and then the migrants as they leave the lake are also counted; and on the basis of so many migrants from so many million eggs they arrive at the percentage given in the order in council.

At one o'clock the house took recess.

The house resumed at three o'clock.

Mr. BARBER: When the house took recess, Mr. Speaker, I was dealing with the order in council, and I said it was based on a report of the biological board. The reason for disposing of the hatcheries of British Columbia was given as the cost of carrying them on, and I want to refer particularly to the figures upon which this order in council was based, because I am going to try to show that they are not well founded and that the minister might very well make further inquiries before taking this action. I want to refer to the report of the Department of Fisheries for 1934-35, at page 111. There I find the report of the superintendent of the Cultus lake hatchery, in which he calls attention to the planting of eyed sockeye eggs in tributaries to the lake. He says:

> The distribution above mentioned commenced on December 20, 1933, and was completed on February 24, 1934. Approximately thirty-three per cent of the total number of eggs planted were deposited in Spring creek. This stream, as its name implies, is fed by natural springs, is not subject to freshet, and eggs planted therein should give good results.

Further on he says:

> The remainder of the hatchery output was deposited in other tributaries to Cultus lake, and although the areas planted were thoroughly cultivated and properly prepared for reception of the eggs, it is impossible to protect against damage from freshets and resultant scouring of the beds of these streams.

With this in mind I should like to deal with three abortive attempts at egg planting, which was first tried in 1928. In that year scientists connected with the biological board, along with the superintendent of the hatchery, looked over the creeks to decide where the eggs should go. They insisted in putting the bulk of the eggs in Frost creek, and this was done. The creek dried up about half a mile above the lake, and the fry were unable to get down. The return of 0·95 per cent, which it will be noticed appears in this order in council in connection with that work, was the result almost entirely of the few eggs that were planted in Spring creek. In 1933 egg planting was repeated and the eggs were put into Windfall creek and Watt creek, which were not dependable. Heavy freshets in March washed practically the whole of them out with the exception of those planted in Spring creek. The count of migrants from the egg planting of 1933 shows a percentage of 4·67, or a total of 242,458. But that number of migrants was not the result of the 4,371,500 eggs planted; that was the result of 1,259,000 eggs which were planted in Spring and Smiths Falls creeks. This would show the percentage to be 19, rather 4·67. Destruction of these eggs is well authenticated, and the minister would have no trouble in securing these figures, because I understand the biological board kept track of all the eggs planted in the different creeks. But in coming to make up their percentages they said there were so many eggs planted, without caring whether they were planted in potato fields or by the side of the road; they were not interested where the eggs were planted but only interested in the result. They said so many migrants resulted, and they figured the result to be 4·67 per cent. If, on the other hand, they had only counted those eggs that had a chance to hatch the figure would be about 19 per cent.

Again in 1934 and 1935 they insisted that the eggs be planted as was done in 1933, and again all the eggs, with the exception of those planted in Spring creek, were destroyed through the creeks drying up. This information, as I have said, is available to the minister. Why was it not checked up before

this order in council was passed? The value of the biological board figures is further weakened by the punishment inflicted on such runs. I have been interested in this work for ten years. One day I went out and found one of these little streams coming from Cultus lake spattered with dead fingerlings. I asked the man in charge what was wrong, and he said, "Well, we cut three fins off these fish so that we could identify them when they returned." When fish need all their faculties to survive this was certainly some handicap.

The report of the biological board stresses the futility of hatchery work in a small area such as the Cultus lake area. I am advised that in that district there has been a run-out of 2,500,000 yearlings in one year and a return of 81,000. That was in 1927. The scientist who has been employed under the board gives it as his opinion that the lake has enough food every year to produce two and a half million yearlings. If the fishermen catch two fish for every one that returns, in 1927 they caught 160,000 fish which, at twelve to a case, makes 13,000 cases worth $130,000. That is what this one little district can do, and the food is there to do it every year.

Another charge against the Cultus lake hatcheries is that the cost of food is too high. From a wire that came through last fall I understand that orders were given to dump the fish that were in the hatcheries and close them up because they had not sufficient money to carry on. It was only because of the protests of boards of trade and other public bodies in the Fraser valley that an effort was made to carry on at a reduced cost for food. The biological board had ordered that nothing but fresh beef liver should be used for food, and this is one instance where no attempt was ever made to cut down the cost. Fresh beef liver, at 15 to 20 cents per pound, increased the cost to about $240 per month. The practical men said, "We believe we can feed them for less than that," and they used stripped fish and dried milk refuse, and reduced the cost of rearing sockeye to one-third the former cost. The cost of collecting was also reduced very considerably. The experience at Smiths Falls last winter, where one man operated five ponds with food costing only a quarter as much as the food used by the biological board, has completely upset the figures of the board in this phase of the work. So if there is any merit in sockeye rearing at a third of the cost incurred by the board, there is no justification in closing the hatcheries. The evidence which I have produced is based on definite knowledge and proves conclusively that hatcheries have been most effective in maintaining our fisheries. I do not suggest that we should discard the services of the scientists, but I do suggest that some scientists be brought under the department to cooperate with the practical men. That is what we want, instead of having it left entirely to a board of scientists.

The successful method of restoring these streams which have been depleted, particularly in the Fraser area, in my opinion is a combination of artificial and natural reproduction. I think that is admitted by every man who has studied this question. That was done in years gone by when the run kept up. We cannot afford, if we are going to continue to replenish these streams, to dispose of the hatcheries as has been suggested. The two-way method is the only method by which they can be restored. In studying the fish industry I have often wondered what would happen if the same methods were applied to the poultry industry in our province. Hon. members from British Columbia know that the poultry industry has made great advances during the last ten years. We have very large plants in our province, incubators producing thousands and thousands of chicks. Suppose the Minister of Agriculture through his deputy sent out a board of scientists and they said: Now, these birds are costing too much money, they are not just what they should be; we recommend that the hens be turned loose, that they be allowed to go and lay in the grass and brush roundabout, and if you want to keep track of them just cut a wing or a leg off. That is about what they are doing with the fish. If one-tenth of the practical knowledge that has been devoted to poultry were applied to the fish industry we would not be in the sad condition we are to-day.

An hon. MEMBER: Oh, oh.

Mr. BARBER: Let me say to the hon. member who groaned, across the way, and to the Prime Minister, that this is a most serious matter. I am dealing with one of the most valuable industries we have in Canada. Other countries are going ahead, Japan by leaps and bounds, and Russia; the states of Washington and Oregon in spite of handicaps, are coming back, and this is the only country in the world that has suggested doing away with the hatcheries. In fact other countries are encouraging them. As I have shown, there is not a state in the union to-day but is encouraging hatcheries. They are not merely

holding post mortems as this board did; they are trying to devise improved methods in fish culture. But apparently this board did not.

It is very interesting to refer to the conclusions at which this board of scientists arrived. I have in my hand the report of the biological board. In addition to that, attached to it is one from the director, Mr. Clemens. He says:

I feel that there is an opportunity for the department in this way to put the salmon production of the British Columbia coast on a sound basis.

That refers to clause 5, which reads:

Looking at the problem on a broad basis, it would seem that the quickest and most effective method of keeping up the spawning stock is to limit the catch.

That comes from a scientist!

As I have pointed out in my annual reports to the commissioner of fisheries of British Columbia, if on the Fraser river in a given year, instead of the industry putting up 120,000 cases it put up only 100,000 cases, this would mean approximately 480,000,000 additional eggs on the spawning beds. This reduction in pack would in a sense cost the industry $240,000. On the other hand, to gain this advantage, the hatcheries, even allowing a four per cent efficiency as compared with a natural efficiency of two per cent, would have to handle 240,000,000 eggs. This would require the erection of at least five additional hatcheries, each having a capacity equal to that at Pemberton, and the operating costs would be approximately $200,000. All this would be at the expense of the country as a whole.

Then he concludes:

I feel that there is an opportunity for the department in this way to put the salmon production of the British Columbia coast on a sound basis. Until the catches are brought under control and limited to the productive capacity of the river system, I see little hope of maintaining the sockeye salmon fishery.

This comes from a scientist employed by the department to carry on an investigation. The control of catch has been carried on by men in the department. It does not require a scientist to advise limiting the catch, but that is all this scientist had to offer us after eleven years of investigation.

In conclusion I urge upon the government, in view of the acceptance by the United States of the sockeye treaty, that further investigation be made before such drastic action is taken, because I think it will be found, under one of the clauses, which I have not at hand at the moment, that the United States will contribute fifty-fifty in regard to the propagation of salmon. I understand that the hitch is that they have amended it to provide that there should be eight years' investigation. I do not blame them for asking for further investigation, because I would not like to see any board set up and proceed to carry out recommendations upon which this order in council is based. I would suggest to the Prime Minister—and this is not criticism of the government; for the government are not responsible, for this condition, but they are responsible for passing the order in council—I would suggest an inquiry in the meantime, something in the way of a judicial commission that could go into the findings of the biological board and call in practical men. I suggest to the government a more thorough investigation before the government act on this order in council.

To take action on the order in council at this time when the treaty is about to be accepted, and wipe out all hatcheries in British Columbia, would be a very serious thing. I feel that the matter should receive further consideration. As I have said, the order in council is based entirely on the figures of the biological board, which are not on a sound basis. It does not make any difference what was done with the eggs; the biological board say: "We are interested only in the results, and we arrive at those results by simple arithmetic—so many eggs planted, so many migrants pass out; therefore it does not pay to raise these fish." That is the only criticism that is offered; it is the whole basis of the conclusion. In this report no suggestion is offered as to how the cost can be cut down. The entire investigation, extending over eleven years, has simply been a post mortem.

I want to tell the Prime Minister that one reason why I cannot give further information is that any time I talked to a man employed in the department he would say: "For heaven's sake don't quote me, or my head will come off." That is an unfortunate condition. If the Prime Minister would appoint someone who could call these men in and go into it with them, I think it would be in the interests of this great industry, which we are told to-day can be built up from $3,000,000 to $25,000,000 a year. I am convinced the proposal is well worthy of consideration before the order in council is put into effect.

Hon. J. E. MICHAUD (Minister of Fisheries): I understand that the grievance which my hon. friend has laid before the house is based on the action of the government and the departmental officials in closing some of the salmon hatcheries in British Columbia.

Mr. BARBER: Not some, all of them.

Mr. MICHAUD: This action was determined by a report of the biological board made to the government, as my hon. friend has said, after five years of experimentation.

Mr. BARBER: Eleven years.

Mr. MICHAUD: Eleven years of experimentation. The hon. gentleman quoted extensively this morning, I understand, from an interim report of a commission which investigated the British Columbia fisheries in 1922. In the final report of that commission suggestions were made as to whether or not the artificial propagation of sockeye salmon in British Columbia was worth while, and whether or not the expenditures in connection therewith were warranted.

Mr. BARBER: I did not quote from that; I quoted from a memorandum in reply prepared by the department.

Mr. MICHAUD: I understand. I am quoting from the original report of the commissioners who in 1922 suggested to the government and to the Department of Fisheries a careful investigation of this matter. One paragraph is as follows:

> We do feel most strongly however in the light of all the evidence here and documents consulted that the department should move slowly until we have more definite and satisfactory proof that the industry and country is receiving some return for the annual expenditure of more than $130,000 in British Columbia alone.

And quoting again:

> Consequently we urge that before the service is extended some definite experimental tests should be carried on over a series of years. We make the condition however that the operations be carried on and observations made directly under competent scientific supervision, not under fisheries officials or fisheries officials alone, who have no scientific knowledge.

I understand there was some divergence of opinion among practical men in British Columbia, the officials of the department, and others interested in fisheries of the province of British Columbia. As a result of the difference of opinion it appears that in 1925 the government asked the biological board, which is composed of scientists, biologists, chemists and men of repute from the universities who are not directly officers or officials of the Department of Fisheries or the government, but are an independent body constituted by act of parliament, to conduct the investigation recommended in the report of 1922. It would appear that since 1925 the investigation has been proceeding, and this year a report has been made in which the conclusion is reached that, as in their opinion the artificial hatching of salmon in British Columbia did not justify the cost involved, such hatcheries should be closed. As a result of the recommendation the hatcheries were closed. It would appear that considerable saving to the treasury will be effected by this action.

I may add that not only is there a divergence of opinion among those interested in fisheries as to the advisability of expending these amounts of money yearly on hatcheries, but from the fishermen themselves there comes the urgent appeal the hatcheries be closed because they injuriously affect the fishermen's interests. These facts would seem to indicate that there has always been a difference of opinion between the different parts of the industry in British Columbia. In view of the report of the biological board we felt there was no alternative but to accept the report and act on the suggestion.

Apparently there have always been differences of opinion as to whether natural or artificial propagation is the more satisfactory. There can be no doubt that both are efficient, but those who claim to know and who have taken eleven years to study the problem have reported to us that in view of the sufficiency of natural production in these waters we are not justified in spending the moneys we have hitherto spent on those hatcheries. That is the reason why they have been closed. I know that practical men are objecting to this course; some who are personally interested in keeping them open are objecting. This is only natural and to be expected, but as I said a moment ago we have no alternative other than that of accepting the conclusions of the biological board; otherwise there would be no justification for their existence. They are the people to whom after all we must resort for opinions and suggestions in scientific and technical matters.

My hon. friend has suggested that the change might have some influence on the artificial propagation of the steelhead, which, I understand, is considered to be a sport rather than a commercial fish.

Mr. BARBER: I used that only as an illustration.

Mr. MICHAUD: Representations have been made that it might hurt that industry. The steelhead is considered more a sport than a commercial fish, and the province must look after that angle of the matter. However, we have undertaken to hold a conference this summer with officials of the province of British Columbia. We will attempt to come to a definite conclusion respecting jurisdiction or authority, a decison as to what department will undertake to look after the propagation and supervision of sport fishing in British Columbia, and if as a result of the conference the federal department is entrusted with this duty we will do our best to help develop the industry in British Columbia.

Mr. BARBER: The minister intimated that all the hatcheries would not be closed. Of the ten named, how many would continue operating

Mr. MICHAUD: I understand a few will not be closed, and when the estimates are under discussion and I have my books before me I will answer the question.

Mr. BARBER: I understand only ten hatcheries are operating now.

Mr. MICHAUD: That is my understanding.

Mr. A. W. NEILL (Comox-Alberni): Mr. Speaker, the question as to whether or not hatcheries are efficient is a subject on which there is as much divergence of opinion as on the question whether a high or a low tariff is good. With the greatest of sincerity men could argue for weeks on both sides of the case. I am sorry the debate has arisen at this date and in this manner. It should not have come up in this way at all. As the minister has said, there is in connection with this matter a divergence of earnestly held points of view, and I submit it should have been placed before the marine and fisheries committee. That committee was not called together this year, but I say it should have been called for a discussion of this and many other important subjects. I note that the order in council to which the hon. member for Fraser Valley (Mr. Barber) has referred, as a result of which the hatcheries were closed, was passed on March 2, at which time the house had been sitting almost a month. It would not have been inappropriate to submit a matter of that importance either to the fisheries committee, composed of men from all parts of Canada, or to the members from British Columbia, regardless of political affiliation, who would have local information and would be in a position to give good advice. That policy was not adopted, and the result is that this question is flung into the debate here at the last hour of the session, when we are going into supply on a motion which does not allow debate across the floor of the house. I submit that the reason it was not brought up was that the fisheries department is run not as a department but as a close corporation: officialdom said it was not going to be discussed, and it was not discussed; only the unbreakable rules of the house enabled it to be brought up here. It is another instance of the pressing need for the thorough reorganization of this department. In saying this I cannot be held to be attacking the minister, who has only recently taken over two generations of inertia and is trying to do something. The argument might have been used—I was surprised the minister did not use it in answer to the hon. member for Fraser Valley—and used with some degree of accuracy, that the conditions the hon. member referred to applied to some years ago, that times have changed and we have to change our opinions and actions with them.

Mr. BARBER: It still stands to-day.

Mr. NEILL: He did bring it up to date to support his argument against the closing of the hatcheries. Mention was made of the fisheries commission in 1922. I happened to be a member of that commission. There were six members of parliament on it, and, as an illustration of the changes time brings, I may say that of the six one has gone to the senate, two have fallen by political misfortune, two have gone to the bench, and I am the only one left of that commission; I alone am left to tell such a tale as my feeble intelligence and increasing years may permit.

Mr. REID: No telling where you are going.

Mr. NEILL: The minister quoted in part the recommendation we made. He did not give it all but he quoted what he wished, and it was correct. He recited the representations that had been put before us by a number of men supposedly well qualified to judge—cannery men, deeply interested in canning, managers of fishery plants, and so on. We put these more or less divergent views on record, and then made the recommendation that the minister has alluded to:

> Before the service is extended some definite experimental tests should be carried on for a series of years.

The only trouble is that that was not adhered to and hatcheries were increased in very considerable numbers, but the tests were begun. I note we also recommended that—

> More attention be paid to improving the spawning places by ridding them of enemies of the salmon, and clearing streams for the passage of the fish, and by taking such other measures as may be deemed prudent in the premises.

That is what I was arguing the last time the estimates came up, but it is so long ago one has almost forgotten when it was.

We made this report, and it did not fit the views of officialdom. At that time they were wedded to the idea of hatcheries, and, being at that time politically young and, perhaps, more innocent than I am now, I accepted their statements; they brought forward such convincing argument and proof that it was a heaven-sent blessing I really took it at its face value. They did not like this modified report we presented recommending that we should have an investigation, so they got out the memorandum that the hon.

member for Fraser Valley was quoting from, which made a bitter attack on almost everybody who differed from them. They attacked if not the integrity at least the intelligence of everybody who ventured to differ from them, right down the line.

Where the argument comes in now is with reference to what the hon. member for Fraser Valley says. This was what they were so convinced of, the last word of experience at that time; why the complete turnover? Of course the minister can say it is only a fool who never changes his mind, but let us observe the conditions under which it was changed. We recommended that an investigation should be made by practical men accompanied by scientists. In the course of a year or two—because it takes a long time to get a department to move—they got the thing going. In 1925 they started this investigation, and they picked, out of all the world, Cultus lake, presumably because the geographical formation made it convenient to put in the necessary weirs and traps. The word Cultus is a Chinook or Siwash word meaning "worthless," and I am told it was so named in the early days because it was useless for any class of fishing. The biological board said that in this lake there are large numbers of squaw fish and Dolly Varden char, and they also refer to suckers, Williamson's whitefish, and chub. Apparently the lake is swarming with these predatory fishes, which feed almost entirely on the young salmon, and it was a godsend to them when we started rearing young salmon for their daily meal. Consequently they could hardly expect that the results would be distinctly favourable. Now they come along and decide to shut down on all the hatcheries. And on what data? Here it is. The minister quoted in part the report. It is a voluminous report, but this is a summary of it:

On the whole—

After eleven years' experiments.

—it may reasonably be concluded that in an area such as Cultus lake, where a natural run of sockeye occurs with a reasonable expectancy of successful spawning, artificial propagation, for purposes of continuing the run to that area, is unnecessary and, if producing any additional results over natural spawning, these would not appear to be in any way commensurate with the cost.

That is fairly vague, after eleven years' experimenting. Then they add a rider, in case that was not vague enough:

This conclusion may not apply to areas where there is no reasonable expectation of successful natural propagation.

So that it leaves the door open to say: Go to the place where there is no good natural propagation and it will be a success. But if it is a success in the one place it should be a success in the other place. After eleven years' experimentation that is as far as they can go towards making a definite conclusion. It is known to the department that this investigation has been going on since the year 1925. It was intended to run for ten years, and they finished with the work and made that report last fall. One would suppose, would one not, if one were dealing with a body that was a business organization in any way at all, that they would suspend action on this policy until they saw the results of this investigation; in other words, that they would not build any more hatcheries, at any rate so close to the period when the report would be expected. But I found last fall that the hatcheries in my district were being frozen out, men were being taken away from them just at the very time they were needed, their efficiency impaired and reduced. Why? Because the money voted was exhausted. I naturally asked why, and the answer I got is this, among other reasons, that there was the construction of a new hatchery in Nova Scotia. This is not an attack on the minister, because my friend the right hon. leader of the opposition was in charge at that time. Indeed, the leader of the opposition had no more to do with it than the present minister, being equally ignorant, I have no doubt. I do not say that offensively: no doubt the department knew about it. The department knew these investigations were narrowing to a focus, a conclusion that was more than likely to be inimical to their policy, and yet they go and build a new hatchery in Nova Scotia. There was an election coming on. I do not know whether that had anything to do with it. At any rate the department should have put its foot down and said, "No. Pending a decision on this point we won't build a new hatchery anywhere." But there is the sort of haphazard policy—no, it is not a policy, a hand to mouth method by which they go along.

Now, in the last few years hatcheries have cost us not a little. I got a return limited to the last fifteen years, and the total cost of hatcheries in Canada was $4,728,000—practically four and three-quarter million dollars. That is a good deal to spend on hatcheries. We are now going to throw them into the discard and we are not clear whether we should or should not do this. We are saying that it might be as well to do this, or perhaps there may be some other place where the same system would be successful. I should like to quote

from a resolution passed by a large number of fishermen living in a place called Sointula in my district. Lest I should be accused of political partisanship, I might say that I got nineteen votes out of the 212 cast in that place. It may be that these men have a sounder judgment about fishery matters than they have about political matters, at least I hope so. They write me and say:

According to press reports the Department of Fisheries is planning to close up the salmon hatcheries on the Pacific coast.

At a meeting of the Sointula branch of the Fishermen and Cannery Workers' Industrial Union on the second of April, 1936, the membership unanimously decided to protest against such action on following grounds:

Although the Rivers inlet area has been subjected to most intensified fishing for a good many years, the sockeye run has shown practically no decline due to the fact, we believe, that the hatchery operated there has effectively counteracted the havoc wrought by fishing gears.

We strongly maintain that the experiments on Cultus lake alone do not justify the closing of all hatcheries, as natural conditions vary in different localities.

According to reports the hatcheries on the Columbia river have been a tremendous success, also in other areas in United States the artificial propagation has shown splendid returns. Why not in Canada?

Furthermore, due to the conditions in other industries there has been a great increase in the number of people depending for a living from fishing in recent years. Consequently, fishing is more and more intensified. Therefore, if the hatcheries, as the only known means of replenishing the stock of salmon, were to be closed, a complete depletion of salmon would result in few years.

I put this up to the department and I received some data combating these views, as far as that particular area was concerned. When I communicated this data to these men, they wrote back that they did not agree with the statements made, and that it was a mistake to close the hatcheries. They said:

We agree with you that illegal fishing should be stopped. We also agree with you that the natural means of propagation should be protected.

However, the fact still stands that Rivers inlet, about the most exploited fishing area on the British Columbia coast still shows good runs and we believe the hatchery in great part to be responsible for that.

We still believe that the experiments on Cultus lake alone do not justify the closing of all hatcheries.

As the representative of these men, even though an unwelcome one, I feel that I should put their views before the house. If I was asked to state my views, I am afraid I would have to say that I do not know. I would not care to say that the hatcheries in my district, with which I am familiar, have been a success, but it may be due to the fact that the wrong methods were adopted or the fundamental principles followed were wrong. At the same time, I would hesitate to say that after we had spent four million dollars on hatcheries we should give them up because of the results on Cultus lake alone.

As the hon. member for Fraser Valley pointed out, and as I know also, for many years the department maintained with enormous vigour and warmth the howling success of these hatcheries. As the hon. member for Fraser Valley has stated, he has met officials who told him that they must not be quoted or their heads would be taken off, and I agree entirely with that statement. The closed corporation does not permit the fisheries officials to have souls of their own or to dare to be quoted. If the deputy minister wants further information along this line, I shall be glad to furnish it when we are on the estimates. We have the peculiar picture of every official being in favour of hatcheries and saying that anyone who was not was either a crook or lacking in intelligence, and then there is a quick turnabout, and the hatcheries have to be closed up holus-bolus. And the same deputy minister has been in charge all through.

I have just one more quotation I should like to make. A fisheries paper published in British Columbia makes the statement that the Cultus lake hatchery may operate this year. It states that while the sockeye hatcheries are being closed up and the employees dismissed, there is still some hope that the hatchery at Cultus lake will be kept open for a few months, possibly to the end of the year. They state that the number of steelheads caught in the last two years has been greater than for many years. They state that these results are definitely an aspect of the operation of the local hatchery. This might be because of climatic conditions or something of that kind, but I do think that when the hatcheries are being closed so abruptly, the action should have been based on something other than just the Cultus lake experiment. A policy to be in effect all over the country should not depend upon the results obtained in one particular spot. The biological report from which I quoted states that these results may be due to the enormous number of predatory fish, and they propose to attempt to do away with them and see what results ensue. I cannot and will not say that the hatchery system has been a success in my district. However, I contend that this is a matter that should have been discussed around the table in the fisheries committee where every hon. member would have had a chance to get the required information from competent witnessses who could be called.

CANADIAN NATIONAL RAILWAYS—STATUS OF FORMER WESTERN UNION EMPLOYEES AT NORTH SYDNEY

Mr. D. A. CAMERON (Cape Breton North-Victoria): Mr. Speaker, I propose to take up only a very few minutes to discuss a matter to which I should like to draw the attention of the Minister of Railways and Canals (Mr. Howe). This matter concerns a number of men who were in the employ of the Western Union Telegraph Company which was taken over in 1928 by the Canadian National Telegraph Company. Since last November I have been endeavouring to have the claims of these men dealt with by the proper authorities. I first appealed to the Minister of Railways and Canals and I was informed that this matter did not come within his jurisdiction. I then appealed to the chairman of the board of trustees and I was informed that it did not come within his jurisdiction. I then appealed to Mr. Hungerford, the president of the Canadian National Railways, and I received a like response. I then transferred my activities to Mr. Galloway, the president of the Canadian National Telegraph Company, and I was informed by him that the incident was closed.

I should like to direct the attention of the minister to the facts as they appear to me. I respectfully make the submission, first, that the incident is not closed and should not be so regarded, and, second, that the men have what I consider to be a real grievance in connection with the manner in which their claims were disposed of. There was a group of about ten or fifteen men who were in the employ of the Western Union in what was known as the cable office at North Sydney, and in addition to cable work they did what is known in the telegraphic world as land line work. They were brought up and trained to cable work, which demanded a very special degree of efficiency, and they had made for themselves a splendid reputation as good operators at North Sydney. This was the situation in 1928, when the negotiations began between the Canadian National Telegraph Company and the Western Union for the taking over of that utility, and these operations continued until some time in 1929, when the arrangements were completed. I stated a moment ago that the men in the employ of the cable office were highly trained and efficient, and they were commanding as a result salaries a little higher than the ordinary ratings which were in effect in other portions of the Western Union service. A conference was held between the representatives of the men and the management of the Western Union Telegraph Company in New York, and one of the conditions of the agreement to transfer from the Western Union to the Canadian National Telegraph Company was that the ratings of the men in the Western Union should be continued unimpaired while they remained in the employ of the Canadian National Telegraph Company.

A few days ago we discussed in this house the reorganization of certain departments of government and I was glad to notice that members on both sides of the house were solicitous that employees who had given a good part of their lives to the work of various departments should not suffer financially by reason of the fact that consolidations were about to take place. I applaud that sentiment; I think it is the proper method of dealing with men who have become trained experts in any line of activity, if it can be properly carried out. All that these men are asking for, all that I am asking for on their behalf, is that the same measure of justice and fair play which we bespoke for the men in the employ of the government in these departments should be meted out to men who gave from ten to fifteen years—and one man gave as much as forty years—of service in the Western Union Company.

The agreement entered into with these men was carried on, so far as the Canadian National Company was concerned, by Mr. Robb, the vice president. Mr. Robb gave his undertaking to Mr. Carlton, the manager of the Western Union Company in New York, whose letter is on file in connection with the proceedings under the act respecting conciliation, in which he stated that, acting for the Western Union Company, he would not have agreed to the transfer of that corporation to the Canadian National Telegraph Company if he had not been assured that the men who were in the employ of the Western Union Company and had given faithful service for so many years would not suffer in any degree in consequence of the transfer.

I wish to read from the judgment of His Honour Judge Murray, who was one of the members of the conciliation board. Let us see what he has to say in that connection:

> I have not the slightest doubt of the merits of the contentions of the North Sydney men regarding the arrangements made by them with Mr. W. D. Robb, vice-president of the Canadian National in charge of telegraphs, and with the officers of the Western Union previous to their joining the Canadian National Telegraphs. The year 1929 was a prosperous one, and, in my opinion possibly an improvident yet sympathetic bargain was made by Mr. Robb, with the approval of Sir Henry Thorn-

ton, with these men and the Western Union. It is also doubtful if the Western Union would have entered this agreement if this collateral contract had not been consummated by the Canadian National Telegraphs for protecting the North Sydney group on their Western Union ratings. (Mr. Robb stated in evidence that the Western Union refused to sell the lines unless this undertaking, respecting basic salary ratings, was agreed to by the Canadian National).

I call attention to the fact that this is the evidence of Mr. Robb. Evidence was taken in 1933 and this report of the conciliation board was released in 1934.

I have noted the exhibit of the North Sydney group marked "A,"—

That is the letter from Mr. Carlton to which I have referred.

—which, in my opinion, showed an absolutely strong case that the Canadian National Telegraphs should be bound by the agreement made with the Canadian National Railway officials that the North Sydney group should be taken over by the Canadian National Telegraphs at the ratings they were receiving in North Sydney. With all due respect to any opinion to the contrary, I feel that this agreement was a collateral one and need not be embodied in the main agreement of sale. I think that the fact that the officials of the Canadian National Telegraphs not only paid the North Sydney group the increased ratings for a period of three years or more after the agreement, but recognized these ratings in correspondence, without protest, should be sufficiently convincing to find that no person or corporation could repudiate it.

The findings of the board were not unanimous, but the report was signed by Judge Murray and the representative of the men. Judge Murray was the chairman. Mr. McInnis represented the Canadian National and Mr. Lunn represented the men. A majority of the board, consisting of the chairman and Mr. Lunn, representing the Commercial Telegraphers' Union of North America, found in effect—I am not going to read the finding—that the men had made out the case they were contending for, that they were entitled to their ratings and that these ratings should be continued. Some person has handed me a note saying he is very anxious to get home. So am I, but I want to say that these men have been struggling for a number of years to establish the justice and equity of their claim. They proceeded in the regular way, recognized by the government and the parliament of this country; they went before a conciliation board and established their claim, and all I am asking on their behalf and all they are asking is that this claim be recognized by the proper authorities.

Let me quote a few salaries in order to show this house how these men have been treated. D. Merritt had served the company for twelve years; he was rated as a clerk, but he was an operator. He was receiving $130 a month and in 1933 his salary was arbitrarily reduced to $90 per month. In addition the ten per cent cut, which was applied all around, was applied to this man also, leaving him to bring up a family of six or seven children on a salary of $80 a month. J. Rogers was receiving $175 per month; he was reduced to $125. Y. F. Tutty, whom I know very well, who was born and brought up in North Sydney and who, I imagine, must have served for thirty or forty years, had his salary reduced by $50. Some of these men were removed from North Sydney and located in other offices. They had been enabled to build their homes under a loan agreement with the Western Union, and they had properties at North Sydney. Owing to the depressed state of the real estate market those properties to-day are of very little use to them, but these operators were compelled to leave their homes and their families to work in another place with their salaries reduced anywhere from $20 to $50 a month.

That is a situation, Mr. Speaker, which is not going to be settled by the mere statement of Mr. Galloway, the head of the Canadian National Telegraphs, that the matter is closed. The matter is not closed as long as the findings of a competent court, which said these men made out the case they sought to make out, are ignored, and as long as the other party to the agreement of submission has not lived up to those findings. I am asking the minister to do these men the justice of having their case, I will not say reviewed, but studied and the facts as they were brought out before this court looked into, so that between his department and the Department of Labour the appropriate remedy may be applied. I know one of the suggestions urged is that if you pay these ratings to the men in North Sydney you will be in conflict with the union now in control of the Canadian National Telegraphs. I am not concerned about that conflict. I am concerned, however, that the pledged word of this country, given through the management of the Canadian National Railways, should be honoured and redeemed by those now in positions of authority and responsibility, who are able to give effect to the findings of the board. I ask the minister to give this matter his most careful and sympathetic attention.

Hon. C. D. HOWE (Minister of Railways and Canals): I may say that this is entirely a matter for the internal management of the railways, but I shall be glad to call it to the attention of the president.

REGINA RIOTS

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, there is a matter I had intended to take up on the estimates of the Department of Justice, but since it does not relate immediately to the work of the present government I think perhaps I had better introduce it at this time. Earlier in the session, owing to a commission having been appointed to consider the matter of the Regina riots and also owing to several court cases arising therefrom which were pending, we were prohibited from discussing the matter. Some of the men who were in those riots have been convicted.

The question arises as to who was responsible. An attempt has been made to place the blame on communist agitators, but I should like to point out, as was so eloquently pointed out by Liberal speakers a few days ago, that communism makes an appeal only when conditions become desperate, and without going into the question of the camps I would remind the house that even the Macdonald commission found in connection with the British Columbia camps a good many things which were far from satisfactory.

It seems to me that the root of the trouble was in the unsatisfactory methods of dealing with single unemployed men. I take it that the abandonment of the camps is a recognition of the fact that those methods were unsatisfactory. The immediate difficulty in connection with the riots appears to be due to the bungling and incompetence of police officials who apparently had the backing of the late government. In a recent editorial the Winnipeg Free Press remarked:

> The record remains a lesson as to how not to deal with the problem of law enforcement.

The former government has been removed from office. The high officials of the police, however, still hold their positions, and a certain number of men are in gaol. Let me review, as briefly as I can, some of the outstanding facts about the situation. On May 19 the mayor of Vancouver, the hon. member for Vancouver-Burrard (Mr. McGeer), warned the government of the seriousness of the situation. He said that the situation was extremely critical; he suggested a certain plan and warned the government that unless it was accepted serious trouble was certain to occur. I think the position of the government can be very well understood from these sentences contained in the reply of the then Prime Minister on May 20:

> Should they collect in a municipality it is obviously the duty of that municipality to seek any assistance required from their provincial authorities. . . . I note your anxiety as regards possible disturbances in Vancouver. . . . Any requests for assistance must in the first instance be made through the province.

The hon. member for Vancouver-Burrard replied on May 21:

> Communist organizers and agitators taking advantage of justifiable dissatisfaction on part of citizens in every strata of society and particularly objectionable features of relief camp system. . . . We cannot hold situation any further without resorting to force. Am confident that if federal government could cooperate with provincial and municipal governments situation could be remedied and riots with their inevitable consequences would be avoided.

At that time there seems to have been ample force to stop the trek at Vancouver. The former Prime Minister declared in the house that there was no force to stop them. On the other hand the commission report says in clause 14:

> Had the dominion government wanted to stop it at that point there was a combined police force in Vancouver at the time and ample for that purpose; in fact a larger force than was available at Regina when the movement was actually stopped there.

It was when the men reached Regina that there was a complete reversal of policy. Before that time they had been allowed to proceed. The railways had actually assisted them, sometimes holding the trains and stopping them at convenient places. But when they got to Regina it was decided that they were to be prevented from proceeding east. Premier Gardiner objected to this. On June 12 he telegraphed:

> Am informed Ottawa has issued orders without consulting provincial government that Ottawa marchers from British Columbia and Alberta are to be prevented from passing out of this province by the means they were permitted to enter. We object to police force which acts in matters of law enforcement under instructions of this government being used for any such purpose and will so instruct them. C.P.R. delivered these men in Saskatchewan en route to Ottawa and we expect them to carry them through.

The commission states that the government had decided to stop the trek at Regina and to do so regardless of the attitude of the provincial government thereto.

Now, there we have the situation. The men had trouble in British Columbia; they were assisted by the railroads to go east. The government at that time claimed that it had no right to interfere, so the men came east to Regina. There they were stopped. The then Prime Minister claimed that he had authority under some special provision as to duty of the police to enforce dominion

statutes, including the Railway Act. A very short time after that, however, the commissioner seems to have assumed very arbitrary powers. On June 24, the commissioner of police advised the assistant commissioner by telephone that no movement of the strikers eastward was to be permitted by railway, motor cars, buses or trucks, and subsequently confirmed these instructions by telegram as follows:

No movement of the strikers eastward is to be permitted by railway, motor cars, buses or trucks. Truck and bus companies should be asked to cooperate with the government. If the situation develops seriously on Wednesday permanent forces will be called out to support the police and state of national emergency will be declared by the government.

On June 27 the commissioner gave further instructions. Still later, on that date, he further advised the assistant commissioner:

Confirming my telephone conversation with you government is taking action under the relief measures act declaring national emergency so as to maintain peace, order and good government. This will protect you against such actions and seizures which you consider it necessary to take with regard to present situation affecting camp strikers in Regina. Those whom you find it necessary to arrest should be confined under escort where most convenient and prosecuted in the usual manner.

Surely that is an outstanding example of a blank cheque! That was sent from Ottawa, giving the assistant commissioner carte blanche, going even so far as to state that those were to be arrested whom it was found necessary to arrest. Let me point out that the relief measures act, referred to in this last telegram, is chapter 13 of the statutes of Canada of 1935. Section 3 of that act provides:

In addition to the powers conferred under the provisions of any statute or law the governor in council may, when parliament is not in session—

Let me call particular attention to that phrase, "when parliament is not in session."

—take all such measures as in his discretion may be deemed necessary or advisable to maintain, within the competence of parliament,, peace order and good government throughout Canada.

Let me point out that Mr. Guthrie stated that no order in council of any kind had been passed in connection with the Regina situation. That is an extraordinary situation; action was taken against those men under the authority of the relief measures act; yet that act requires an order in council, and action could be taken under it only when parliament was not in session. There was no such order in council, and parliament was in session. In regard to this matter of the order in council the commission say:

This statement was of course contrary to the information given by Commissioner MacBrien to the assistant commissioner in his telegram on the evening of June 27.

That is a severe indictment of the commissioner of police. He was taking these extreme measures, said he had authority to take them, when he had no authority.

The commission states that the government was justified in stopping the trek. In clause 16 of the report I find the following:

That the dominion government was justified in the conclusion they had reached in adopting all lawful means to terminate the movement is amply borne out by the evidence.

Now, that is an extraordinary statement, especially to come from a body composed of legal gentlemen. "Lawful means," they say; yet the commission themselves acknowledge that the means taken were not lawful or at least not in conformity with the commissioner's statement. There had been no order in council, and further than that, parliament was still sitting. The commissioners go on to express an opinion in this same clause 16:

Being absolutely without means of subsistence on the way to Ottawa they would have been a menace to the peace, order and good government of every town or city in which they stopped unless and until their needs were supplied; on arriving at Ottawa, unless their demands had been fully met, one can readily surmise the danger involved. It probably would have been necessary to call out the militia in order to preserve the peace and a worse riot would likely have occurred than that which actually took place at Regina.

That was by no means a legal decision. It would require a great deal of foresight to tell what might take place during the course of a trek from Regina to Ottawa. Talk about "precautionary arrests!" I submit that that is an altogether new type of thing in Canada. These men are to be arrested lest they might do something which would get them into trouble with the law. Prior to that time these men had not broken the law. But they were prevented from proceeding on their way to Ottawa lest perchance they should get into trouble. Surely, that is an infringement of the liberty of the subject. The arrests were justified by the commission on that ground. I would suggest that it would not be a long step to what has been called "protective arrest" in which an innocent man might be arrested lest someone should injure him. After this remarkable opinion, which in no sense can be called a legal opinion, the commissioners naively proceed:

Whether or not and if so to what extent the dominion government exceeded its power in stopping the trek and in taking control of the police to enforce its will is not for us

to decide, and it follows it is not for us to pass judgment upon the validity of the protest made by the provincial government in either of the matters complained of.

The commissioners felt perfectly free to pass judgment on the victims of official blundering. On the other hand they said it was not their task to see whether or not the officials were within their powers in taking that course. There also came at that stage an announcement in the press that no one was to give any assistance. Assistant Commissioner Wood afterwards limited the application of this to assistance in setting up a camp. Let me say that the attorney general still claimed that highway traffic was not illegal, if authorized by the highway traffic board.

Here let me pause for a moment to point out the situation in which these men were placed. They had been brought east to Regina. The government had refused to take action; the railways had assisted. Suddenly the men were stopped. They were being given no further help by way of food, and so on. That was to be denied them. They were refused the right to travel eastward either by way of rail or by bus or truck. They were completely bottled up. When matters reached that stage the commissioner ordered the arrests. I quote from the report:

On the morning of the 28th Colonel Wood was advised by the commissioner by telephone that the government desired the arrest of the leaders as soon as possible. During the conversation—

Mark this:

—Colonel Wood stated that so far as he knew the leaders had done nothing in the province to warrant their arrest.

It was, however, decided by the commissioner to arrest under section 98 of the criminal code the well known leaders Evans, Black, O'Neil, Shaw and "others you think necessary."

That is, there was an open warrant to arrest the leaders "and any others you think necessary." Here special agent Leopold was called in. This man is a spy, maintained by the Department of Justice and I believe under the control of the Royal Canadian Mounted Police. It was he who testified very largely at the time of the trial of the communists in Ontario. He was supposed to be an expert in such matters. I met the individual once, I believe, when, some years ago, I was addressing the Trades and Labour Council in Regina. At that time he was an official of the council. I recalled afterwards that he wanted me to come to his home after the meeting to discuss certain affairs. I happened to be too busy at the time, or I would have gone. Had I gone I suppose I might have been gathered into his toils.

In passing I want to protest against the maintenance of people of this kind who worm their way into labour organizations and often act as agents provocateur. After the calling in of Leopold, on Sunday morning, June 30, the commissioner called Colonel Wood by telephone and asked him if he had yet effected the arrest of the leaders.

Colonel Wood again advised him that so far as the conduct of the men in this province was concerned, there was no evidence to warrant their arrest.

The commission has this to say in its report, section 13:

We are of the opinion that had Assistant Commissioner Wood been asked to conduct these negotiations and been given some discretion in the matter a satisfactory arrangement for the disbandment of the men might have been reached, and further trouble avoided.

That is, it was the long distance administration of justice which was the cause of the difficulty. Had Colonel Wood been given authority he could have managed to straighten out matters. That course was not taken.

The warrants were issued at 6 p.m. on the evening of the trouble. Let me point out that prior to this time in my opinion the dominion government had bungled, and the commissioner of the Royal Canadian Mounted Police had bungled. Now came the bungling of Assistant Commissioner Colonel Wood. He immediately proceeded to make elaborate plans for the arrest. One witness testified that he thought blue prints had been drawn up. It was decided to effect the arrest at Unity Centre, the headquarters of the strikers in Regina, or in the market square shortly after the opening of the public meeting.

Evidence given in the trials showed that no attempt was made to arrest the men at Unity Centre. This elaborate plan of action provided that plainclothesmen were to be employed and—

—as a precautionary measure and to prevent any attempt at rescue and to protect those to whom had been assigned the duty of effecting the arrests three squads of police on foot were to be stationed in the vicinity of the square at the north, east and west sides respectively, and these were to move on the square should necessity arise for action on their part.

Inspector McDougall of the city police swore at the trial that the plan was to rush the meeting—

—regardless of whether the plainsclothesmen needed assistance or not.

They were to rush the meeting on signal from a whistle. Let me here emphasize an

extremely important point. Ostensibly the purpose was to arrest the men, but apparently no effort was made to arrest them prior to the meeting. They might have been arrested for days past, but they were not so arrested. It was just at that last minute, when the public meeting of the citizens had been called to make protest, and in an effort to collect money from the citizens that the arrests were to be effected. Most of the trekkers were not present at the meeting when the arrests were made. There was no attempt by Evans to escape. That statement was made at the trial. Further than that, no attempt was made to rescue Evans.

But with an excitable crowd, and under such circumstances, the inevitable happened and a riot was precipitated. Let me point out that at this very time negotiations were in progress between the provincial government and the men.

A meeting of the members of the government available was held at eight o'clock on the same evening and while the proposals were being considered Mr. Gardiner was notified by telephone that a riot was going on at market square.

It is quite unnecessary, and I believe would serve no useful purpose, if I were to give details with regard to what took place. Anyone who has seen how readily the passions of a crowd are aroused could have foretold there would be trouble. The evidence as to details was very conflicting. For example, the commission states that it is impossible to reconcile the evidence of Inspector Cooper with that of Inspector McDougall. Apparently the equipment of the city police was complete. They had revolvers and ammunition. The mounted police were not supposed to have ammunition, but they had a quantity of tear gas bombs, and wore steel helmets. Here are a few items that may give an idea of the situation:

Inspector McDougall of the Regina city police force at one stage ordered his men to draw their revolvers and fire over the heads of the advancing mob.

Apparently the Riot Act was not read. The commission states:

It is unlikely that more than one or two policemen fired at the strikers....

Again:

At another stage inspector McDougall went to telephone the police station requesting the despatch of another supply of ammunition.

The result was—without going into the details of a scene too horrible for contemplation—that:

Forty strikers and citizens were sent to the hospital for treatment, many of them seriously injured and seventeen of them suffering from bullet wounds.

[Mr. Woodsworth.]

Again:

One city policeman, Millar, had been killed; eight city policemen had been sent to hospital for treatment; many city police and Royal Canadian Mounted Police were injured. Of the latter force thirty-nine were sent to hospitals.

The commission reports:

In view of the rioting which took place on the advent of the police, the expediency of effecting the arrests on the market square may be questioned; the right of the police to effect the arrests on the market square, however, cannot be questioned. It is the duty of policemen in possession of warrants to execute them at once, using their best judgment as to the time and place of arrest.... It is clear that Colonel Wood and his associates underestimated the violent opposition that developed and did not foresee the rioting that followed.

Surely a very lenient judgment on the officials in charge. In view of that horrible bungling, all the commission says is that "the expediency of effecting the arrests on the market square may be questioned." I believe the public of Canada has already very decidedly questioned the "expediency." The commissioners indeed, seek to condone the action; they say, "the right of the police to effect the arrests on the market square cannot be questioned." Nobody questions the right of police to effect arrests. But surely the whole situation must be taken into account. For days and days these men might have been arrested. The warrants were not got out until about two hours previously, and apparently no effort had been made to serve them before the leaders came to address a public meeting in the market square. At the time of that public meeting the whole elaborate plan of mass attack on the public had been arranged, in which were involved not only the mounted police but the city police, and for which ammunition and all other equipment stood ready. Surely it is a question of "expediency," but in my judgment it is a great deal more than that.

At this place I should read, I think, a portion of the subsequent telegram of the present Minister of Agriculture (Mr. Gardiner) to the then Prime Minister (Mr. Bennett). It is dated July 2.

Mr. BENNETT: My hon. friend might read the answer.

Mr. WOODSWORTH: Well, I don't know. I shall look it up. I shall read from the telegram anyway:

Yesterday morning men indicated to your representative Mr. Burgess their willingness to disband the march and return to the points from which they came. They repeated this to Mr. Burgess and representatives of the police at 2.30. Your representative refused to have provincial representation at that meeting. The men met us at five o'clock stating that since

your representative had refused to consider this the provincial government take responsibility for disbanding men to their camps or homes and supply them with food in the interval. While we were considering this matter police raided public meeting to arrest leaders, precipitating a riot.

Let me pause to say that that is a pretty serious charge to come from the premier of one of our provinces.

Mr. BENNETT: And the commission found it was not warranted. Now, be fair about that.

Mr. WOODSWORTH: I say that this is a serious charge.

Mr. BENNETT: Yes. They found that charge not warranted.

Mr. WOODSWORTH: I read a few minutes ago what the commission found.

Mr. BENNETT: Yes. They found distinctly that the charge was not warranted.

Mr. McLEAN (Melfort): Order.

Mr. WOODSWORTH: Let me read this:

Men at present in buildings at fair grounds completely surrounded by police who permit no one to enter and men to leave only in twos. This will end in a worse riot than last night.

There follow some other statements, and I quote:

We would ask you to immediately withdraw orders issued affecting the liberty of individuals within this province and affecting the law and order of this province.

This was tendered and marked exhibit No. 49.

Mr. BENNETT: The reply is there.

Mr. WOODSWORTH: I think I have most of the report and the evidence before me, but I simply want to make this case: I have left out a great mass of evidence which would take hours to read. This is not a court, and we here cannot be tied to court procedure. I cannot hope to go through these matters in the detail that would be necessary in a court. I have simply tried to present the case in as brief a form as possible. The greater number of the statements that I have made have been taken word for word from the official evidence or from the commissioners' report.

The recent trials centred on the action of the men during the riot period. There was no trial of the police officials. I think any member can understand under what a disadvantage that circumstance places the men under trial. Further one cannot get a view or picture of the entire situation. These men who struck policemen were hauled up under arrest and tried for their particular actions. I suppose a court cannot do anything else, but in that court no account was taken of the provocative actions of the police, and much more serious than that, no account was taken of the whole situation. Anybody who has been present at a football match knows that when a little fuss arises on the grounds there is sometimes almost immediately a big row, in which very often the spectators become involved. Anyone knows that at a fire or at any time of intense excitement people lose their heads and do the most absurd things. I am not suggesting that desperate, horrible things were not done by some of the trekkers at that time, but I say that from the evidence submitted and by the account of eye-witnesses horrible things were done by the police.

The more serious consideration is the fact that these men were driven into that position. They were refused permission to proceed on their way to Ottawa. I admit the commission states that such action was justifiable, but it also says that it is not for it to say whether or not it was legal. The riot was precipitated by the action of the police. Now the men have been tried and a number of them convicted. Further, it should be remembered that the arrests were made under section 98 of the criminal code. Those charges against the leaders were subsequently withdrawn. I assume that the attorney general's department found that there was not sufficient evidence on which to proceed. Let me point out that Assistant Commissioner Wood said there was no evidence upon which the men could be arrested. Trumped-up charges under section 98 of the criminal code were produced, and an attempt was made to arrest the men under those charges, all of which were subsequently withdrawn. So there was no ground for the arrests. But worse than anything else, the method of the arrests was objectionable, because the arrests were attempted on the market square in the presence of a big crowd, where, it seems to me, anybody should have recognized the danger of serious difficulty. In my judgment the dominion government clearly exceeded its powers and the commissioner of the mounted police, apparently with the backing of the dominion authorities, acted in a very arbitrary manner. It would seem as though the authorities were anxious to attack the trekkers rather than to effect peaceful disbandment.

The government of that day is no longer in office, but I appeal to the present government to make the most rigid inquiry into the re-

sponsibility of the commissioner in ordering these arrests. I do not think a man who has the responsibility of having brought about these arrests should be allowed to remain at the head of the Royal Canadian Mounted Police. Inquiries should also be made into the actions of the assistant commissioner in attempting to serve the warrants in the way he did.

Just one other word. To-morrow will be the King's birthday and very often in the old days that was made an occasion for clemency. I have tried to outline some of what I regard as the official blunders that led up to this tragedy. The victims of those blunders are still in gaol. Although the officials exceeded their authority and blundered, although they may have lost their heads at the time, they are still in charge, but the poor victims are in gaol. I ask the minister to consider seriously the possibility of granting clemency to these men and may I include others who are serving sentences to-day because of acts committed in riots or other troubles connected with industrial disputes.

I was delighted with the high position taken the other day by the Minister of Justice (Mr. Lapointe) and other supporters of the government in supporting the repeal of section 98 of the criminal code. I am not so much interested in trying to place the blame here or there. The trouble is we have not paid sufficient attention to the underlying causes; in future we should try to remedy the causes before adopting repressive measures. We blame the trekking unemployed but I believe that if the police had acted as they did with a group of university students the results would have been similar. These results did not come about because of anything inherently wrong with these men; it was because of the conditions in which they found themselves. Let me point out that the leaders are not among those now in gaol, the charges against them having been subsequently withdrawn.

I felt that I could not let this session pass without calling attention to this very serious situation and making a plead for clemency. I suggest that we try to wipe out these blunders as far as is possible by a gesture of generosity towards those who have been the victims.

Mr. BENNETT: I have no right to speak again because it is all one motion, but when the appropriate estimate is reached I shall deal with this matter.

Mr. LAPOINTE (Quebec East): Perhaps it would be better to wait until this item is called.

[Mr. Woodsworth.]

YUKON MINING CLAIMS

Mrs. MARTHA LOUISE BLACK (Yukon): Mr. Speaker, this is neither a grievance nor a protest; it is merely an explanation. During the last half hour of the evening of May 29 the hon. member for Moose Jaw (Mr. Ross) asked the Minister of the Interior (Mr. Crerar) if he knew of claims in the Yukon which had been staked, proved and abandoned but which were still closed to the public. The Minister of the Interior replied that the matter had not been brought to his attention. At the request of the right hon. leader of the opposition (Mr. Bennett), the matter was allowed to rest as the member for Yukon was not in her seat. Since that time I have made a painstaking study of this question.

In the very early days of the Yukon when it was part of the Northwest Territories, and possibly for two or three years after the Yukon territory had been created, there were many grave subversions of justice in connection with the administration of mining claims. Huge concessions of mining land were given to political favourites, especially when compared with the lands which were rightfully staked by the prospectors and miners. This prevented development because in some instances these lands lay idle and unworked for years. Miners were cheated out of their claims by the meanest of subterfuges, the falsifying of mining records. It was a common experience for a man who had staked a claim on a distant creek and who had given a description of his claim on his application to record, to be told to call at the office later. Then, when he did call later he would be informed that the claim had already been staked ahead of him. Men stood in line for days to reach the recorder's wicket, while the favoured ones used the side door. Similarly, at the post office the long customary wait was shortened by the usual palm crossing. When communication with the government at Ottawa became a matter of weeks instead of many months—it is now only a matter of days—conditions changed and for years past staking and recording in the Yukon have become the merest routine. The officials at any of the recording offices are ready and willing to help at any time.

I doubt very much if there are any mines in the condition suggested by the hon. member for Moose Jaw. When five or more are staking property 100 miles or more from a recorder's office, one of the party may be selected as an emergency recorder. Any person who has duly located a claim may obtain a grant thereof for from one to five years by paying in advance to the mining recorder the

prescribed fees. Monthly statements of grants issued and fees paid may be had from the office of the gold commissioner. Ten days from the date of staking are allowed for recording and an owner may abandon a claim at any time by giving notice to the mining recorder. No claim may be relocated until after thirty days. A survey of the claim is made by a dominion land surveyor at the expense of the claim owner. Section 42 of the Yukon Placer Mining Act reads as follows:

If the owner of a claim has done the required work thereon, but has failed to renew his grant thereof, the mining recorder may issue a grant to any person relocating such claim.

The owner may, within six months after the date at which his grant came due for renewal, apply for a renewal grant—

This is given if the first owner proves his bona fides and pays all the expenses to which the relocator has been put and the cost of work, if any, that has been done. Claims can be renewed each year but only upon payment of the fee and upon the furnishing of proof that work to the amount of $200 has been done. Claims are forfeited if the work is not done or the fees paid each year, but fourteen days of grace are allowed. The government has carefully protected both the owner and the public in case of either the death or insanity of the owner. In case of death the act says:

The commissioner may from time to time extend the period of exemption as the necessity of the case may in his opinion demand, provided that in the case of deceased persons the period during which such exemption shall apply shall not extend beyond three years from the date of the death of such person.

In the event of insanity, the owner is equally well protected, because the act provides:

If there is no other legal representative of any such deceased or insane person, the commissioner may appoint the public administrator of the territory to take possession of the property and administer the same.

All charges are to be taken from the output. The Yukon Quartz Mining Act is equally comprehensive. Some years ago it was suggested that there were rich mining lands for from ten to thirty thousand men in the Yukon, and that the federal government would be justified in sending that number there. There may still be many a hidden Eldorado or Bonanza but such wealth is not to be had without gruelling work and perseverance. Many men have worked and slaved for years, hoping to develop a good paying mine, but at the end only to acknowledge that they have made but the barest living, while others have invested their all to find nothing in return. I do not believe there are a baker's dozen claims in Yukon, either placer or quartz, that have been staked, proven and abandoned either through death or insanity, and that are not open for relocation. At any rate, to make sure that such is the case I shall certainly investigate the matter very thoroughly on my return within the next month. I am informed by the Minister of the Interior that because of certain local conditions the Yukon council has extended the period of relocating until 1939, in the case of companies who may of necessity do ten or twenty times the amount of representation work demanded in one section of the district, applying part of that overwork to property in another section of the district.

Motion agreed to, and the house went into committee of supply, Mr. Sanderson in the chair.

DEPARTMENT OF NATIONAL DEFENCE

Militia Services—
Engineer services and works — further amount required, $273,000.

Mr. MacNEIL: Will the minister give an explanation of this?

Hon. IAN MACKENZIE (Minister of National Defence): This total is made up of the following items:

Rockcliffe aerodrome, $95,000.
Barriefield, $35,000.
Petawawa, $15,000.
Valcartier, $20,000.
Quebec, citadel walls, $25,000.
Shilo, $30,000.
Dundurn, $45,000.
Yorkton, $4,000.
Kingston, $4,000.

Item agreed to.

General stores—further amount required, $712,800.

Mr. MacNEIL: Will the minister explain this item?

Mr. MACKENZIE (Vancouver): The item is made up as follows:

Clothing, necessaries and miscellaneous stores, $25,800.
Artillery stores, $151,350.
Telephone signal and wireless equipment, $36,900.
Inspection of stores, $13,000.
Mechanical and water transports, $7,000.
Dominion arsenal, Quebec and Valcartier, $478,750.

Item agreed to.

Permanent force—further amount required, $66,626.

Mr. MACKENZIE (Vancouver): The item is made up as follows:

Courses abroad, $5,000.
Pay and allowances, nine months' basis, $10,000.

Pay and allowances, increase in establishment, $9,000.
Pay and allowances, nine months' basis, increase of 30 non-commissioned officers and men required to complete the formation of anti-aircraft battery, $20,000.
Pay and allowances, reclassification of branch of master general of ordnance and judge advocate general, $2,226.
Salaries, civilian personnel, $2,400.
Printing and stationery, $18,000.

Mr. MacINNIS: Will the minister be good enough to give the comparison between the vote for permanent force this year and last year?

Mr. MACKENZIE (Vancouver): For 1936-37 the amount is $5,546,700, and the amount voted in 1935-36 was $5,589,147.

Item agreed to.

Naval Services—
To provide for the maintenance of the ships and establishments of the naval service, including the Royal Canadian Navy, the Royal Canadian Naval Reserve and the Royal Canadian Naval Volunteer Reserve—further amount required, $245,000.

Mr. MACKENZIE (Vancouver): This is almost entirely for technical equipment for wireless sets, torpedoes, anti-submarine purposes, repair to hulls of Saguenay and Skeena, and to cover the cost of modern installation.

Item agreed to.

General—
Compassionate allowance to Rose and Anna Moscovitz, widow and child respectively of the late Himan Moscovitz, $2,000.

Mr. MacINNIS: These are suspicious looking names. What are the particulars?

Mr. MACKENZIE (Vancouver): In this case a truck was driven by a driver in the service of the National Defence department. The case went to the exchequer court where a verdict was returned in favour of the claimants for $7,500.

Mr. BENNETT: Against the driver.

Mr. MACKENZIE (Vancouver): Against the crown. It was in connection with one of the unemployment relief projects at Trenton. The case was appealed by the crown and taken to the Supreme Court of Canada, and on a technicality, referred to some weeks ago by the leader of the opposition, it was disallowed. I have the report of the judge advocate general, who states that in equity there is no question whatever about the case being a thoroughly deserving one.

Mr. HEAPS: Will this sum go to the widow or to the lawyers?

[Mr. I. Mackenzie.]

Mr. MACKENZIE (Vancouver): If I have control over it, it will all go to the widow.

Item agreed to.

Aviation—
Royal Canadian Air Force—expenses in connection with the general maintenance and training of the permanent and non-permanent active air force, and provision of facilities therefor—further amount required, $555,028.

Mr. MACKENZIE (Vancouver): The item consists of the following:

Towards engine parts, $25,000.
Towards general purpose, aircraft, $100,000.
Towards flying boats, $170,000.
For civil salaries, $15,060.
Revote, wireless equipment, $15,000.
Torpedo bomber aircraft, $166,298.
Engineer services, $33,670.
Training aircraft, $30,000.

Item agreed to.

Civil aviation—expenses in connection with the control of civil aviation, airways, government and public airports and grants to aeroplane clubs—further amount required, $346,400.

Mr. MACKENZIE (Vancouver): I may inform my hon. friend from Yale that there is a revote of $16,000 for the airport in the vicinity of Chilliwack.

Mr. CAMERON (Cape Breton): Would the minister give the details making up this total of $346,400?

Mr. MACKENZIE (Vancouver): There is a revote of $58,000, and the estimate is divided up as follows: Stores and equipment, $5,300; aeroplane clubs and schools, $23,700; trans-Canada construction, works and buildings, $231,400; to purchase land, $16,000. That makes a total of $276,400. Then for wireless services in connection with the transatlantic aviation development there is the sum of $70,000, making the total stated in the estimate. The main amount is $231,400 to complete airports and landing fields not finished under the unemployment relief projects.

Mr. CAMERON (Cape Breton): Since the estimates were last under discussion has anything definite been decided with regard to the proposed landing site of the transatlantic service?

Mr. MACKENZIE (Vancouver): No; it has not been definitely decided.

Mr. CAMERON (Cape Breton): Then I should like to direct the minister's attention to the fact that within the confines of Cape Breton North-Victoria we have the best landing site in Nova Scotia.

Mr. HARTIGAN: I should like to ask the minister if some of this money is to be spent on a port outside Canada?

Mr. MACKENZIE (Vancouver): No.

Mr. HARTIGAN: Is there any intention on the part of the department to equip an airport outside Canada?

Mr. MACKENZIE (Vancouver): No, except an airport in Newfoundland, in connection with radio and meteorological service. That was voted in the previous estimates.

Mr. HARTIGAN: That is what I had in mind. I am not a lawyer, but if anything is unconstitutional surely it is equipping an airport outside Canada, using Canadian money. That is what I have in mind.

Mr. MACKENZIE (Vancouver): It is not in this vote at all.

Item agreed to.

DEPARTMENT OF PUBLIC WORKS

Other Projects—Harbours and Rivers—

Quebec

Amos—wharf extension, $3,325.
Anse à Beaufils—repairs to harbour works, $15,000.
Anse à Brillant—fishing harbour, $45,000.
Belœil—protection work, $7,700.
Black River—dredging—the provincial government to contribute a like amount, $4,000.
Bonaventure—protection work, $9,000.
Cap Chat—protection work, $7,700.
Chandler—wharf repairs, $7,000.
Cross Point—dredging, $12,000.
Etang du Nord, M.I.—harbour improvements, $25,000.
Granby—protection work, $6,000.
Gros Cap, M.I.—landing pier, $3,100.
Havre Aux Maisons, M.I.—wharf, $6,500.
Lac Duparquet—wharf, $2,600.
Lac Rouyn (Mercier)—wharf, $2,300.
Lanoraie—extension to protection wall, $2,800.
Laprairie—icebreakers, $4,200.
Laprairie—repairs to dyke, $28,000.
Lavaltrie—extension to protection wall, $3,100.
Levis—wharf, $50,000.
Malbaie—small landing pier, $1,780.
Matane—extension to east breakwater, $60,000.
Mont Louis—protection work, $5,600.
Moffette—wharf, $3,500.
Moisie—protection wall extension and repairs, $2,500.
New Richmond—protection work, $7,000.
Notre Dame de Pierreville—protection wall, $16,000.
Notre Dame de Pierreville (Chenal Tardif)—icebreaker, $3,200.
Notre Dame du Portage—wharf repairs, $10,000.
Paspébiac—wharf extension, $46,000.
Peninsula—wharf extension, $2,600.
Petite Rivière St. François—wharf extension, $15,000.
Petite Vallée—wharf extension, $27,000.
Pointe Claire—completion of approach, $2,000.
Pointe du Lac—protection work, $10,000.
Pointe Jaune—improvements to fishing harbour, $27,000.
Pointe St. Pierre—wharf reconstruction, $12,500.
Richelieu river—improvement of river and Chambly canal system, $500,000.
Rimouski—harbour improvements, $150,000.
Rivière au Rats—wharf, $4,900.
Rivière Beaudette—protection work, $2,000.
Rivière Blondelle—protection work, $5,200.
Rivière des Hurons—contribution towards dredging, the balance of cost to be borne by the province, $75,000.
Ruisseau Pariseau—contribution towards dredging, the balance of cost to be borne by the province, $15,000.
Ste. Anne des Monts (river)—extension of training pier, $8,000.
St. Antoine de Tilly—wharf construction, $17,000.
St. Etienne de Malbaie (Casgrain wharf)—fill spans, $5,000.
St. Godfroy (Rivière Nouvelle)—protection work, $16,650.
St. Grégoire de Montmorency—repairs and completion of protection wall, $5,000.
St. Maurice river—dredging, $18,000.
St. Michel des Saints—extension to protection works, $1,800.
St. Omer—raising protection work, $4,400.
Ste. Rose—protection wall, $4,900.
St. Simeon de Bonaventure—protection work, $12,200.
Saguenay river—dredging, $200,000.
Sorel—harbour improvements, $85,000.
Tadoussac (Anse Tadoussac)—wharf improvements, $15,000.
Val Barette—protection work, $3,000.
Varennes—protection wall, $15,000.
Verchères—protection wall, $10,000.
Victoriaville—protection work, $5,000.
To provide for payment of salaries and expenses in connection with the investigation in Canada of the improvement of the waterway from Montreal through lake Champlain to the Hudson river, $20,000.

Mr. STEWART: In the past the practice has been to call each vote in these items, since they include long lists of public works. For some time we have discussed the one vote in connection with the work on the Richelieu river. When the matter was before the committee previously the minister made a statement which to some extent changes the nature of the expenditure. We started out with the assumption that the expenditure was in connection with the improvement of the Chambly canal and that it was but the beginning of an estimated or probable expenditure of $8,000,000 or $10,000,000. Strong objection was taken from different sections of the house to a commitment of that kind at this time. I do not propose to enlarge upon that at all; it seems so self-evident, so apparent that we ought not to embark upon anything like that now, particularly in connection with a work the result of which very likely would not justify the expenditure of any such sum.

In a general way I am familiar with this proposition. It has been considered previously, and was under consideration when revenues were more buoyant than they are at present. I do not think the minister can contend for a moment that prospective traffic on this canal justifies this expenditure. However he has now said that this will have the effect of reclaiming a large area of land. If the expenditure is made for that purpose only and is not to be regarded as a commitment for the larger expenditure to which we have referred, the matter is placed in a more favourable light. But I wish to point out to the committee that if the expenditure is for the reclamation of land the general policy has been that the provincial government should make a contribution towards the cost. If that is the reason for the expenditure, then I would urge that this practice should be followed and that the minister should secure from the provincial government a contribution of, say fifty per cent of the cost of the work. If the effect is to reclaim a large area of land, undoubtedly this is more a provincial than a federal matter. Since the minister says that this work to some extent will improve navigation in the river and at the same time benefit a large area of land, it seems to me that it is a work which, under the general policy, might be fairly considered a joint undertaking as between the province and the dominion. I can only ask the minister again, as I did before, to review the whole situation in the light of all the circumstances and not to regard this as a final commitment on the part of the dominion to this expenditure at this time. Particularly do I ask him not to regard this as a commitment to an expenditure of eight, ten or twelve million dollars in this connection.

Mr. BENNETT: I have just one word to add. The committee should keep in mind that an expenditure of half a million dollars is provided for on the preceding page in connection with this very matter. The words to which I directed attention previously—and I do so again—is that this provides for a waterway which will enable freight to be shipped out through the Hudson river by way of Albany rather than through Canadian ports. The words, "through lake Champlain to the Hudson river" are the governing words about which I raised objection the other day. I am not going to take more time than to say that, having regard to the fact that this matter has been before the department for many years, in days of, shall I say, great buoyancy of revenue, and the application has been refused, I am of opinion it is undesirable to make this expenditure now. The minister has given the explanation, so I am content to let the matter rest there.

Mr. SPENCE: It is not often that I object to any development in any part of Canada, particularly in connection with the main arteries of traffic, but it seems to me that this development is absolutely unnecessary. If it is carried on, however, I think the province of Quebec should contribute some part of the cost, as the ex-Minister of Public Works (Mr. Stewart) suggested. To-day people are astounded at the amounts in the estimates for the interior parts of the province of Quebec. In this case it is proposed to spend $500,000, and if that money is spent it will be absolutely wasted unless you go on with the full development which, as the minister says, will mean anywhere from eight to twelve million dollars. I do not think any engineer can estimate how much it will cost to develop the Richelieu river, which is about eighty-five miles long. It may be stone or quicksand in the bottom; nobody knows.

Another point is that this project will employ very little labour as compared with other jobs that might be done. Take, for instance, the tunnel job in Toronto that was turned down, a million dollar job; it would have given $750,000 to the unemployed, but in this case there will just be dredges and cement mixers which very few men can operate, and most of the money will be spent and the unemployed will get very little out of it. Furthermore, this development is more in the interests of the United States than of Canada, because this Richelieu river empties into the St. Lawrence at Sorel which is immediately east of Montreal, and there are the new locks built some time ago, which should never have been built, because all the other locks on this Richelieu river take only boats with a draft of six feet. Why is there any necessity for more than six feet to float logs and flat-bottomed scows to accommodate a pulp and paper factory? There is no need for developing this lock to a depth of twelve feet and a length of 339 feet. This means that after a while much of the traffic which would go down the St. Lawrence will go by the Richelieu river to lake Champlain and by the Hudson to Albany, for the United States are trying to get everything they can and take everything they can from Canada. This work will be in the interests of the United States and their transportation systems rather than in the interests of Canada. The first thing we know grain boats will be going by this route to the big elevators in Albany and taking the business from our maritime

ports. We must be careful. I think the minister has been inveigled into this matter innocently; I do not for a moment think he is doing anything which he believes will injure the country, but if we are going to spend ten or twelve million dollars on this project, it will be a worse proposition than the Hudson Bay railway, only on a smaller scale. The Hudson Bay railway will assist in developing the natural resources and some day it may pay, but I do not think this will ever pay; it will only help the people to the south. The minister said the other day that it was to help the pulp and paper industry. It would be better for us to buy the pulp and paper industry and burn it—

Mr. DUPUIS: How much did the Welland canal cost?

Mr. SPENCE: It cost a good deal more than it was supposed to, and this will also. I think it was $130,000,000, but it is giving great service to the whole dominion, while this project will give no particular service to the dominion, but simply to the province of Quebec. I congratulate Quebec on many of the things they have done, the repatriation scheme and everything, but Quebec should not ask the whole of Canada to pay for things that they should pay for in part themselves. This development of the Richelieu is not going to pay; it will probably be a lot of money wasted, and in these times when money is so scarce and unemployment so bad we should use the money where it will employ more labour. I do not mind even if it is spent in Montreal, but under this project there never will be any business other than running logs to accommodate the pulp and paper people and to help the United States to get the traffic through the Hudson to Albany.

Item agreed to.

Harbours and Rivers—Ontario

Amherstburg — reconstruction of marine wharf, $26,000.
Amherst island (Long Point)—breakwater, $2,500.
Burlington channel—reconstruction of south pier, $150,000.
Byng inlet—dredging, $10,000.
Chenal Ecarte—dredging, $22,500.
Cobb lake—dredging, an equal amount to be contributed by the provincial government, $5,000.
Cobourg—maintenance dredging, $21,000.
Honey Harbour—dredging east of Roberts island, $16,000.
Honey Harbour—wharf extension, $9,000.
Kingsville—reconstruction of east pier, $18,000.
Kingsville—harbour repairs and improvements, $8,500.
Lake Wahnapetei (Massey bay)—wharf, $1,900.
Lake Wahnapetei (Portage bay)—wharf, $2,000.
Little Current—wharf extension, $3,000.
Oshawa—to replace old west pier, $50,000.
Owen Sound—harbour improvements, $4,600.
Penetanguishene — wharf reconstruction, $21,200.
Port Arthur — harbour improvements, $180,000.
Port Hope—rebuild pierhead east pier, $15,500.
Port Stanley—repairs and reconstruction of harbour works, $36,000.
Rondeau—repairs to west pier, $28,000.
Sarnia—dredging, $23,000.
Saugeen River—extension to north pier, $18,000.
Sombra—wharf repairs, $3,000.
Thames river (Chatham)—protection work, $7,000.
Thames river mouth—dredging, $18,500.
Tobermory—wharf extension, $7,000.
Toronto island—breakwater, the city of Toronto to bear a like amount, $133,000.
Windsor—warehouse extension, $5,000.
Wolfe island (Horne's Point)—wharf, $16,300.

Mr. LENNARD: I should like to direct the minister's attention to the third item, Burlington channel, reconstruction of south pier. Can the minister tell me when this work will commence and if tenders will be asked for it.

Hon. P. J. A. CARDIN (Minister of Public Works): This work has not been commenced yet.

Mr. LENNARD: I know that, but can the Minister tell me when it will be commenced?

Mr. CARDIN: I am informed that plans have not yet been prepared for the work. It may take a month or a month and a half.

Mr. LENNARD: Will tenders be called for?

Mr. CARDIN: Yes.

Mr. SPENCE: Again this is absolutely unfair. There is an item for the Toronto breakwater, where the city of Toronto pays $133,000, half the estimate. Why should we do that and the province of Quebec pay nothing at all?

Some hon. MEMBERS: Carried.

Mr. SPENCE: Oh, the party opposite is strong enough to carry everything, but this is not fair. Would the minister give some explanation why the city of Toronto has to pay half for the work there, while other places pay nothing?

Mr. CARDIN: Because this work in Toronto is on an island and has no connection with navigation, and the city owns the island.

Mr. SPENCE: But it is the duty of this government to protect the shore of any lake. If the city owns the island, why does this government give anything at all?

Mr. CARDIN: I do not think it is the duty of the government to protect the shores of all lakes.

Item agreed to.

Harbours and rivers generally—improvements, maintenance of services, repairs and additions, $500,000.

Mr. STEWART: Was there an item under this head in the general estimates as well?

Mr. CARDIN: Yes.

Mr. BENNETT: This amount is a much larger sum than usual. What is the reason?

Mr. CARDIN: My right hon. friend will remember that each province has an item for harbours and rivers; this is the general item. I do not remember for the moment the amounts for each province. Under this item the amount is general, covering all provinces.

Mr. GRAYDON: May I suggest to the Minister of Public Works that there is courtesy in all matters and when he is considering the expenditure of the money under this item he should bear particularly in mind the meritorious claims of one of the really great harbours of Canada, Port Credit.

Item agreed to.

Roads and Bridges—
Ottawa—paving, $8,000.
Edmonton low level bridge—repairs and improvements—the city of Edmonton and the Canadian National Railways to contribute like amounts, $1,300.
Rainy River—international bridge between Rainy River, Ont. and Beaudette, Minn.—survey and investigation, $20,000.

Mr. BROOKS: On June 6 I directed a question to the Minister of Transport (Mr. Howe) with reference to the reconstruction of a bridge at Fredericton, New Brunswick, which was carried out by the ice last spring. The minister has not yet answered my question. I should like to know whether it is the intention of the government to reconstruct that bridge this year. I see nothing in the supplementary estimates concerning it.

Mr. HOWE: I explained very clearly to the hon. gentleman that the government have nothing to do with that bridge; it is owned by the Canadian National Railways. I have told him that the hon. member who represents that constituency is working with the railway and they expect that between them they will probably reach a solution.

[Mr. Cardin.]

Mr. HEAPS: I notice the sum of $20,000 for an international bridge between Rainy River, Ontario, and Beaudette, Minnesota. Is this for the purpose of investigating the feasibility of such a scheme? Is it the usual practice of this house to spend this amount of money for a survey for an international bridge, or has a similar amount been voted by the people on the United States side?

Mr. CARDIN: I am informed that it is the general practice to have a certain amount placed in the estimates to make a survey for a proposition of this kind. This has been before the department on many occasions for a long time. This is only to make a survey.

Mr. HEAPS: Who is asking for this bridge?

Mr. CARDIN: The province of Ontario and the adjoining state, I am informed.

Mr. HEAPS: Then should not Ontario make provision for this bridge, and not the federal government?

Mr. CARDIN: Bridges between Canada and the United States come under the jurisdiction of the federal parliament.

Mr. HEAPS: Does the minister know the population that is to be served, and is he aware as to whether or not a bridge is desirable at that point?

Mr. CARDIN: Frankly I do not know at the present time.

Mr. STEWART: Does the minister know of any other international bridges in connection with which there have been contributions by the dominion government? As I recall it, the policy of this government is to make contributions in connection with the construction of interprovincial bridges, but not international bridges.

Mr. CARDIN: My information is that we pay half the cost.

Mr. STEWART: In connection with international bridges?

Mr. CARDIN: Yes.

Mr. STEWART: We do not do that in connection with bridges over the St. Lawrence. They are privately financed. I do not know of an international bridge to which we have made contribution. There are international bridges at Detroit, Niagara Falls, and other points.

Mr. CARDIN: They are private bridges.

Mr. STEWART: Yes, but international bridges. They are private in the sense that

they are constructed by companies and exact tolls. What does the minister mean by a private bridge?

Mr. CARDIN: I am informed that on the St. John river there are four international bridges in connection with which we pay half the cost.

Item agreed to.

Public Buildings—Nova Scotia—
Berwick—public building, $18,000.
Lunenburg—public building—repairs and improvements, $5,000.
Oxford—public building, $26,000.

Mr. STEWART: I do not wish to object to the item, but may I point out that in several cases we find provision for the construction of buildings and the completion of other undertakings which were provided for in years gone by under public works construction acts or supplementary public works construction acts. For some reason, although tenders are in and plans have been prepared, the government has scrapped those undertakings and is now beginning over again. Is it the intention of the government to prepare new plans and invite new tenders, or will it proceed on the basis of what has already been completed in the department?

Mr. CARDIN: Speaking from memory I would say that in most cases we shall follow the tenders that were in before this government took office.

Item agreed to.

Ontario—
Fenelon Falls—public buildings—further amount required, $2,000.
Haliburton—public building, $8,000.
Kenora public building—installation of fittings, $7,000.
Kitchener—public building, $100,000.
London, Westminster Hospital—addition and improvements, $30,000.
Ottawa — building for supreme court, $250,000.
Rainy River—public building, $15,000.
St. Thomas public building—alterations and improvements, $6,600.
Sarnia public building—addition and alterations, $17,000.
Watford public building—further amount required, $1,100.

Mr. BENNETT: What is the estimated cost of the supreme court building?

Mr. CARDIN: It is difficult to give an exact figure, but the opinion of the chief architect of the department is that it might run pretty well over $1,000,000 and possibly to $2,000,000. It has to be a fitting and substantial building.

Sir GEORGE PERLEY: Is there any suggestion as to where it may be built?

Mr. CARDIN: It has not yet been decided.

Item agreed to.

British Columbia—
Kelowna—public building, $40,000.
Lillooet—public building—further amount required, $2,500.
Powell River—public building, $40,000.
Prince Rupert—public building, $100,000.

Mr. HEAPS: I notice the government is spending $100,000 for a public building at Prince Rupert. It seems to me that for such a small city $100,000 is a large amount. Would the Minister of Public Works tell the committee what kind of building is to be built, and the purposes for which it will be used?

Mr. CARDIN: The amount of $100,000 may not be sufficient to build the public building at Prince Rupert. It may cost as much as $125,000. There are five governmental services in that city, and when I use the figure of $125,000 I am capitalizing the rentals the government is at present paying at that place.

Mr. BENNETT: Has the minister been there?

Mr. CARDIN: Yes.

Mr. HEAPS: Will the rentals now being paid to private persons be more than sufficient to cover the cost of the erection of the new building?

Mr. DUNNING: To cover the interest.

Item agreed to.

Generally—
Dominion public buildings—to provide for completion of payments in Winch building, Vancouver, and sundry military properties now under purchase by instalments, $1,531,000.
Tractors—for postal purposes, $2,500.

Mr. BENNETT: Does this cover all payments and all outstanding instalments on buildings?

Mr. CARDIN: Yes.

Mr. BENNETT: On the Winch building—the Daly building has long since been paid for—and other military buildings, as well?

Mr. CARDIN: Yes.

Item agreed to.

Harbours and Rivers—Nova Scotia—
Bear River—protection work, $3,200.
Brooklyn—dredging—further amount required, $2,500.
Halifax—addition to north wing—R.C.N. barracks, $9,500.
Hantsport—to purchase warehouse, $12,500.
Morden—wharf repairs, $16,600.
North Sydney—wharf, $15,000.
Pictou—dredging, $29,500.

Mr. BENNETT: Most of these are further amounts required?

Mr. CARDIN: Yes.

Mr. STEWART: I notice one item to purchase a warehouse at Hantsport. Would the minister give an explanation?

Mr. CARDIN: I am informed that last year there was an appropriation to build a warehouse at that point. Before we were ready to start on the building I understand a private company began operations on a building similar to the one we proposed to erect, and we are acquiring that building at a cost less than the amount contemplated we would have to spend.

Mr. BENNETT: By expropriation?

Mr. CARDIN: By mutual agreement.

Mr. STEWART: In a return brought down it is stated that the reason for not proceeding with the work last year was that the company for whom the building was to be constructed had erected a building. I am wondering why it is being purchased, if of its own accord the company erected a building?

Mr. CARDIN: I am informed the warehouse has been built on a government wharf. We want to make it a public rather than a private warehouse.

Mr. STEWART: When was the agreement made for the erection of the building on the wharf?

Mr. CARDIN: I am informed a private company had a lease to use part of the wharf. We are buying the warehouse they have erected, and intend to make it a public warehouse. It is possible to do that at a price less than it would have cost the government if it had gone ahead with the work.

Mr. STEWART: Does the minister say that the warehouse now being purchased is in all respects the equal of, as large or as good as the one we proposed to erect?

Mr. CARDIN: That is my information.

Item agreed to.

Public Buildings—Alberta—
Calgary—instalment on purchase of property for ordnance stores, $9,000.
Dominion public buildings—improvements and repairs, $17,000.
Peace River—public building, $31,500.
Red Deer—addition to armoury, $1,500.

Mr. BENNETT: I take it that all the instalments in connection with buildings that were partly provided for in the main estimates will now be taken care of in the other estimates?

Mr. DUNNING: Yes.

Item agreed to.

Generally—
Experimental farms — replacements, repairs and improvements, $100,000.
Flags for dominion public buidlings, $4,500.
Military buildings—repairs, fittings and additions, $25,000.
Military hospitals—repairs, improvements and alterations, $80,000.
Post Office equipment, $14,000.
Public buildings generally, $30,000.

Mr. BENNETT: In connection with flags, may I suggest that the minister issue peremptory orders that flags shall be lowered at sundown. Often I have come into a town and got off a late train and found valuable flags being pounded to pieces at night. I know the department has done what it can, but if those in charge were told that their positions depended upon their taking care of these flags, it would be a desirable thing.

Item agreed to.

Rents, Repairs, Furniture, Heating, etc.—
Ottawa Public Buildings and Grounds—
Elevator attendants, $124,000.
Departments generally—char service, including $150 for firing noon gun, $461,000.
Heating, including salaries of engineers, firemen and watchmen, $408,000.
Light and power, including roads and bridges. $190,000.
Repairs, improvements, additions and maintenance, $353,000.
Rideau hall—allowance for fuel and light, $19,000.
Rideau hall—improvements, furniture and maintenance, $42,000.
Telephone service, $88,000.
Water, $67,000.

Mr. HEAPS: Some of the accommodation on the sixth floor of this building, occupied by members of the house, is very dull and dingy. I wonder if something could not be done to bring our office accommodation up to a more modern standard of health. If some of these rooms were in private dwellings they would be condemned as unfit for human habitation.

An hon. MEMBER: Oh, oh.

Mr. HEAPS: I know whereof I speak. The windows are extremely small, about fourteen inches in width, and the rooms have little light or ventilation. I understand that members of this house who are condemned to be in opposition have not much chance of getting better accommodation, nevertheless I make this plea. It may be argued by the minister or by others that if any effort were made to increase the lighting space or improve the ventilation of these rooms it might in some way militate against the uniformity of the architecture of the building. Personally I have not much faith in an argument of that kind. While improvements in

the direction of increased light and ventilation might involve a certain amount of expense, it is something that ought to be done in respect of the rooms on the sixth floor which face the front of the building. I ask the Minister of Public Works to have some of his departmental officials go into the matter and see whether something can be done to make these rooms a little better.

Item agreed to.

British Columbia—Under Contract—
Esquimalt R.C.N. barracks and H.M.C. dockyard—new buildings, repairs and improvements, $100,000.
Essential Undertakings—
Fraser, Skeena and Naas rivers—operation and maintenance of snagboats, $37,500.
Harbours and rivers generally—
For maintenance of services, no new works to be undertaken, $100,000.

Mr. BENNETT: In the meantime have workmen been going on with the work on all these buildings under contract?

Mr. CARDIN: Yes.

Mr. BENNETT: Then they must be much more advanced towards completion than they were when we started.

Mr. DUNNING: All these have been discussed before.

Item agreed to.

Dredging—
Maritime provinces, $300,000.
Ontario and Quebec, $320,000.
Manitoba, Saskatchewan and Alberta, $50,000.
British Columbia, $185,000.

Mr. CARDIN: I am informed that this includes provision for the operation of the government dredges on the Fraser river.

Item agreed to.

DEPARTMENT OF JUSTICE

Estimates of Expenditure for which Votes are Required—
Miscellaneous expenditure, including remuneration to members of the mounted police force (to be expended under order in council, and not to exceed $1,300), for assistance in the remission service of the Department of Justice, $15,000.

Miss MACPHAIL: Will the minister make a statement about the work of the royal commission for the investigation of penitentiaries? When does he expect it will get under way? I have been quite patient about this third member of the commission, and I had hoped that before prorogation the Minister of Justice would make a statement to the house.

Mr. LAPOINTE (Quebec East): As my hon. friend knows, the third commissioner, Mr. Harry Anderson, unfortunately died, and another gentleman whom I expected to induce to accept the appointment has also been called by death. I have in mind another prominent gentleman who has always been deeply interested in these matters, and who entertains to a large extent the views regarding these questions held by the late Mr. Anderson. I am in hopes that he will accept when he is through with some work which he actually has on his hands. At all events the investigation will be proceeded with before the next session of parliament.

Item agreed to.

Expenses of litigated matters, Department of Justice—further amount required, $10,000.

Mr. BENNETT: What is the position of the litigation in connection with the extradition of Captain Hatfield?

Mr. LAPOINTE (Quebec East): The matter is still before the supreme court in appeal.

Mr. BENNETT: It was ordered that Captain Hatfield be extradited and he appealed. When the last return was made to the house I believe the time for appeal had passed, and I was wondering if he is now liable to be given up and brought into this country under the warrant.

Mr. LAPOINTE (Quebec East): That action has been started but it is not concluded.

Mr. BENNETT: What is the position?

Mr. LAPOINTE (Quebec East): Our agent has been instructed to ask for the dismissal of the appeal.

Mr. BENNETT: For non-prosecution?

Mr. LAPOINTE (Quebec East): Yes.

Item agreed to.

Royal Canadian Mounted Police—Pay of force and allowances, arms and ammunition, barrack buildings, repairs and renewals and furnishings, clothing and equipment, communication services, court and legal expenses, criminal investigation branch, enforcement of federal statutes, fuel and light, transport horse and dogs, transport mechanical, dental, medical and hospital, miscellaneous (including grants to Royal Canadian Mounted Police messes and publication of Royal Canadian Mounted Police Quarterly for instructional purposes), special services Opium and Narcotic Drug Act, printing and stationery, transport railway, rations, rents, travelling expenses, transport water, $5,583,800.

Miss MACPHAIL: Can the minister tell the committee why the salary of the present commissioner of the Royal Canadian Mounted Police is almost double that of his predecessor? It seems to me that this is not the time to double salaries. Earlier in the session I asked

some questions in connection with the commissioner and I was told that he received a salary of $12,000, less five per cent, as well as free rations, free fuel, free light, free medical attendance and other things, all being valued at another $2,000. In addition to all this he has the use of a government car with chauffeur. It seems ridiculous to have the commissioner of the Royal Canadian Mounted Police receiving almost as much as the prime minister and certainly as much as a cabinet minister. It would seem that either the prime minister and the cabinet ministers are being paid too little or the commissioner is being paid too much. I cannot imagine what he does with his salary when he gets free rations, free fuel, free medical attendance and a free car and chauffeur. Not only that, but he was given a title and has a lot of initials after his name. It all looks to me as though it is playing favourites. While I am on my feet I should like to ask the minister if the commissioner receives a special allowance when he travels in aeroplanes, and if that kind of travelling is done at the expense of the government.

Mr. LAPOINTE (Quebec East): Apart from the salary, which I understand was increased at the time the present commissioner was appointed, all the other items mentioned by my hon. friend are the same as have always been allowed to commissioners of the mounted police. As to aeroplane travel, when the commissioner or any member of the force uses an aeroplane in the execution of his duty, it is paid for by the government.

Miss MACPHAIL: Is there a special allowance when he uses an aeroplane?

Mr. LAPOINTE (Quebec East): No.

Miss MACPHAIL: Before this item passes, as it undoubtedly will, I want to register a very strong protest against the salary being paid to this commissioner. Compared to the salaries being received by responsible ministers of the crown and by deputy ministers, this salary seems to be extravagant. The business of the commissioner is to keep people from rioting and to maintain law and order, but I think the payment of such salaries will incite the people to discontent and restlessness, if not to actual rioting. There are many Canadians who are quite as good as anyone in the government service, ministers of the crown and the commissioner included, and nothing makes them angrier than to read a long list of pay and allowances such as was given in reply to questions which I asked earlier in the session. The salary is large, the allowances are extraordinary, and all the favours that possibly could be given have been given to the commissioner. I have nothing against the commissioner personally; I want him to receive a substantial salary and be honoured for the good work he does, but I think it is just ridiculous that he should receive such a salary. I do not suppose anything can be done about it at the moment, but I do suggest to the government that they give careful consideration to the lessening of these allowances and the decreasing of this salary until such time as all Canadians are in a more comfortable position. I almost see red—it is hardly safe to say that in the presence of the commissioner—when I think of the number of people in Canada who are suffering real want and who are making a desperate effort to raise families in decency so that they will not be citizens who require the police to keep them in order. When there are such people throughout the country, just as good as any of the rest of us, and they see a thing like that, I do not wonder that they feel there is no use relying on parliament—and there is that tendency in Canada. They say that we do nothing but talk; but if they saw the items going through to-day they would change their minds about that. But there is a feeling that direct action of some sort will have to be taken finally unless we, their representatives, wake up to such things as this. I am indignant when I think of this in connection with the commissioner, the head of the force, who is supposed to keep in order people who are out of order because they have not sufficient of the necessities of life to make them comfortable. The two things simply do not go together. Of all the high officers of government this more than any other is the one that should not be extravagantly paid or in any way made conspicuous. It seems that the thing that matters in Canada is the use of force to keep order rather than the alleviation of conditions, distressful economic conditions, that cause the disorder. It is a stupid emphasis of the importance of police—

Mr. LENNARD: Carried.

Miss MACPHAIL: No, it is not carried. I am going to talk; you people do a lot of talking.

Mr. LENNARD: Not me.

Miss MACPHAIL: That is something to be thankful for. I say this last word to the government. I trust that by the time the next session comes around they will place the commissioner on terms of equality with other government servants who are doing similar work.

Mr. BENNETT: I think it would be unfair to attack the present Minister of Justice for this item; he is in no way responsible for it. The late government must assume responsibility for the item, because the present Minister of Justice found it there and has not changed it. I think that should be stated in fairness to the government. I should like however to point out in the first place that there has been no change in the allowances given to the commissioner of mounted police for many years—I think perhaps for twenty-five or thirty years—and any change that has been made is one that has been made also with respect to the other members of the force, from the constables up. So that so far as allowances are concerned there has been no change. Whatever rule prevailed before still prevails with respect to this and other services mentioned. With respect to the salary, the late government must take full responsibility; in no sense must blame be attached to the present Minister of Justice or those sitting around him. And the reason the salary is what it is is the fact—I wish the commissioner were not here—that we believed there was no other man in Canada who could render similar service or undertake the enormous duties involved in the prevention of smuggling on sea and on land, and the administration of the law with respect to liquor. All that was taken over by him, and he had a position that enabled him to secure a fairly large salary—he had an offer of one at the moment. In addition to that, my memory is that he had a pension, which of course is suspended during the period of time he holds the office of commissioner, so that the sum total of salary received by him is, in my judgment, not out of proportion in any sense to salaries paid elsewhere, having regard to the conditions I have referred to.

I am sure that my hon. friend from Grey-Bruce has no desire to be unfair, but it must be pointed out that you could not secure a man of the capacity and the experience and the ability of the commissioner; you could not secure such a man anywhere for less money. Go to England and see what Scotland Yard pays, or go to any other first class country and see what payments they are making, and compare them with the salary we pay for the enormous service which we put upon our commissioner of police. Think of smuggling, if any, in Nova Scotia; think of smuggling, if any, in Cape Breton; think of smuggling, if any, in the interior provinces, smuggling by sea and by land—the prevention of all has to be directed through his department of the public service.

Some thirty years ago in western Canada there was a constable in the northwest mounted police whose name was James H. MacBrien. He was around about Calgary. He went to the South African war, where he made a notable contribution to our country's service. He went back and began with the police there. He passed ultimately the staff college at Camberley, and I have it—I give it only as I have it from one of our former governors general—that we have not produced in this country a more distinguished soldier. I am only giving that for what it is worth. Having regard to the peculiar service that had to be rendered, there was no person in Canada we could secure who would undertake like duties and discharge them with equal efficiency and effectiveness. I would go further. On three occasions I personally endeavoured to get the commissioner to take this position, and twice I failed. On the third occasion, putting it to me as a matter of public service to the country at this time, he said he would take it, and he did. And the terms and conditions under which he did were first of all the suspension of any pension he had—I believe there was; there may not be—secondly, that he should secure the pay and allowances heretofore paid, and thirdly, that the salary should be as mentioned. These were the conditions, and he did not seek the position.

If I were asked my opinion with respect to any services rendered the dominion, which were outstanding so far as the personnel in charge of distinguished positions were concerned, I know of no appointment that was more advisable, and I say that frankly to this committee whether it agrees with me or not. I would go one step further. Reference has been made to the fact that there had been conferred upon the commissioner the rank of Knight Commander of the Bath. He had already held a Companionship of the Bath at the end of the war, and it had been purposed that he should be given the rank of Knight Commander. But for reasons well known to all members of this committee that opportunity was not offered to the sovereign. When the opportunity was offered and the first and only K.C.B. then made available, the then Prime Minister, without hesitancy, recommended the present commissioner, and he is very proud to think that he was able to render that service to a Canadian so distinguished, who had given outstanding service to a country such as this at that time.

Mr. POULIOT: Is he dead? This sounds like a funeral oration.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

The CHAIRMAN: When the committee rose at six o'clock, the item under discussion was No. 167, Royal Canadian Mounted Police, pay of force and so on.

Mr. NEILL: Under this item I should like to take a few minutes to discuss a matter which has arisen in my district. It is not often that I object to having money spent in the district which I represent, but this is a waste of money. The tale can best be told by consideration of the questions and answers that were submitted to the house to-day, so I shall refer to them briefly first:

Has a station of the Royal Canadian Mounted Police been recently started at Alert Bay?

The answer was yes.

Was there a station of the Royal Canadian Mounted Police at that place about the year 1921?

The answer is:

Yes. It was opened in the first place on the 26th January, 1920.

I may say that it was closed in 1924 on my recommendation. Then I asked:

Since then has there been any considerable increase in the number of crimes committed?

The answer is: No information. Then I asked:

Since then has there been any serious crime committed at that place?

The answer is: No information. Then I asked:

Is there a station of provincial police at Alert Bay?

The answer is yes. Then I asked:

Is there any reason to suppose that they are not competent to handle the enforcement of law in that neighbourhood?

Surely that is a pertinent question, and this is the answer:

They are believed to be competent to handle the situation, but the Department of Indian Affairs reports that the members of the provincial police are too busy with other matters to attend to Indians who are considered federal charges.

If that is true the first part of the answer is incorrect, because in that case they are not competent and are not attending to their duties, but as a matter of fact that is not true. They are thoroughly competent and have always shown their ability in that regard. Then I ask:

Before recommending the establishment of a station of the Royal Canadian Mounted Police at that place was the attorney general of British Columbia or the commissioner of police for that province consulted or asked if they were unable to handle the enforcement of the law in that place?

Surely that is a very proper question, in view of the relations that obtain between the dominion and the provinces. If a bargain was made with the province to carry out the enforcement of the law and it was found that the law was not being enforced, surely the proper procedure would be to go to the attorney general and say, "Are you not able to do it? If you are not, we shall have to put in our own men." The answer is:

No, but the conditions complained of were investigated by the Royal Canadian Mounted Police and charges were laid and convictions obtained. This seems to bear out the contention that the British Columbia provincial police are too busy to attend to such matters. Furthermore, some of the Indians in the area have become hostile to authority and are alleged to be getting out of hand.

The charges that were laid and the convictions that were obtained were these: The Royal Canadian Mounted Police sent a man up in disguise, and as a result I think three charges were laid against two men, and two or three convictions were obtained. That was the extent of the crime; two men were convicted, and that was the end of the matter. I took it upon myself to write the commissioner of police for British Columbia and ask if he and his force were not capable of handling the situation there. He wrote back to the effect that they were fully competent." His letter continues:

I do not know on whose instructions they were sent, but there are two mounted policemen at Alert Bay at present. We have two constables there ourselves . . . and the game warden is also sworn in as a provincial constable—

So we have five constables in that small place. I also asked the provincial police commissioner with regard to this serious increase in crime, these major crimes that have been occurring, and he gives me the record:

During the past two years . . . there were sixty-two cases recorded against white persons and seventy-six against Indians. The great majority of these were minor offences and we have had no serious crime at Alert Bay for a long time.

There were altogether 138 cases, against Indians and whites, which gives an average of one and a quarter a week, with five constables on the job. The commissioner of police says he is fully capable of handling the situation

and would have done so if he had been advised of it. In 1928, I think it was, this same trouble arose again. I had the station closed in 1924, but practically the same element wanted this station reopened. At that time all I did was to recommend that the Minister of Justice apply to the provincial police and ask their opinion. The attorney general promptly wrote back and said, "If we need more men there we will send them, but we are thoroughly competent to handle the situation." Now we are going to start a station there with two men. Again I asked:

Has it been recommended that a barracks should be built for their accommodation?

The answer is no. Probably I used the wrong word when I said "recommended"; I should have said "suggested," and then I think the minister would have had to say yes. At that, a recommendation will come along soon, because once you start a station with two men you must have some place to put them, and there will be a demand. Then I asked:

Were any steps taken to check up on the accuracy of such statements?

The answer was no. No such steps were taken, but this reply shows that the representatives of the Department of Indian Affairs in British Columbia requested the officer commanding the mounted police in that province to establish a detachment at Alert Bay in order to protect the Indians in that area from the sale of intoxicants. At that point the cases average one and a quarter per week for whites and Indians, over a period of two years. When the Royal Canadian Mounted Police took charge and sent in a secret agent, in disguise, they secured three convictions and that was the end of the matter. Since those convictions were obtained there has been no great crime; yet we are going to have five constables in a place of that size.

This all originated with an official out there who thought it would be quite grand to have the mounted police running around with him, in gold lace and uniform, as a sort of glorified bodyguard. That is the whole thing in a nutshell; it cannot be and never has been denied. I have the whole file before me, though I shall not detain the committee by reading it. That is the situation; that is what has been suggested, and I suppose the government will go on with it, but I must make my protest. We are wasting this money; it is not necessary, and it will create ill-will. In 1924, on my advice, that station was closed. I asked if there had been any serious crime since that time, and the answer was no. I asked if there had been any great increase in crime, and the answer was no. The provincial police are a smart, non-political, uniformed force. Their men are moved around from time to time in order to keep them from getting too familiar with the local people. They are a very capable body, of whom we should be proud, and it is an insult and a slur upon that body of men to say that the Royal Canadian Mounted Police must go in there because the provincial police are too busy—which is another way of saying too inattentive—to look after these people. It is ridiculous to say that the provincial police are too busy, when the cases average only one and a quarter per week. This insult is totally uncalled for, and we are going to be saddled with these expenses simply to gratify the desire of an official to have a glorified bodyguard go around with him.

Mr. LAPOINTE (Quebec East): I may assure my hon. friend that the Royal Canadian Mounted Police are carrying on work in the various provinces throughout the dominion simply at the request of some department of the government, and that is what has been done in this case. The Department of Indian Affairs requested that this detachment be sent to this point. We would be only too glad not to have to send anyone, but we—and when I say "we" I mean the police—receive instructions from the various departments of the government which we have to carry out. Unfortunately, or fortunately, it is from them that we have to take our orders.

Mr. NEILL: That may be so, but I do not think the minister would go so far as to say that he is the servant of any cheap jack department that comes along with a request of any kind. This arose in this way, according to the records, which I shall not take time to read: One of these Indian officials went down to Vancouver—his own letter says so—and saw the head of the British Columbia police. Apparently he said to him, "Captain So and So, wouldn't you like to start a detachment of the mounted police at Alert Bay"? Like all officials, always ready to get a bigger circle of attendants, he said, "Yes, we have a man who is just the very man for the job; we shall be happy to send him in if you say so." And the whole thing was settled. He reported to the Indian department here, and the department without any investigation said, "Yes, it is a good idea," and they planted him on the department. All I can do is to repeat that this was not necessary.

Mr. LAPOINTE (Quebec East): I shall be pleased to look into the matter. My information does not entirely coincide with what the hon. member has said.

Mr. BENNETT: I know something of this as well, and thinking of the two very fine men who fell victims to the assaults of some Indians in British Columbia I made up my mind that we should have to maintain some assistance in Indian reserves to prevent the possibility of repetition of such an event as that which happened in the interior of British Columbia where two mounted police were murdered under terrible circumstances. Wherever there is the possibility of liquor among the Indian population there is need for those who will guard them as our wards.

Mr. NEILL: But may I ask the leader of the opposition: Is it not a fact that the dominion made a bargain with the province to enforce the statutes, which bargain the provincial authorities are willing to carry out? Until they show evidence of failing—

Mr. BENNETT: No; there is no such agreement.

Mr. LAPOINTE (Quebec East): The Indian Act is a dominion statute and the province has nothing to do with the enforcement of that.

Some hon. MEMBERS: Carried.

Mr. NEILL: No; the item is not going to carry on an assertion of that sort. Is not the criminal code a dominion statute?

Mr. LAPOINTE (Quebec East): Yes.

Mr. NEILL: Do not the provincial police enforce that?

Mr. LAPOINTE (Quebec East): Yes, because the administration of criminal justice is under the jurisdiction of the provinces; but the enforcement of dominion statutes, our own acts, is under our own control.

Mr. NEILL: Then, why is it that you do not have a station of the mounted police at every Indian village all over the country?

Mr. LAPOINTE (Quebec East): Because it is not necessary and is not requested.

Mr. NEILL: Who does enforce the provisions of the Indian Act in nine out of ten places in British Columbia? It is the provincial police, by request of the dominion government. If I am wrong, the department ought to have a policeman stationed at every village, because wherever there is an Indian there is danger of his getting liquor. It is not correct to say that the enforcement of the Indian Act in British Columbia is confined to the Royal Canadian Mounted Police. I was an Indian agent for ten years, and whenever I wanted a policeman I applied to the provincial authorities who supplied one or more as needed. All this talk about the Indians getting out of hand in that district is nonsense.

Mr. LAPOINTE (Quebec East): I assure my hon. friend that there is a detachment of the Royal Canadian Mounted Police in every large Indian community in British Columbia.

Mr. BENNETT: Mr. Chairman, while you passed item No. 492 without my having an opportunity to notice it, I had intended to make an observation or two in respect to it. We listened this afternoon to a very long and bitter attack in connection with these Regina riots, so-called. I think the minister should make a statement on that item.

Mr. LAPOINTE (Quebec East): I might make a statement without reverting to the item. All I want to say in answer to the hon. member for Winnipeg North Centre (Mr. Woodsworth) who referred to the matter this afternoon, is that it is always easy to be wise after the event. There is no doubt that long after an event has taken place one can see where something might have been done differently in the light of what has happened. This affair occurred more than a year ago. Fortunately the same troubles do not exist at the present time, and I do not think it would serve any good purpose to try to find that those who were at that time faced with a very grave and serious responsibility might perhaps have taken another course than the one they did take. All I wish to say with regard to the many statements made this afternoon is that I was especially interested in what the judges, who were appointed not by this government but by the Saskatchewan government to inquire into that serious matter—which was very regrettable because one man was killed and many were injured—found in regard to what the police did in those circumstances. On page 288 of the judges' report I find this:

> In our report we have dealt with as many of the cases as we believed merited it and have reached the conclusion that although the police used force on a number of occasions it was so used either to repel attack or to overcome resistance to arrest, and that in no case was there reliable evidence of an unprovoked assault by a member of either force.

Then I want to call attention more particularly to this part of the report, at page 303:

> An effort was made by some of the witnesses to create the impression that the Royal Cana-

dian Mounted Police have deteriorated from their earlier standards. As to the character of the men at present in the force Colonel Wood stated that under present conditions it had been possible to procure a type of men "superior to anything we have had in the force for the past thirty or forty years." And he added, "I have lived in barracks all my life." Several thousand applications are received each year and only a small quota is selected twice a year. A written examination is required and an investigation into the character of each applicant is conducted. Many members of the force, both officers and men, appeared before us and the impression made upon us does not bear out the criticism levelled at the present force.

We are of the opinion that Colonel Wood during all the time the strikers were in Saskatchewan acted with care and moderation, always of course bearing in mind the orders from his superior officer which he was bound to obey. We think also that the members of the force as a whole acted with courage and marked restraint during the riot and this notwithstanding the fact that they were repeatedly engaged in repelling attacks which were characterized by viciousness, brutality and a disregard for human life.

And at page 311:

We think it may be said, to put it mildly, that the men from the camps were most unfortunate in placing their cause in the hands of such leadership. The evidence indicates that a percentage of the men were lawless and dangerous. On the other hand we have reason to believe that the majority of them were of a different type and call for sympathetic consideration. The leaders, however, gave the whole movement a colour and character which condemned it from its inception and which caused it to be branded as dangerous by those in authority, who are responsible for the preservation of the peace, order and good government of the country.

All I have to say is that we must consider with justice and fairness, but with a little sympathy, the positions of those who are placed in offices of responsibility in times of trouble and difficulty like the occasion of the spring of 1935, and we must do our best to strengthen the hands of those who have, after all, to maintain peace and order in Canada. On the whole I do not think the evidence as given in the investigation carried out at Regina, and the report which was presented by impartial commissioners, members of the high court of justice in Saskatchewan—

Mr. BENNETT: There was one county court judge.

Mr. LAPOINTE (Quebec East): Yes; there was one county court judge. I do not think the country has to be humiliated in any way by the part played by those who had to take responsibility at that time.

Mr. BENNETT: I deprecate very greatly the province undertaking to inquire into the conduct of federal affairs. This is a new precedent in the constitutional history of Canada. But it was done, and I can only point out that there was not continuity of government, when the commission was sitting, as between the dates of the events. I was not asked to be heard. The former Minister of Justice was not asked to be heard. We were not represented either in person or by counsel. I was told I was to be asked to attend. I was not asked. The attempt made to indicate that members of a government undertook to direct proceedings with respect to what happened at Regina, a long distance away from Ottawa, is entirely unwarranted.

But the principle of a province appointing a commission to investigate the conduct of the federal government is a dangerous precedent and will in the end, in my judgment, create great difficulty in the operation of our constitutional system. I have only to point out that a few days ago a man was killed in British Columbia, and the prisoner was sent up for trial. He was charged with murder, in the first instance, but the charge was reduced to manslaughter, and when the case came up for trial the attorney general discontinued it. I shall just read this statement from a Vancouver newspaper and ask the Minister of Justice whether he thinks we should not appoint a commission to investigate this matter. The article reads:

New Westminster, May 14.—A stay of proceedings in the charge of manslaughter against Louise Rosse resulting from the death of R. A. Hanna after a drinking party and brawl in a Port Coquitlam hotel last month was requested by H. J. Sullivan, crown counsel, in assize court to-day. Chief Justice Morrison granted the stay and freed Rosse, who has been awaiting trial on $15,000 bail. Rosse and Gordon Wismer, his counsel, appeared in court. Mr. Sullivan then announced that the Attorney General had authorized him to apply for stay of proceedings.

At the preliminary hearing evidence was given that Hanna, well known Maple Ridge resident and oil agent, had died of hemorrhage of the brain after being struck in a fight by Rosse, hotelkeeper, following a card game quarrel.

And that man has never been tried before a jury of the people. There has been no investigation, except before a magistrate, and yet there is no means, except by the appointment of a royal commission, to investigate as to how the man's life was taken.

Mr. REID: What date?

Mr. BENNETT: The article is dated May 14.

Mr. MACKENZIE (Vancouver): Is that all the information my right hon. friend has about the case, namely, what he has obtained from the New Westminster paper?

Mr. BENNETT: It was taken from the paper. I am reading it from a newspaper clipping.

Mr. MACKENZIE (Vancouver): Has my right hon. friend no further information?

Mr. BENNETT: Except that a man was killed. And I was told, also, that he was killed. But it does not matter in what circumstance he was killed; there should have been a judicial investigation. This afternoon the hon. member for Winnipeg North Centre made some complaints to the effect that certain men had been convicted. They were convicted by a jury. They were found guilty by a jury. All sympathy and all appeals that could be brought to bear were attended to by counsel, and yet they were tried and found guilty by a jury.

Now, the question of divided jurisdiction is nowhere so important as it is with respect to criminal law. In this house on more than one occasion competent men, men who have not been members of the legal profession, have urged strongly that there should be some provision for the federal power exercising jurisdiction in the discussion of cases before the courts of the country. That at the present time is not the law. But as a result of a province appointing a royal commission to investigate into the workings of the federal power it should follow that the federal power could appoint a commission to investigate the workings in the provinces, which, of course, would be injurious to the working of the whole machinery of government.

Bnt on the other hand if a complaint is made that a man's life is lost, and you enter a nolle prosequi, and the accused is not proceeded against, it matters not what the facts are, I say, that there should be a judicial and public investigation as to the circumstances which brought about that result.

Mr. MACKENZIE (Vancouver): Was there a coroner's inquest?

Mr. BENNETT: I do not know; there was a preliminary investigation. The man was sent up for trial, and the charge was reduced to manslaughter. He was given bail, and—

Mr. MACKENZIE (Vancouver): My right hon. friend is surely not condemning the proceedings by virtue of what he has read in the press.

Mr. BENNETT: I know this, that this man was not tried, and a man was killed by him. That is the important point; he killed a man, and he was not tried. It is the only time I have ever seen that done in this country.

Mr. MACKENZIE (Vancouver): I object to this proceeding. The right hon. gentleman has only a newspaper version of what happened.

[Mr. I. Mackenzie.]

Mr. BENNETT: No; complaint was made to me about the affair, and the statement was made that this matter should be discussed.

Mr. MACKENZIE (Vancouver): That is different. May I ask my right hon. friend if he received complaints with regard to this particular case?

Mr. BENNETT: Yes.

Mr. MACKENZIE (Vancouver): Could he read the letter?

Mr. BENNETT: That is the reason this clipping was sent to me; that is the reason I have it.

Mr. MACKENZIE (Vancouver): Mr. Chairman, honestly I must protest against this.

Mr. BENNETT: Why protest?

Mr. MACKENZIE (Vancouver): Because by inference my right hon. friend is condemning the administration of justice in British Columbia, and is condemning it on a mere press report.

Mr. BENNETT: Yes; but I say this, that a preliminary investigation was held before a justice of the peace; the case was sent to trial and nothing further has been done about it.

Mr. MACKENZIE (Vancouver): That is never final.

Mr. BENNETT: But there was never a chance to investigate the circumstances under which this life was lost; that is my complaint. It is a precedent that is established, and I here put myself on record, protesting to the Attorney General of Canada that they should have opened up the case, because I believe the circumstances were such that it was not a proper exercise of powers of a province to set up an investigation over the federal government, any more than the federal government should investigate the operations of a provincial government.

Now, what happened? As the hon. member for Winnipeg North Centre said this afternoon, the leaders were not proceeded against. Evans was not proceeded against. The other leaders to whom reference was made in the report were not proceeded against. But the smaller fry were convicted by verdict of a jury and, as the hon. member said, were sentenced. I say that that is not proper; it is not the proper course to pursue, in view of what has happened. That is all I have said.

The temptation to discuss this matter at length at this time of night is great, but

having regard to the fact that we are at the end of the session, I do not suppose any great harm would come if further discussion of the question is postponed to another time. So far as I know the report has not been fully printed; I have received only a portion. There are many observations I would like to make, but I take it that at some other time there will be adequate opportunity to do so. In view of the lateness of the hour and the near approach of the end of the session I shall defer making any further observations with respect to the matter, because I think it is one of such seriousness as warrants a most careful discussion of the circumstances under which the investigation was held and of the refusal, for instance, of the court to receive evidence as to where the five hundred dollars came from that was given to these trekkers at Regina. I could have assisted very materially in showing where that money came from. I was not given an opportunity to do so; that was shut out. There are other matters to which reference might be made, but this is not the time to do so; I prefer doing so later. But as I said, I had hoped that there would have been opportunity during the present session to discuss the matter.

Mr. LAPOINTE (Quebec East): Surely the case mentioned by my right hon. friend is not at all identical with this one. He mentioned something that is supposed to have happened in British Columbia.

Mr. BENNETT: It did happen.

Mr. LAPOINTE (Quebec East): He has learned something from some clipping in the newspapers, but it is something that comes directly and exclusively under the jurisdiction of the province of British Columbia. We have nothing to do with it. On this matter of the riots at Regina my right hon. friend cannot claim that the province of Saskatchewan had nothing to do with the question.

Mr. BENNETT: But I say, an investigation by the federal government—

Mr. LAPOINTE (Quebec East): But there were many provincial matters connected with the case.

Mr. BENNETT: I agree.

Mr. LAPOINTE (Quebec East): So much so that until the federal government decided to take a hand in it because of the Railway Act, to assist the railway companies to prevent the strikers from travelling on the trains, the opinion that had been given from Ottawa all the time since the strike started in British Columbia and the trekkers came to Alberta was that it was a provincial matter. Until then the federal authorities claimed that it was a purely provincial matter, and Saskatchewan was not only concerned in it but did all she could for the purpose of trying to settle the difficulty. When the federal government intervened—well, they were both mixed up in the matter, and in the end it was Saskatchewan that contributed most to the solution of the difficulty and succeeded in sending the trekkers back to their respective homes.

Mr. BENNETT: We paid for that.

Mr. LAPOINTE (Quebec East): And there had been loss of life. Under our law everything concerning murder and any other criminal matters is under the jurisdiction of the provinces. Surely it was the right of the province of Saskatchewan, indeed it was its business, to investigate into all that surrounded this painful occurrence, and this was done judicially and in a way that, I believe, has contributed to let the public of Canada know better what were the circumstances. At the opening of the session I told my right hon. friend that I thought it was in the interest of everybody, the police, the government and all of those who had anything to do with the matter, that it should be fully investigated. I had the greatest confidence in the personnel of the commission. I am glad that this report has been given out to the public of Canada, and I cannot understand why this should be criticized and why my right hon. friend should think it would have been better to allow the various rumours and reports that were circulated to remain uninvestigated and unanswered. It would not have been for the good of the authorities or in the interests of peace and order that the public should have been kept in ignorance of the real facts.

Mr. BENNETT: I think the hon. gentleman has not quite appreciated my point. There was provision made for a judicial investigation, because several men were charged with the commission of offences, and it is the duty of the courts to make inquiry at a properly constituted court. That is the point; and while such a court was available—and in the end that proceeding had to take place—a commission was set up, consisting in part of judges who might and would in the ordinary course have to deal with this judicially, and investigated it from another angle altogether. If a charge is made against a person, and the courts are there for the purpose of holding the fullest investigation,

and that investigation must ultimately take place in the courts of the country, why have a commission of judges appointed to investigate the circumstances in connection with the event, the striking of the men, the circumstances under which the rioting took place, before the judicial trial takes place and an opportunity is afforded to investigate the matter in the manner and form by law provided? Surely we have created a most dangerous precedent. That is the point I endeavoured to make, based upon a strong opinion I hold which has nothing to do with this case at all. I suppose there is hardly anyone in this house who does not remember what took place in India when General Dyer found himself in difficulties. He came to England and brought action against those who libelled him, and he succeeded, with the aid of a jury, in recovering his reputation and damages. The late Mr. Justice McCardie dealt with the matter at great length in a judgment which is a classic of its kind. But to prejudice the judicial hearing by a prior investigation, and then to have the authorities that have set up the commission nolle prosequi the proceedings against the leaders and proceed against others, and the jury convict them, and the judges, having regard to the circumstances set out this afternoon, give them a light sentence—I say that creates a dangerous precedent and one upon which I should like a discussion on another occasion, though not, for the reasons I have stated, at the present time.

Mr. GARDINER: As the one responsible for appointing the commission I desire to say a word or two. The commission was not appointed in the first instance for the purpose of examining into what was referred to by the leader of the opposition. In 1927, while I was premier of Saskatchewan, I came to Ottawa and arranged with the federal government to have the mounted police force police that province. We were the first province in Canada to make an arrangement of this kind: since that time the majority of the provinces have followed suit. In 1935 the riot took place at Regina, and there was some controversy between the dominion government and the provincial government as to jurisdiction. We claimed that we had the right to direct the mounted police in dealing with this particular trouble. The federal government took it upon themselves to direct the police.

Mr. BENNETT: The hon. gentleman might give the reason, too.

Mr. GARDINER: After the men had arrived at Regina and the issue was drawn we remained out of the contest until final action, the riot, took place. When the riot was over and the men were gone from Regina, having been moved out by the government of the province, the province then appointed a commission to investigate, and one of the directions given was to investigate the relationships existing between the provincial government and the federal government towards the mounted police force. The agreement which was made in 1927 came into effect in 1928, and comes to an end in 1936. It was thought wise that the legal position of the province and the federal government should be known before a new agreement was drawn up. After the commission had been appointed, other matters were referred to it, upon requests from the men and others. This was done to clear up the whole matter. It has been cleared up, in my opinion fairly satisfactorily to all parties concerned. I have nothing further to say at the moment with regard to it, but if the subject is to be discussed at a later time we can probably go into all questions connected with it.

Mr. BENNETT: There was a provision in the agreement preserving to the dominion government the right to deal with breaches of dominion statutes, as the Minister of Justice has mentioned. It was in furtherance of that agreement and the statute that the mounted police, when complaints were made and a request was made upon them by the railways, took the action they did to protect the property of the federal railways. The reasons were given in this house.

Mr. NEILL: I shall detain the committee only a minute. The minister's conception of provincial responsibilities for enforcing the law appears to have broadened to some extent since the last item we were discussing. Apart from all this, it is evident that New Westminster is a lawless place and requires more police protection so let me say that as a generous gesture to the hon. member, I would be quite agreeable to letting him have the detachment now at Alert Bay where we have not had a murder for forty years.

Mr. REID: I must contradict that.

Item agreed to.

MISCELLANEOUS

Natural Products Marketing Act, 1934, $106,600.

Mr. PERLEY (Qu'Appelle): Mr. Chairman, a number of the members of the wheat committee would have liked to have had an opportunity of discussing the problem of the marketing of coarse grains. At the last meeting of the committee the Minister of

Trade and Commerce (Mr. Euler) assured the members, and myself in particular, that on some item in the estimates we would have this opportunity. I shall be very brief and I regret that this important problem has to come before the committee in the closing hours of the session.

The question of the marketing of coarse grains is becoming almost as important as that concerning the marketing of wheat. I shall not take the time to go into the comparative values of coarse grains from the feeding standpoint, as sufficient figures have been placed on Hansard during this session by the hon. member for Portage la Prairie (Mr. Leader), and during last session by the then member for Souris, Mr. Willis. That would take too long, but I should like to read briefly from a memorandum which was sent to me. Following the discussion we had on the resolution which stood in my name on the order paper early in the session, I received the following memorandum:

One of the counterbalancing factors influencing farmers in planning their acreage to be sown to barley is the cash return per acre. The superiority which barley possesses over other cereals in producing additional live stock food value per acre will make an appeal to the cereal producer who is growing cereals for feed purposes on his own farm, but will have little attraction to the farmer producing the cereal as a cash crop.

The two principal reasons why barley is not more extensively grown as a straight cash crop are: first, unfair grading, which results in too small a proportion of the crop earning whatever premium may be carried by malting or export barley, i.e., that is the trade does not in any year pay the premium for all the barley they export or turn to the malting companies; and second, the price to the farmer of ninety per cent of the barley grown in Canada in any year is governed entirely by the export price of from two to six, and not in any season exceeding ten per cent, of the crop produced.

The farmers in western Canada, particularly those in the southern halves of the three prairie provinces, were forced last year to market their coarse grains because of the destruction of the wheat crop by rust. The price at which they were forced to sell their coarse grains in order to get some money with which to carry on was very low; in fact it was unprecedently low. I have in my possession a letter which I received the other day from a farmer in the Wolseley district. This man farms two or three sections of land and last year he lost most of his wheat crop through rust. He told me that in order to get a forty gallon barrel of gasoline he had to sell seventy bushels of barley.

Following the short discussion which took place on the resolution that stood in my name on the order paper I received many letters endorsing the proposal that coarse grains should be brought under the Canadian Wheat Board Act. I also received copies of resolutions which had been passed by boards of trade, pool organizations and municipal organizations. Section 14 of the wheat board act provides for bringing coarse grains under the operation of the act by order in council after a recommendation by the wheat board to the government. The machinery is already set up, and I think it is important that this action should be taken. I trust the government will give this matter its consideration immediately. It is important that the step should be taken in time so that the farmers will have an opportunity of marketing their coarse grains under the act when the new crop comes on the market. I do not want to delay the committee and I regret that we have to discuss this very important matter so late in the session. I know many hon. members of this committee, particularly those from western Canada, will endorse this proposal. I hope that as soon as parliament prorogues they will bring what pressure they can to bear upon the government to have them take this problem into consideration.

There is just one other matter I should like to discuss. I may be a little out of order, but much time has been taken up to-day in discussing matters that were really out of order. I should like to direct attention to the fact that in western Canada a great many organizations are anxious that the board should handle the 1936 crop and that a minimum price should be set at an early date. The crop year ends on July 31, and I think it is important that this price should be set in good time. Last year a delay occurred because of certain necessities, but this year the machinery is set up, the board is in operation and there is no reason why a price should not be set in good time.

I should like to bring to the attention of the committee and the government three resolutions which have been passed recently in Saskatchewan. One was passed by the retail merchants' association at their meeting a few days ago in Saskatoon, Saskatchewan. They suggest that the board continue and that a price of 87½ cents or better per bushel be fixed at as early a date as possible. Another one was passed by the live stock breeders' association meeting in Moose Jaw, in which they ask that a price be set and that the government consider taking coarse grains under the wheat board act. The third resolution was passed by pool delegates from

the northern half of the province in convention at North Battleford. This resolution was in similar terms—I do not intend to take the time to read them—and asked that a price be set and that coarse grains should be brought under the act. When such organizations as these are anxious that the board should continue; that it should handle coarse grains as well, and that a reasonable price should be set so that there may be no misunderstanding this year before the crop goes on the market, I do not think the government can do otherwise than give serious consideration to the matter.

I noticed that certain members of the government are going overseas. At least three members of the advisory committee to the wheat board will be leaving Canada, and I think they should deal with this matter before they go overseas in order that there may be no misunderstanding and that the western producer may know where he stands. I think the government owe it to the producers to make a statement before parliament prorogues or before these members of the government leave for overseas. I regret that I have had to deal with this matter in so short a time, because a good deal of argument could have been produced. I am only sorry that the rules did not allow me to refer to the question sooner. I wish to thank the Minister of Trade and Commerce and the Minister of Agriculture for having enabled me to bring the matter up even at this late date.

Hon. J. G. GARDINER (Minister of Agriculture): May I say to the other members of the committee that item 191, Natural Products Marketing Act, 1934, would probably give rise to some further discussion were it not for the fact that later we shall be considering item 445 in the supplementaries with regard to the marketing of agricultural products. An arrangement was made before the six o'clock recess to permit the hon. member for Qu'Appelle to say what he has said on this question in order that he might be able to catch his train this evening. The Minister of National Defence, for a similar reason, would like to take up his estimates, and I would therefore ask hon. members to defer, until we reach item 445, anything they may have to say in this connection. The hon. member for Qu'Appelle will understand, knowing western conditions as he does, that the date for the consideration of this question finally cannot possibly be earlier than probably the middle of July. There will probably have to be some discussions in council with respect to general policy before the ministers concerned go overseas, and that discussion has not yet taken place. The matter of policy will be decided on and any decisions arrived at will be announced in sufficient time for the handling of this year's crop.

Item agreed to.

DEPARTMENT OF AGRICULTURE

Special grants for cold storage warehouses—
Co-Opérative Fédérée de Québec, Rimouski, P.Q., $5,100.
Co-Opérative Fédérée de Québec, Québec, P.Q., $18,000.
Northern Fishermen's Cold Storage, Prince Rupert, B.C., $30,000.

Mr. BARBER: What is the difference between this item and the preceding one: "subsidies for cold storage warehouses under the Cold Storage Act"?

Mr. GARDINER: The preceding vote gives the extra amounts required for regular subsidies paid to cold storage warehouses; this vote has to do with special grants. The three concerns mentioned did not give notice before starting to build that they would apply for the grant, and the Department of Justice would not pass them otherwise. We are, therefore, required to vote the amounts, the percentage being the same.

Mr. BENNETT: The former government considered some of them and felt that it was impossible to make the grant under the circumstances for the reason that, on the one hand, they had not conformed to the regulation, and, on the other, that the expenditures had not been in terms of the act.

Mr. GARDINER: My understanding is that the expenditures were made in the same manner as they would have been made had the procedure been followed in the legal way.

Item agreed to.

Live stock, including assistance to fairs and exhibitions—further amount required, $8,300.

Mr. BARBER: What are the particulars?

Mr. GARDINER: There are three fairs, one at St. Hyacinthe, one at Winnipeg and one at Moose Jaw. Two of them, the one at St. Hyacinthe and the one at Winnipeg, are qualifying for class A fair grants. Previously St. Hyacinthe had a class B fair. Winnipeg had not been showing for a number of years until last year, though at one time it had one of the best exhibitions in Canada. It is coming back this year and states that it intends to live up to the regulations governing class A fairs. Moose Jaw is coming in as a class B fair this year. It had been showing before, but during the difficult years it had not been putting on an exhibition.

Mr. BARBER: This whole grant is for fairs?

Mr. GARDINER: Yes.

Item agreed to.

Health of animals, administration of Animal Contagious Diseases Act and Meat and Canned Foods Act—further amount required, $750,000.

Mr. SENN: In what way is the additional amount to be expended? Is it for animals already slaughtered or for restricted areas?

Mr. GARDINER: It is entirely for paying compensation for animals slaughtered in restricted areas. The area in which the greatest number are being slaughtered is around Toronto. Five or six counties are being placed in a restricted area around Toronto and the number of animals slaughtered makes necessary this extra expenditure.

Mr. STIRLING: Wherein does this differ from the next item?

Mr. GARDINER: The next has to do with a number of items under the Health of Animals Act. They do not come strictly under the regulations in connection with this item.

Item agreed to.

Health of animals—to provide for payment of compensation to owners of animals affected with diseases coming under the operation of the Animal Contagious Diseases Act, which have died or have been slaughtered under circumstances unprovided for under the above act and regulations thereunder as follows:

Lawrence, N. F., Sheridan, Ont., $36.
Henry, Robt. T., Rossendale, Man., $40.
Suitor, Roy L., Lennoxville, Que., $50.
Lamarche, Victor (estate), St. Eustache, Que., $8.
Lounsbury, Earl K., R. 1, Killam's Mills, N.B., $20.
Wells, Wm., R. 1, Oakville, Ont., $38.
Prosser, Howard, R. 3, Petitcodiac, N.B., $54.
Stokes, E. A., Bury, Que., $20.
Eby, Irvin S., Kitchener, Ont., $64.
Quintal, David, Clairvaux, Que., $14.
Trottier, Lucien, St. Nazaire, Que., $24.
Petrin, Joseph, Wickham, W., Que., $24.
Manseau, Nap., L'Avenir, Que., $6.
Harpin, Joseph, St. Ours, Que., $28.
Wyttinck, Vic., Cypress River, Man., $8.
Lamothe, Louis, St. François Xavier, Man., $8.
McLaughlin, Wm., Finch, Ont., $50.
Parenteau, Conrad, St. Nazaire de Bagot, Que., $18.
Nadeau, Onil, St. Germain, Que., $28.
St. Germain, Jean B., St. Robert, Que., $24.
Lariviere, Napoleon, St. Bernard, Que., $26.
Peters, Hilton T., Hampton, Ont., $64.
Rose, Rod., Pictou, R. 4, Ont., $26.

Mr. GARDINER: This is the item to which I have just referred.

Item agreed to.

Marketing of agricultural products, $300,000.

Mr. SENN: When the hon. member for Yale (Mr. Stirling) this morning asked a question on the orders of the day, the minister informed him that he would have a statement to make with respect to what the government had in mind in view of what has happened to the Natural Products Marketing Act. Is the minister prepared to make that statement now?

Mr. GARDINER: I am not in a position to announce the policy of the government on this matter in view of the fact that since the supreme court brought down the decision there has been no time to give consideration to it in council. I can only say that there is a possibility that the matter may be carried to the privy council, in which event the act will remain, as I understand it, pretty much in the same position as it has been since the question was referred to the supreme court. If that is not the case, the government intends to carry on in connection with marketing in a manner which will assist the marketing of these different products. As regards fruit, it is the view of the department that in the Fruit Act itself the minister has power to do most of the things which an export board had power to do under the marketing act, which has been declared ultra vires; at least, though part of it has not really been declared ultra vires, the fact that other sections have been thrown out renders the act as a whole invalid. But we have power, so far as fruits are concerned, to act pretty much in the same way as the export board could have acted under that legislation. It is not thought there will be great difficulty in doing the things we want to do with regard to fruit. In connection with other matters the intention is to use the sum now before the committee for the purpose of promoting marketing in the interval.

Mr. STIRLING: It is quite probable, as the minister says, that with regard to the export of fruit it will be possible under the Fruit Act to do at least a certain amount of valuable work. Certainly it will not be possible, under the Fruit Act, to carry out control work such as the boards have been doing. I should like to say that to me the judgment is not intelligible, particularly that portion which occurs in the middle. I read the middle paragraph:

Regulation of individual trades, or trades in individual commodities in this sweeping fashion—

Referring to the earlier language of the judgment.

—is not competent to the parliament of Canada and such a scheme of regulation is not prac-

ticable in view of the distribution of legislative powers enacted by the constitution act, without the cooperation of the provincial legislatures—

In this matter that is exactly what we have. In British Columbia there was a statute passed for the purpose of dovetailing into this very act, and where the judgment says there is a lack of cooperation on the part of the provinces, certainly that cannot apply to British Columbia. There, as the minister knows, the British Columbia tree fruit growers had the most prominent and possibly the most successful of these boards. At the present time, not unnaturally, the members of that board do not know what their position is.

I wonder whether the minister would amplify his statement a little with regard to the possibility and desirability of assisting a case to be carried through the courts, if necessary to the privy council. My idea is that the only thing to be done at the present time is for the board to prosecute the first infringement which comes to its notice and, if necessary, carry the case through the courts up to the privy council. It is obvious that the tree fruit board, subsisting as it is now on what remains of the levies on last year's crop, cannot finance such a procedure. So I should like to know to what extent the dominion government would be prepared to assist, if that be the course considered desirable by all concerned, in order to carry the matter through. I have a strong feeling that if this act had not been thrown to the supreme court holus-bolus, the act being in operation at this time and boards being in operation under it all over Canada, but rather if a concrete case had been taken to the supreme court and argued by capable counsel, it is not at all unlikely that the judgment would not have been similar to this sweeping judgment. This judgment is based upon the statement that there is no legislative assistance on the part of the provinces, and certainly with regard to British Columbia that is contrary to the facts.

Mr. BENNETT: Just before the minister speaks, I believe the judgment of the supreme court was inadequately reported in the statement that appeared on the day the judgments were delivered. I have been told that that is so; that these words appeared in the precis that was given out:

Regulation of individual trades, or trades in individual commodities in this sweeping fashion, is not competent to the parliament of Canada and such a scheme of regulation is not practicable in view of the distribution of legislative powers enacted by the constitution act, without the cooperation of the provincial legislatures—

[Mr. Stirling.]

The words from "in" to "legislatures" are quoted in this precis. The preceding paragraph, to which reference is made, reads:

The powers of regulation vested in the commissions extend to external trade and matters connected therewith and to trade in matters of interprovincial concern; but also to trade which is entirely local and of purely local concern.

That, the precis says, may not be carried on except with the cooperation of the provincial legislatures. Nothing was clearer than that this statute never would have come into being but for that fact. It was never intended in this house to provide a code for marketing that extended to purely local transactions. The act says distinctly that it refers only to interprovincial and external trade, and local trade is regulated by provincial legislatures. If the local legislature empowered this local board to ask the federal board to act as its agent, or if the federal board asked the local board to act as its agent, that might be done. That is the position, and when this act was passed it was for the sole purpose of coordinating the efforts of the federal and provincial powers in order to secure a marketing act. It would be news indeed to every member of this house to learn that this parliament cannot deal with the licensing of imports and exports; that it cannot deal with interprovincial trade, solely and exclusively, and that it cannot deal with foreign trade outside Canada in any way it pleases. If such were the case, we would have entirely to revise our conception of the constitution.

I am sorry the Minister of Justice is not present, but when I urged that he should not have referred the marketing act to the courts because it was really in operation, that to do so was contrary to every well established and recent precedent, I had in mind the words used by the privy council in the case of the attorney general for Ontario v. the Hamilton Street Railway Company:

With regard to the remaining questions, which it has been suggested should be reserved for further argument, their lordships are of opinion that it would be inexpedient and contrary to the established practice of this board to attempt to give any judicial opinion upon those questions. They are questions proper to be considered in concrete cases only; and opinions expressed upon the operation of the sections referred to, and the extent to which they are applicable, would be worthless for many reasons.

We at least had high authority for saying such opinions would be worthless.

They would be worthless as being speculative opinions on hypothetical questions. It would be contrary to principle, inconvenient, and inexpedient that opinions should be given upon such questions at all. When they arise, they must arise in concrete cases, involving private

rights; and it would be extremely unwise for any judicial tribunal to attempt before hand to exhaust all possible cases and facts which might occur to qualify, cut down, and override the operation of particular words when the concrete case is not before it.

Those are the words of the privy council, but notwithstanding that this government referred this matter to the supreme court, though the act was in operation. Those words dealing with concrete cases never had greater application than they have to this act to-day, namely that it would be extremely unwise for any judicial tribunal to attempt beforehand to exhaust all possible cases and facts which might occur to qualify, cut down, and override the operation of particular words when the concrete case is not before it.

Under those circumstances, having regard to that precedent, I suggest that this is a worthless opinion. Those are not my words at all; that is what the privy council have said:

They are questions proper to be considered in concrete cases only; and opinions expressed upon the operation of the sections referred to, and the extent to which they are applicable, would be worthless for many reasons. They would be worthless as being speculative opinions on hypothetical questions.

I say to the minister and to this committee that if to-day we had a concrete case from the Okanagan and we were able to show the concrete facts as we would be in any case that might be brought before the courts, as in the British Columbia case of the Crystal Dairy, we would be able to prove that there was a local board; that there was a federal board; that there was a provincial statute and a dominion statute; that there was cooperation between the two, and that the two together made a perfect code to deal with the marketing of fruit in that particular locality. Under those circumstances, taking the words of the court as they appear in this opinion, from the standpoint of the concrete facts that must arise in connection with the administration of the marketing act, I suggest to the minister that the proper course to pursue is to take an appeal in order that this language of the privy council may have full application; or not to take an appeal at this moment on the general question but to take an appeal on a concrete case and, as my hon. friend and former colleague from Yale has suggested, let the dominion government undertake to pay the cost, which is not an unusual thing to do. In other words, let a proceeding be taken in the Okanagan valley at once, on an infringement. Let all the facts be proven as to the constitution of the local boards, for the minister doubtless will recall—because he has had to do with the question in his own province—that when the Crystal Dairy case came up it was held by the privy council that inasmuch as it provided for a levy being made it was beyond the competence of that legislature to enact that form of taxation. That was the decision of the privy council.

Now we have a case in which infringement of this act may be set up, the facts proven, the local board, the dominion act, the dominion board, the coordination between the two. Then, by special leave, the case can be taken at once, per saltem as we say, to the privy council; we can get it there for early decision so that the question may be settled as to the validity of the sections which deal with concrete facts and not speculative opinions. I cannot say how much I regret that an act which has been in operation should have been referred to the court in the face of the declaration of the privy council which I have just read. But this has been done and we have this judgment in the terms in which we have it. I have not any doubt that this parliament must have power to deal with matters of trade that affect interprovincial transactions or transactions with foreign countries. But the extent to which we may do so through the doctrine of agency and by cooperation between provincial legislatures and boards set up by provincial authority and boards functioning under authority of the federal act is a matter which might well require further argument in order that there might be an ultimate decision by the court of last resort. I urge that on the minister, because having regard to the circumstances I think it is what he would do if he were a private individual. Now that the speculative provisions have been dealt with by the court, let him take the concrete case and do what he would do in his private business, have a decision of the court of last resort as to the validity of the proceedings. And I suggest to the minister that we should follow a course which is not unusual, which in fact we have frequently done in part if not in whole, that the expenses incident to the matter should be borne—with an understanding beforehand what they are to be—by the crown itself. In the meantime I suggest that the act itself should be continued just as though there had been no expression of opinion, which according to another decision of the supreme court is no better than that of the law officers of the crown themselves.

Mr. GARDINER: I shall not presume, of course, to argue the legal question in connection with a decision which has been given.

I would not feel competent to do so. But I should like to read to the committee the two sections which are concerned in the decision given. Section 5, subsection 4 reads:

> Before any scheme is approved the governor in council shall be satisfied,
> (a) that the principal market for the natural product is outside the province of production; or
> (b) that some part of the product produced may be exported.

If that were the only statement in the act with regard to the matter I think there probably would be no doubt as to the view that should be held. But in section 2, paragraph (g) we find:

> "Regulated product" means a natural product to which a scheme approved under this act relates, but does not include
> (ii) in case the said scheme relates only to the product marketed outside of the province of production, such product in so far as it is marketed within the province of production.

Mr. BENNETT: That is, it does not apply within the province?

Mr. GARDINER: Yes; there is an attempt made to make the situation appear as has been stated by the leader of the opposition, but apparently the court holds that there has been some interference with the marketing within the province itself, the local marketing. I do not intend to argue that point; the court has given its decision upon it. I would just say in regard to the suggestion made by the hon. member for Yale (Mr. Stirling) and supported by the leader of the opposition, that I am naturally not in a position to state exactly what the government will do in the circumstances set forth. I assume that a number of these acts which were submitted to the supreme court will be appealed to the privy council, and I think I can go so far as to state that the government will take exactly the same action in connection with this piece of legislation as they see fit to take in connection with the others.

Mr. BENNETT: They stand on a different basis.

Mr. STIRLING: One has been in operation.

Mr. GARDINER: The Minister of Justice will take this all under consideration, and we shall be advised in accordance with his views, also keeping before us, when we consider the matter, the expressions of opinion that have been given by both the hon. member for Yale and the leader of the opposition.

Mr. SENN: A short time ago when another item was under discussion the minister made a statement regarding the intention of the government not to continue the cheese bonus this year. That is going to be detrimental to the dairy interests of Canada. The minister said at that time, and quite properly so, that the reason for giving the bonus for the sale of cheese last year was to increase the production of cheese in Canada and at the same time to curtail, if possible, the production of butter, the reason for that being that we were consuming all the butter we produced in Canada and for that reason the price was higher in Canada than it would have been had we been on an export basis. This was the reason which induced the former government, I believe, to give a bonus on cheese last year. But this is not the only reason. The minister also stated that the bonus last year had not been successful in achieving the purposes assigned. With that conclusion I am not prepared to agree. In the first place, for many years past the production of cheese in Canada had been gradually falling. In 1934 we manufactured about 99,000,000 pounds. In 1935 this had increased to 100,000,000 pounds, so that we had not only stopped the reduction by giving the bonus but already increased the production by a small amount.

A good deal has been said in this house about the importance of wheat growing as a branch of agriculture in Canada. I should like to point out how important the dairy industry is to this dominion. I took the trouble a short time ago to get some figures from the bureau of statistics regarding the value of the production of the different branches of agriculture in Canada. They gave me the figures for the six years 1930 to 1935 inclusive which I am going to read to the committee:

> Live stock and animal products, $637,000,000.
> Poultry and egg production, $327,000,000.
> Fruit, $95,000,000.
> Fodder crops, $1,057,000,000.
> Wheat, $959,000,000.
> Dairy products, $1,169,000,000.

Or over $200,000,000 more for dairy products than the value of wheat during those years. It seems to me, therefore, that while certain amounts have been spent to assist the wheat growers of the western provinces —and I have no fault whatever to find with that—the government might very well consider continuing this bonus for another year for the benefit of the dairy industry.

We produce in Canada annually some 16,000,000,000 pounds of milk. I should like to give the committee the percentages of that milk used in the manufacture of the different products into which that milk is manufactured and the different ways in which it is consumed. Cheese production took only 6·88 per cent of our milk production last year. Butter took 49·45 or approximately 50 per cent. One per cent is manufactured

into processed milk, such as condensed milk, powdered milk, et cetera; ice cream consumes only about one-half of one per cent of the milk that is produced, and some 42 per cent goes into fluid consumption.

A difficulty has arisen already this year which, it seems to me, is more or less alarming. I have before me the daily news letter sent out under the authority of the Minister of Agriculture. This issue dated June 15, states that the production of butter in Canada for the first five months of this year is ten per cent higher than it was for the first five months of last year. It seems to me, if that goes on for the year, that we shall be producing much more butter in Canada than we can possibly consume. If we get on an export basis I am afraid the price of butter will drop materially, and if the price of butter drops I am afraid the price of all other classes of dairy products in Canada will also drop accordingly.

I have only one further word to say. I do not need to go back over the ground and show that there has been a continual falling off in cheese production for the past number of years, or that there has been a gradual increase in butter production. The minister stated that another reason they were not giving the bonus this year is that there has been a certain amount of cheese sent to the United States since the inauguration of the present trade agreement. That is undoubtedly correct. But I do not think we can afford to sacrifice a market which we have had in Great Britain for years simply because we have entered into the American market for the time being. Canadian cheese enjoys a place of its own in the British market. For the past twenty or twenty-five years it has received a bonus of one, two and sometimes as high as four cents per pound in the British market. If we lose that market by failing to send our cheese to it and by failing to cater to it we would suffer a very serious loss indeed.

I have only one further observation and I shall have concluded. I should like to show how our cheese exports have fallen off. In 1927 we sent 136,000,000 pounds of cheese to the British market. By 1929 this had fallen to 112,000,000 pounds; in 1930, to 92,000,000 pounds. In 1934 it was 94,000,000 pounds, and in 1935 it had dropped to 60,000,000 pounds. It seems to me that this is a serious situation. Only five per cent of all the dairy products we produce in Canada have to be exported, the other ninety-five per cent being consumed in Canada. If we are to hold our market in the British isles it seems to me that this is the only way in which it can be done, because the only way in which we can profitably export dairy products at this time is in the form of cheese. I am sorry the government has made this decision, and in conclusion my only observation would be that I hope by the time another year rolls around the dairy industry will not be suffering in the manner I am afraid that it will. If it is, I am sure that at that stage the government will do something about the matter.

Item agreed to.

DEPARTMENT OF MARINE

Ocean and River Service—hydrographic and tidal and current surveys, and to provide for the maintenance and repair of hydrographic steamers, $406,700.

Mr. BARBER: Could the minister state how much of this vote is to be spent on the Pacific coast?

Hon. C. D. HOWE (Minister of Marine): I doubt if I have that division indicated in my notes. We have it divided as to salaries and expenses. Hon. members will be aware that we maintain a very fine steamer on the west coast, namely the Stewart. We do a great deal of mapping out there, and I believe we have pretty well mapped the Pacific coast from the United States boundary to the Alaska boundary. I believe there is a little work to be done this year at the lower end of the Queen Charlotte islands.

Mr. BARBER: There will be only a small expenditure on the Pacific coast?

Mr. HOWE: We are doing the usual amount of work, this year, as much as we did last year.

Item agreed to.

Public Works—chargeable to capital Marine department—

River St. Lawrence ship channel dredging—

(a) To provide for contract dredging in St. Lawrence river and Montreal harbour, $2,000,000.

(b) To provide for the maintenance and operation of the government ship channel fleet and the government shipyard, including all necessary repairs and reconditioning, $1,138,400.

Mr. BENNETT: Is not this the item we discussed, dealing with the dredging of the St. Lawrence river?

Mr. HOWE: Yes.

Mr. BENNETT: The other evening when we were discussing it the minister made a statement which I thought at the time was not quite in accordance with the facts, not as a question of fact, but simply as a matter of professional opinion. He said:

As we improve the St. Lawrence river below, there is no question that when we take twelve

inches off the bottom, we take about five inches off the top. That goes on continuously.

Mr. HOWE: Did I say five inches?

Mr. BENNETT: It was so reported, and I took the trouble to look the matter up, because before we entered into this contract we had a report prepared for the department by the joint board of engineers on the St. Lawrence waterway project. The report itself was prepared in November, 1926. That committee consisted of Messrs. D. W. McLachlan of the Department of Railways and Canals, Olivier O. Lefebvre, Chief Engineer of the Quebec Streams Commission; Brigadier General Charles Hamilton Mitchell; Major General Edgar Godwin, Chief of Engineers, in the United States; Colonel William Kelly, Corps of Engineers, United States; and Lieutenant Colonel George B. Pillsbury, Corps of Engineers, United States. We find the following at page 47, paragraph 211 of their report:

Restoration of Navigable Depth

211. Channel below Montreal harbour—The navigable depth of the channel below Montreal harbour can be restored by dredging and an analysis of the gauge reports shows that the dredging heretofore done has lowered the level in Montreal harbour at the rate of 0·15 feet for each foot of navigable depth gained and has lowered the level of the river between Varennes and Quebec by an average of 0·06 for each foot of navigable depth gained.

According to this statement the dredging could have lowered the water level in the harbour of Montreal at the rate of 1¾ inches per foot of dredging, and three-quarters of an inch per foot of dredging in the main channel below Montreal.

I do not know whether the minister has had occasion to look up the interim report of March 4, 1935, but the Interdepartmental Montreal and Ship Channel Water Level Board state on pages 4, 5, 6, 7 and 8, paragraphs 8 to 22, the cause of low water conditions. I shall not go into the matter at length, but I believe the minister was inaccurately reported, because these are the words used by the board:

A loss of 1·75 feet due to dredging of deeper and wider channel below the upper harbour; of this amount about 0·80 feet is due to dredging between the upper and the lower harbour.

Again, at paragraph 21, the board states:

The above table 5 shows a drop of 1·70 feet in water level in Montreal upper harbour due to enlargements and obstructions in channel of Montreal and in the river below. Of this amount, 1·10 feet may be ascribed to work done by the harbour commissioners of Montreal and 0·60 may be ascribed to work done in the ship channel below.

These two statements really mean that the dredging in the main channel has been responsible for a drop of 0·80 feet or 0·60 feet. We must remember that the drop in the level due to dredging is greater at a lower level of water. Without going into the matter at length I think it is sufficient to say that the drop in depth caused by dredging depends upon the distribution of the area of water, and under present conditions it would appear that the loss cannot be greater than, say a little over three-quarters of an inch per foot. This report that we had before us at the time we were entering into this agreement was another departmental report supplementing the report of 1926 to which I have made reference. I had notes prepared covering the whole situation, but I desire only to correct that, because if the statement made by the minister were accurate we have been greatly misled in dealing with the matter, and I wanted to verify it by reference to the original of the report of 1935, supplementing the report of 1926, to ascertain that the figures upon which we relied were at least those that were contained in the report. I think it may be fairly said that the dredging reduces the depth in the harbour approximately three-quarters of an inch per foot.

Mr. HOWE: I certainly appreciate the correction. If I said five inches out of twelve, I was grossly in error.

Item agreed to.

MISCELLANEOUS

To reimburse Peter R. Jack and Chas. A. Ackhurst, one-time harbour commissioners at Halifax, for expenses incurred by them in connection with the inquiry into the administration of the Halifax harbour commission in 1930, $3,855.10.

Mr. CAHAN: I should like an explanation from the minister as to why an attempt should be made to reimburse these two gentlemen for expenses incurred by them in connection with this inquiry. Documents brought down by the minister disclosed—is it too strong to say?— very discreditable action on the part of that commission. The full report of the commissioner could not be made on account of his death. But it seems to me novel and unprecedented to propose a vote to pay for the legal expenses incurred by these two gentlemen. I should like to know why that proposal is made.

Mr. HOWE: These two gentlemen were appointed by the government to conduct a government service at Halifax. Their services were dispensed with, charges of improper conduct were brought, and a judge was appointed to investigate. These men were under obligation, I think, to the government to defend the position they had taken. They hired counsel to do so. Before doing so they wrote to the

Department of Marine and asked for counsel to be appointed by the department. The deputy minister of the department, whose letter we have on file, wrote them that consideration would be given to the cost of counsel. The case was tried.

Mr. BENNETT: If the minister has the letter, will he read just what the deputy minister said? That may be very important from our standpoint.

Mr. HOWE: Yes. This is a letter to the then Deputy Minister of Marine, Mr. Alex. Johnston, under date of November 13, 1930:

> Mr. Charles W. Ackhurst, one of the other commissioners, as well as myself have engaged the services of Mr. L. A. Lovett, K.C., and I wish to take this opportunity of drawing this matter to your attention and to ask that you arrange to defray the expenses of our counsel and any other expenses that we shall be subject to in connection with this inquiry.

To this Mr. Johnston made reply on November 17, 1930, as follows:

> Just a line to acknowledge receipt of yours of the 13th instant and to say that the representations contained therein will in due course be submitted for consideration.

The inquiry proceeded, and I understand that complete evidence was taken. I have not personally read all the evidence, but I asked one of our officers to read it and to draw to my attention anything that he thought was pertinent as reflecting on the actions of the commissioners. The judge conducting the case, when he was about to prepare his report, died. No other judge was assigned to complete the work, and these two men, who had been public servants, were left in the position of having been accused and of being unable either to have themselves acquitted or proven guilty. I think this is a very unfortunate position. I must say that in reading the evidence I could find nothing which seemed in any way to justify the charges. It seemed to me that it was in view of the public service of these men that they were placed in that position. They being accused of criminal actions, and being proven neither guilty nor innocent, it seemed to me that the least the government could do was to reimburse them for their out of pocket expense for legal assistance.

Mr. BENNETT: It is a very serious matter to create a precedent of this kind. I am not going to discuss the matter now, but a perusal of the evidence leaves certain convictions in one's mind. I believe the minister is wrong in saying that any criminal proceedings were suggested. But compare this treatment with that of the man whom I mentioned this morning! Just compare what is being done for these men at Halifax with the treatment accorded to the man whom the former Secretary of State discussed in this house, who lost his job, against whom not a single word of evidence was adduced, and who still alleges that there never was any evidence which could be produced against him! Certainly that cannot be said in connection with this Halifax matter. But this other poor unfortunate, unimportant in the world, not occupying a position like that of a harbour commissioner, having no redress and no ability to hire lawyers, much less to write letters asking the department to be reimbursed for any expenditure, has nothing done for him. We are creating a precedent which may be very useful with respect to such unfortunates as I referred to this morning, and I only hope that the same measure of generosity will be extended to those who are less vocal, less important, and who cannot make the same contribution to the well-being of political parties that the commissioners of Halifax harbour could do. I cannot but think that this is a precedent which will have far-reaching consequences. The death of the judge was not the only difficulty; it had the effect of terminating the whole inquiry and necessitating a new inquiry being carried on by a new judge, and some of the evidence was no longer available, and would have to be heard over again by whoever was appointed. I was not in the country when the commission was appointed; I know nothing about the matter beyond reading the testimony that was brought down, but certainly the minister would find it difficult to say that he had read the evidence and was satisfied there was no cause for just complaint. However, I remember this one circumstance. Before the contract was made at all, certain steps were taken by the commissioners which it would be difficult to justify in dealing with a transaction of that kind. It will be recalled that the final contract in connection with the matter, which involved very heavy expenditures being made by this dominion, was executed between the defeat of the government and the coming into office of its successors. That is true at least in connection with part; I cannot say that it is true with respect to the whole. I point out to the minister that the precedent is very far-reaching and enables me to assert with some measure of authority the right of those to whom I referred this morning to receive similar treatment from the government of the day.

Mr. HOWE: I may say that these gentlemen were made defendants by the government. I take it that they were not being tried for a criminal offence.

Mr. BENNETT: Not at all.

Mr. HOWE: I might point out that there are precedents where an officer of the crown is tried and found not guilty. In those cases judges have awarded legal expenses, and had the judge lived to complete his report, that might very well have happened in this case. I think these gentlemen were placed in a most unfair position and I believe it is only just that their counsel fees should be paid.

Mr. CAHAN: I do not wish to read the documents which the minister laid on the table earlier in the session, but I doubt whether any independent mind could consider those documents and come to the conclusion that these gentlemen are entirely exonerated. It was not a criminal proceeding and they were not defendants; it was an inquiry under the Inquiries Act into the conduct of two servants of the government. I can understand the deputy minister's letter suggesting that in case they were exonerated, consideration might be given to the payment of their expenses, but certainly not otherwise.

Item agreed to.

Meteorological service — further amount required, $77,000.

Mr. BENNETT: We know about the meteorological service, but why this fairly large extra amount?

Mr. HOWE: This is almost entirely due to aviation work. There have been some observations made in the west and we have been required to do something in connection with the transoceanic service.

Item agreed to.

Loans and advances—to provide for soldier land settlement advances and for advances under the British family schemes recoverable from the British government, $323,800.

Mr. BENNETT: There is an additional amount in the supplementaries.

Mr. DUNNING: Just a minute; this item is not under this department.

Mr. BENNETT: No, but it can be put through. It is a matter of computation only.

Item agreed to.

Miscellaneous—Trent canal—to provide for a grant by the Department of Railways and Canals towards the cost of the construction by the corporation of the town of Orillia of a dam, power house and log slide on the Gull river, $7,500.

Mr. STEWART: Would the minister be good enough to inform the committee as to what action, if any, has been taken to turn this canal over to the Hydro-Electric Power Commission of Ontario? I saw something to that effect in the press.

Mr. HOWE: No action of that kind is being taken. We are consolidating certain leases with the hydro commission and have made certain arrangements for the regulating of levels better to suit their purpose. There is no change in the ownership of anything.

Item agreed to.

To provide for payment, under such conditions as the Minister of Finance may prescribe, to national harbours board or the respective corporations constituted to administer the harbours mentioned herein, of the amounts hereinafter set forth, to be applied in payment of the deficits (after payment of interest due the public but exclusive of interest on dominion government advances and depreciation) arising in the calendar year 1936 in the operation of the following harbours:

Halifax, $178,600.
Saint John, $59,300.
Quebec, $268,900.
Chicoutimi, $16,500.

Mr. HEAPS: Could the minister tell us if any of these harbour boards are meeting their interest charges, I mean of the four mentioned in this item?

Mr. HOWE: No. These are for operating deficits.

Mr. NEILL: Is Vancouver not meeting its interest charges?

Mr. HOWE: No, but it is doing better than meeting operating expenses.

Item agreed to.

Loans and investments—additional amount in excess of the sum of $5,303,000 already appropriated, required to provide for payment of additional sales tax, imposed by "an act to amend the Special War Revenue Act" (House of Commons Bill No. 76, 1936), to contractors for railway equipment ordered under the provisions of the Supplementary Public Works Construction Act, 1935 (section 9) on equipment delivered after May 1, 1936, $55,000.

Mr. BENNETT: There was some misunderstanding as to this item. Perhaps the minister could explain it in just a sentence.

Mr. HOWE: We bought some $15,000,000 worth of equipment on the Philadelphia plan and this is the extra two per cent of sales tax to be applied on the balance which has not been delivered.

Mr. STEWART: The purchaser has to pay it.

Mr. HOWE: The purchaser pays the interest on it.

Item agreed to.

Advances to national harbours board or the Vancouver harbour commissioners with interest at a rate to be fixed by the governor in council, for such periods and upon such terms and conditions as the governor in council may determine, and to be applied in payment of capital expenditures in the harbour of Vancouver in the calendar year 1936, $11,500.

Mr. BENNETT: The effect is to put them all out of debt.

Mr. HOWE: It is to refund certain debentures outstanding in the hands of the public.

Item agreed to.

Mr. DUNNING: I have just learned that a bill with a small amendment has come from another place. It is desirable to have it before the house and I therefore move that the committee rise, report progress and ask leave to sit again this day in order that the Speaker may take the chair so that we can deal with that bill.

Progress reported.

COPYRIGHT AMENDMENT ACT

CONCURRENCE IN SENATE AMENDMENTS

Hon. FERNAND RINFRET (Secretary of State) moved the second reading of and concurrence in amendments made by the senate to Bill No. 55, to amend the Copyright Amendment Act, 1931.

Mr. BENNETT: Perhaps the minister will explain the amendment.

Mr. RINFRET: In section 2, which amends section 10, subsection 1 of the act, after the words "lists of all dramatico-musical and musical works" the senate has added the words "in current use." The other amendments are grammatical. In lines 16 and 25 on page 2, the senate has substituted the word "its" for the word "such."

Motion agreed to; amendments read the second time and concurred in.

SUPPLY

The house again in committee of supply, Mr. Sanderson in the chair.

DEPARTMENT OF LABOUR

Annuities Act, $150,000.

Mr. BENNETT: It is not proposed to change the rates this year?

Hon. N. McL. ROGERS (Minister of Labour): That is a matter which would have to be considered by the government. I am not prepared to make a statement at the moment.

Mr. BENNETT: Can it be done by regulation?

Mr. ROGERS: By order in council.

Mr. BENNETT: But this government would not do anything like that.

Mr. HEAPS: Does the department contemplate any changes in the rates?

Mr. ROGERS: That is not the kind of question I can answer at this time. I am quite aware of the investigation that had taken place in the other house, and obviously we shall be giving consideration to the recommendation of that committee. The whole question of annuities in relation, for instance, to old age pensions, is one that must receive attention.

Item agreed to.

Conciliation and Labour Act, $30,000.

Mr. BENNETT: What is the estimated additional expenditure by reason of Quebec adopting old age pensions?

Mr. ROGERS: As my right hon. friend is perhaps aware, the administration of old age pensions has been transferred from the Department of Labour to the Department of Finance. I have not the figures available.

Item agreed to.

Royal commission on anthracite coal, $15,000.

Mr. HEAPS: Is this under the Department of Labour?

Mr. ROGERS: This is an appropriation to meet the expenses of a royal commission appointed to inquire into the importation and distribution of anthracite. The commissioner has been appointed.

Mr. CAHAN: Who is the commissioner?

Mr. ROGERS: Doctor H. M. Tory.

Item agreed to.

Employment and Social Insurance Act—further amount required, $25,000.

Mr. HEAPS: I wonder whether, before parliament prorogues, the government, through the Minister of Justice, will be in a position to make some statement as to its intention with regard to the legislation that has been declared ultra vires.

Mr. ROGERS: Some days ago the Minister of Justice (Mr. Lapointe) said that before making a statement with respect to further action he would give consideration to the judgments delivered in this matter.

Item agreed to.

Dominion Bureau of Statistics—further amount required, $778,548.

Mr. BENNETT: Is this in connection with the census in western Canada?

Mr. EULER: Yes.

Item agreed to.

DEPARTMENT OF SECRETARY OF STATE

Miscellaneous—Secretary of State, $10,000.

Mr. CAHAN: I see an appropriation of $68,971 under the heading of adjustment of war claims, for the Department of National Defence.

Hon. FERNAND RINFRET (Secretary of State): That item, of course, does not belong to the Department of the Secretary of State.

Mr. CAHAN: What has the Department of National Defence to do with war claims?

Mr. RINFRET: I could not say, and the minister is not present. This item under my department has not to do with war claims; it is to provide for litigation in connection with certain pending cases which are still before the courts.

Item agreed to.

Public printing and stationery—plant—repairs and renewals—further amount required, $11,000.

Mr. CAHAN: Before we finally pass the estimates of the Secretary of State I should like to ask what justification there is for the appointment of an assistant to Mr. Castonguay, the chief electoral officer. That strikes me as an appointment which cannot possibly be justified.

Mr. RINFRET: If my hon. friend will allow me, that will come under the vote for the office of the chief electoral officer. This vote is for the printing bureau.

Mr. CAHAN: I wish my hon. friend in the meantime would try to think up some reasonable explanation.

Mr. RINFRET: That item will be called in a moment.

Item agreed to.

Civil government—Public Archives—salaries, and to provide for the continuance in office of J. B. Noble, senior bookbinder, from April 1, 1936, $92,020; contingencies, $9,200.

[Mr. Heaps.]

Sir GEORGE PERLEY: I should like to ask the minister whether any steps are being taken to fill the vacancy in the office of dominion archivist?

Mr. RINFRET: The matter is still under consideration. Sir Arthur Doughty, though pensioned, is still going to the archives, as everyone knows. He has been practically the founder of that department, and he is still giving much attention to it, but we are considering the matter.

Sir GEORGE PERLEY: I take it that someone else is acting as archivist. Sir Arthur Doughty is not acting, is he?

Mr. RINFRET: No. I can promise my hon. friend that we shall attend to that very soon.

Item agreed to.

Chief electoral officer—salaries and contingencies of office, $16,270.

Mr. RINFRET: I must say to my hon. friend that it is true that the position of assistant electoral officer has not been filled for a number of years, but the salary has been voted every year. I do not know what has been the experience of my hon. friend, but even when I was in office previously the chief electoral officer always pleaded that it was not wise to leave that office without an assistant.

Some hon. MEMBERS: Oh, oh.

Mr. RINFRET: My hon. friends may smile, but I think that is right. I am going to remind my hon. friend that when he appointed a dominion franchise commissioner he also appointed an assistant, and this is in exactly the same position. It is a very small office, consisting of Mr. Castonguay and two or three minor clerks, and if Mr. Castonguay goes away for a day or so the office is practically left alone. The fact is that not only were we right in appointing Mr. Stewart to that position but that an appointment should have been made some time ago. Now that we are going to revise the electoral law I think it is very wise to have assistants for both the franchise and electoral officers, to be trained as such under the main officers.

Mr. CAHAN: All I can say is that when I went into office in 1930 the office of assistant had not been filled for some years.

Mr. RINFRET: I think both parties are to blame.

Mr. CAHAN: The chief electoral officer then had the duties of both electoral officer and franchise commissioner. Early in the first

year some question arose as to the duties of Mr. Castonguay's office, and I called Mr. Castonguay to my office and asked as to the need of appointing such an assistant. He told me it would be utterly indefensible for the government to appoint an assistant, because during a great part of the time he had very little to do. He said that he did not need an assistant, and that if his recommendation was required with regard to the appointment he certainly would not give it. That was the gist of his conversation with me. Subsequently the work of the office was divided, and at least half the work of the chief electoral officer was given to the franchise commissioner. Before the general election I suppose I must have had a score of applications for the appointment of somebody as assistant in this office. I again called Mr. Castonguay to my office and I have a very clear recollection concerning the interview. He stated that the appointment of an assistant was not necessary and that if it depended upon his recommendation he certainly would not recommend it. I so advised my colleagues, and no appointment was made. In fact a suggestion had been made in regard to the appointment of a particular individual, and I may not reveal what took place at a certain place but I shall say that I advised all my colleagues that I would not support that waste of money.

Mr. BENNETT: I suppose there never was a greater piece of political jobbery in this country than the appointment of this man to this job. What the former Secretary of State has said I desire to support, because not merely by scores but by more than that people were asking for the position. It was too late to take steps to abolish it; if it had been abolished there would have been less trouble. The present government when in office from 1921 to 1930 did not fill the position. The commissioner then had the duties of both offices. In 1925-26 the position was not filled. When the general election of 1930 came on it was not filled. During the five intervening years it was not filled. In 1935 before the general election it was not filled. But now this $3,000 job has been filled by the appointment of the son of the president of the Liberal association in Ottawa, after the position had remained vacant all these years and after a general election, when the duties, according to the chief electoral officer, are very light indeed. In fact, it was because of the representations made by the then Secretary of State to his colleagues and after the closest inquiry, and after he had communicated to us the sense of what he has now said, that it was quite clear that no appointment could or should be made. This is another illustration of what my hon. friends may call the practice of economy.

Mr. RINFRET: I should not like to seem discourteous in not replying. I can only say what I said before, that in both these small offices we thought it was proper to have a chief officer and an assistant. I do not doubt for a moment that the statements made by the former Secretary of State are accurate, but I shall say on my personal word that Mr. Castonguay came to my office and pleaded with me more than once that we fill this job.

Mr. BENNETT: Since this government came into office?

Mr. RINFRET: I mean since this government came into office. His report was to the effect that when he left the office either for a trip or even for a few hours a day the office was left with no one there.

Mr. CAHAN: During all the years that my hon. friend was Secretary of State before 1930 was any such representation made to him by Mr. Castonguay?

Mr. RINFRET: No; I admit I do not recollect any. But take this session for instance; Mr. Castonguay has been in attendance most of the time on the special committee dealing with the amendment to the elections act.

Mr. CAHAN: He has nothing else to do.

Mr. RINFRET: I admit that the situation is awkward, because for a number of years the office has been left vacant, but I am wondering why it was so. It seems so natural that in a small office consisting of an electoral officer and two or three very minor clerks there should at least be an assistant to look after the office when the chief officer is busy elsewhere. I understand the estimate was voted year after year; I believe that the appointment is justifiable on that ground, and I again point to the analogy. When the former government appointed a dominion franchise commissioner he was given what I would call an assistant similar in kind to the one we have given Mr. Castonguay.

Mr. CAHAN: The reason was that he had something to do; there was something for the office to do in preparation of the electoral lists. But Mr. Castonguay has nothing to do except two or three days' work at each by-election and a certain amount of work in case of a general election.

Mr. RINFRET: I can only say that I shall look into the matter and see that the assistant is kept busy.

Mr. BENNETT: He cannot be.

Mr. STIRLING: What can he do?

Mr. BENNETT: The minister has said either too much or too little. He has said that Mr. Castonguay came to him since August 7, 1935, and pleaded with him to appoint an assistant.

Mr. RINFRET: I repeat that.

Mr. BENNETT: Then Mr. Castonguay is an active partisan, for during all the time the preceding government was in office he not only said there was no use for an assistant, but protested against the appointment of any such assistant. That shows that Mr. Castonguay is an active partisan and desired to hold that office open for a Liberal administration. That is a despicable act on his part, showing that he is unfit for a public office, when he reported to the former Secretary of State that an appointment should not be made and that he would not recommend it, and then pleads with the successor of the former Secretary of State to appoint an assistant, when the duties are less than they were at any time during the preceding five years. There has never been a more glaring case of the conduct of an official, indicating sheer partisanship and unfitness for his position, and it is one that should be remembered by this country.

Item agreed to.

Dominion franchise commissioner—salaries and contingencies of office, et cetera—further amount required, $6,000.

Mr. HEAPS: There was another gentleman appointed to assist in the work of revising the elections act. I think everyone who was on that committee appreciated the work he did. How long was that gentleman in the employ of the government, or have his services now been dispensed with?

Mr. BENNETT: I had a note to ask what Mr. Butcher was being paid.

Mr. RINFRET: I understand he has now finished his work.

Mr. BENNETT: What was he being paid?

An hon. MEMBER: He was engaged by the committee of the house.

Mr. BENNETT: No; it was not any committee of the house; he was appointed by the administration, and I had a note to ask when the estimate was up why he was appointed and what salary he was paid.

Mr. MACKENZIE KING: He was retained in order to prepare material for the committee. He worked with the committee while it was in session. I have not at hand the amount he was paid. My right hon. friend will appreciate the reason why I cannot give it at the moment.

Sir GEORGE PERLEY: Is his work finished, or is he still in the employ of the government?

Mr. MACKENZIE KING: No; I understand his work was finished some days or weeks ago.

Item agreed to.

Mr. CAHAN: On item No. 221 of the general estimates my hon. friend the Secretary of State said there was an assistant to the dominion franchise commissioner. Who is he and when was he appointed?

Mr. RINFRET: I have that before me. Mr. Minns is his name, and I understand he was appointed at the same time as the commissioner himself.

Mr. CAHAN: I accept that, but I do not think he was appointed as a permanent assistant; he was seconded from another office to assist temporarily when the heavy work of the revision of the lists was on.

Mr. RINFRET: Lieutenant-Colonel E. H. Minns is the name, and he is paid $2,964. I might say he is still with the office. When I communicate with that office he usually replies.

Mr. CAHAN: Quite so.

Mr. RINFRET: I think it was a very good appointment, and he is an efficient man.

Mr. CAHAN: I am not discussing his appointment, at all. The minister justified the appointment of an assistant—

Mr. RINFRET: I said there was an analogy.

Mr. CAHAN: Yes; an analogy. But there was no assistant appointed permanently to assist the franchise commissioner, if my memory is correct. There was seconded from another department a Mr. Minns to assist, but only while the preparation of the lists was on. No permanent appointment has been made. I could have recommended the permanent appointment of an assistant, but there was no necessity for a permanent appointment. So far as my memory goes no permanent appointment was made; an officer was loaned from another department to act temporarily.

Mr. RINFRET: My hon. friend knows, and I believe on a similar occasion he took the stand while Secretary of State that the two electoral officers are independent. The Secretary of State is only the means through whom the estimates are voted. Naturally they have more leeway, but I was led to believe from the minute I took office that Lieutenant-Colonel E. H. Minns was the assistant to Colonel Thompson, and I never had any intimation that his was a temporary position. I know he is a very busy man, and I have often had occasion to refer to him

Mr. MacNICOL: What is he doing? He cannot be doing anything at the present time.

Item agreed to.

DEPARTMENT OF EXTERNAL AFFAIRS

Geneva—publications of League of Nations for distribution to members of parliament and a grant to the League of Nations Society in Canada, $3,000.

Mr. CAHAN: On a former occasion when these estimates were before the committee I expressed the desire to make a lengthy statement, but I shall restrict my observations considerably; if hon. members will permit me I shall make only a short statement.

My contention is, first, that the passing of certain orders in council prohibiting imports from Italy into Canada and certain exports from Canada to Italy were passed without proper authority; and second, that the agreement made with respect to the imposition of sanctions at Geneva was not made through an organ of the League of Nations, and that the suggestion that the League of Nations was recommending the imposition of sanctions, as a league, is not in accordance with the facts; and third, that the action with regard to sanctions is a repudiation of the pledges made to this parliament by the Prime Minister (Mr. Mackenzie King) on a previous occasion, and not in accordance with a resolution introduced by the Prime Minister and passed unanimously by parliament in June, 1926.

I do not intend to enter upon a full discussion of the matters, but I should like to refer to them in order that they might be considered before further sanctions are imposed or further action taken, so that they may be considered in another light by the Prime Minister and his advisers.

On October 31, 1935, an order in council, P.C. 3461 was passed by His Excellency the Governor in Council, prohibiting the exportation, reexportation or transit to Italy or to any Italian possession of the arms, munitions and implements of war enumerated in a list attached thereto, and it was ordered that a proclamation to that effect be issued forthwith and published in The Canada Gazette.

That order in council was passed under the authority of section 290 of the Customs Act and was, in my opinion, a valid and effective exercise of a power conferred on the executive by legislation of parliament.

On November 15, 1935, an order in council, P.C. 3594 was passed by His Excellency the Governor in Council, prohibiting by article 1, imports from Italy into Canada; and by article 2, certain exports from Canada to Italy; and by article 3, prohibiting any person in Canada from making, contributing to, participating in or assisting in the making of any loan to or for the benefit of,—

(1) The government of any Italian territory, that is to say, the kingdom of Italy and the colonies or dependencies thereof and any territory in the effective military occupation of Italy;

(2) Any person, not being a body corporate, of whatever nationality resident in any such territory;—

A most extraordinary thing.

—or (3) Any person wherever resident being a body corporate incorporated under the law of any such territory.

A subsequent amendment of the same order provides that giving a guarantee or becoming party to a bill of exchange, or buying a bill of exchange, or giving credit in any form shall be deemed for the purposes of this article to be making a loan.

This order in council is entitled the Treaty of Peace (Covenant of the League of Nations) Order, 1935. But it was not made in pursuance of any obligations which Canada had as a member of the League of Nations, and it is a misnomer to call it a covenant of the League of Nations order.

The Customs Act in section 290, provides:

290. The governor in council may, from time to time, prohibit the exportation or the carrying coastwise or by inland navigation, of arms, ammunition and gunpowder, military and naval stores, and any articles which the governor in council deems capable of being converted into or made useful in increasing the quantity of military or naval stores, provisions or any sort of victual which may be used as food by man.

In so far as the order in council of November 15, 1935, P.C. 3594, prohibits exports from Canada within the terms of section 290 of the Customs Act, it was passed with the authority of parliament, but, in so far as the said order in council prohibits either exports or imports which are not authorized by the Customs Act,

I respectfully submit that the said order in council was passed without express parliamentary authority and is of doubtful validity.

Whence did the government assume that the extraordinary powers were derived which purport to be exercised in the order in council of November 15, 1935? The order recites that it is made under the provisions of the Treaties of Peace Act, 1919, but certainly no member of the House of Commons or of the Senate of Canada in 1919 conceived that the Treaties of Peace Act, 1919, would be construed, in 1935, to authorize the government of Canada, without the consent of parliament, that is, without the consent of both the Commons and the Senate of Canada, to prohibit all trade, all financial and business dealings between residents of Canada, and all those resident in Italy or in Italian territories, even though they be British or Canadian nationals temporarily resident there.

Moreover, if the government of Canada was authorized by that act of 1919 to impose economic sanctions against Italy or against any other nation, without consulting parliament, then the same act of 1919 authorized the government of Canada, without consulting parliament, to impose military and naval sanctions as suggested by the terms of the covenant of the League of Nations and to enter upon active warfare against any recalcitrant member of the League of Nations, Italy or any other nation, then or at a future date. When the parliament of Canada had the Treaties of Peace Act, 1919, under consideration, the Hon. W. S. Fielding, I well remember, inquired of the government of the day whether that involved the carrying out of the terms of the covenant. The question was first put, would it authorize the appointment of a delegate to Geneva in order that organization might be made under the league covenant, and the answer was a specific no, given by the Minister of Justice of the day, although later he did modify to a certain extent that emphatic no by saying that it might authorize the government to send a delegate to Geneva for the purposes mentioned.

The parliament of New Zealand, on November 24 last, enacted The League of Nations (Enforcement in New Zealand) Act, 1935. This special act authorized economic sanctions only, and provides that naval or military sanctions would require further special authorization by parliament. The New Zealand act empowers the governor general by order in council to make regulations enabling the dominion to fulfil its obligations under article 16 of the League of Nations to enforce economic sanctions, but it requires that all such regulations shall be laid before parliament within twenty days after the making thereof if parliament is then in session, and if not, then within twenty days after the commencement of the next ensuing session. This New Zealand act also provides that the regulations are to lapse on the expiration of two months after they have been so laid before parliament except so far as they are expressly validated or confirmed by an act of parliament. By that New Zealand legislation the rights of parliament are strictly preserved.

Again, the parliament of Australia, when called upon to deal with the matter of sanctions, passed an act relating to the application of sanctions against Italy for the purpose of implementing the proposals of the coordination committee of eighteen.

On November 7 last the Dail of the Irish Free State also enacted a special statute entitled the League of Nations (Obligations of Membership) Act for the same purpose.

No session of the parliament of Canada was convened to consider this matter, and if the government of Canada had authority under the Treaties of Peace Act, 1919, to enter upon and prescribe economic sanctions, it had exactly the same authority to provide for naval and military as well as economic warfare against Italy. The Treaties of Peace Act, 1919, which is chapter 30 of the acts of parliament for that year, recites that on behalf of the allied and associated powers treaties of peace had been signed with Germany and Austria, and then provides:

> (1) The governor in council may make such appointments, establish such offices, make such orders in council, and do such things as appear to him to be necessary for carrying out the said treaties, and for giving effect to any of the provisions of the said treaties.

Did any mortal man in parliament or outside parliament in Canada conceive at that time, under that clause, which was intended and stated to be intended to wind up the matters relating to war under the war measures acts, and to adjust the conditions in Canada resulting from the war, that it was the intention that ten or twenty or one hundred years thereafter the government of the day would be authorized by such general terms to impose sanctions and to precipitate a state of war between this country and any other nation that was a party to the covenant?

Discussions in the commons in 1919 were participated in, if I remember correctly, by the Minister of Justice of this day. I believe that the Minister of Pensions was then in parliament, and that he asked very pertinent questions with regard to the purpose and in-

tent of that act, and it was explained that it would merely authorize the government to adjust financial and other matters such as indemnities, reparations and the like, arising out of the war, and then awaiting adjustment and settlement. It was never suggested to parliament that for a decade or a century in the future that act would authorize the government of the day by order in council to exercise the powers and legislative functions of parliament in relation to all matters arising out of the operation under the covenant of the League of Nations.

When the covenant of the League of Nations was under discussion in the parliament and press of this country in 1919, special emphasis was laid upon the last two paragraphs of article 4 and the first paragraph of article 5 of the covenant. It was then explained and contended by those then advocating the ratification of the covenant, that in respect of any prospective decision of the council of the league that might specially affect the interests of any member of the league which was not represented on the council, such a member would be invited to send a representative to sit as a member of council and to vote in respect of that decision, and that, as such decision must be unanimous, Canada, even as such member pro tempore, would have the power to veto any proposed decision specially affecting Canada's interests. That was so stated to be the purpose and intent of the provision. This contention was based on the provisions of articles 4 and 5 of the covenant, which read as follows:

> Article 4. Any member of the league not represented on the council shall be invited to send a representative to sit as a member at any meeting of the council during the consideration of matters specially affecting the interests of that member of the league.
>
> Article 5. At meetings of the council, each member of the league represented on the council shall have one vote, and may have not more than one representative....
>
> Except where otherwise expressly provided in this covenant or by the terms of the present treaty, decisions at any meeting of the assembly or of the council shall require the agreement of all the members of the league represented at the meeting.

It was impossible to reach within the terms of the covenant any agreement between all the nations represented on the League of Nations to enter upon any campaign of sanctions against Italy. There were, and it was openly stated that there were, two or three who were recalcitrant and would not endorse a unanimous resolution to enforce sanctions against Italy. But those who were anxious to impose sanctions against Italy very adroitly arranged that, outside the league assembly, outside the organs of the league, representatives of the governments might be convened and a new organ created of those members who were agreeable to and accepted the proposal to impose effective sanctions against Italy. We saw it stated in the press from one end to the other of this country and in other countries as well that this committee which was so constituted was not a league organ but was created outside the league, and was not merely carrying out the terms of the covenant of the league. In my opinion it was a mere pretence to assume that the character and dignity of the league would cover such action as might be agreed upon independently by certain members of the league in the adoption and enforcement of sanctions against Italy.

Hon. members are aware that after full discussion in the assembly of the league and its committees in the years 1921, 1923, 1924 and 1925, various proposals were presented for amendments to sections 10 and 16 of the covenant of the league, which could only be invoked by such unanimous action as I have stated. In order to provide uniform methods whereby military and naval sanctions might be adopted and enforced, a treaty of mutual assistance was drafted at Geneva in 1923 and reported for the favourable consideration of members of the league. That draft treaty provided in detail for the coordination of all measures for the enforcement of military and economic sanctions against a recalcitrant member of the league. That draft treaty was intended to define and supplement the existing obligations contained in article 16, and to obviate the necessity of unanimous agreement for the adoption and enforcement of sanctions.

The Prime Minister of that day, who is the Prime Minister of to-day, in a memorandum to the League of Nations, signed by himself on behalf of Canada, declined to approve the proposed treaty of mutual assistance on the ground that Canada would not agree "to transfer the right to decide upon the scope of the action Canada should take from the Canadian parliament to the council of the League of Nations." The letter of the present Prime Minister rejecting, on behalf of Canada, the proposed treaty of mutual assistance was dated July 9, 1924, and will be found in the records of the assembly of the League of Nations for 1924, at page 146. This letter reads in part as follows:

> Canada has already indicated disapproval of the interpretation of the terms of article 10 of the covenant as implying an obligation upon her to intervene actively under that article. The proposed treaty creates an obligation wider in its extent and more precise in its implications than any which article 10 could be interpreted as imposing, and it proposes, moreover, to transfer the right to decide upon the scope of the action Canada should take from the

Canadian parliament to the council of the League of Nations. It is true that, for the purpose of deciding upon the assistance to be given by Canada, the council would include a Canadian representative and that the draft limits the liability of a signatory in another continent to measures not involving naval, military or air operations.

In that respect it was less onerous than the terms of the covenant. The Prime Minister continued:

But the presence of a Canadian representative on the council would hardly compensate for the, at least nominal, transfer of authority, and, again, Canada's position in the British empire effects the protection afforded her by the continental limitation of which in any event the utility is uncertain since it appears doubtful if hostile action can widely or indeed safely be undertaken by any state upon the principle of limited liability.

There was then no doubt in the mind of the present Prime Minister that the imposition of economic or military sanctions by Canada against any recalcitrant member of the league must first be specially authorized by the parliament of Canada. At that time public discussion of the liability of members of the league in regard to the enforcement of military and economic sanctions against an aggressor state became very lively indeed. The proposed treaty of mutual assistance in the carrying into effect of these sanctions failed to obtain general support and was never brought into force. Not only did Canada not accept it, but she made independent representations to Great Britain with respect to it and Great Britain failed to accept it as well.

As a result of these discussions, the matter was again brought up at the imperial conference which met at London in 1926. That imperial conference adopted a resolution recommending that a certain procedure should be observed in the negotiation, signature and ratification of international treaties and conventions. On his return to Canada, the Prime Minister of that day expressed himself as not being satisfied with the form of the resolution proposed and approved at that imperial conference of 1926. On June 21, 1926, as reported on page 4758 of Hansard of that year, the Prime Minister of that day, the right hon. gentleman who is Prime Minister to-day, submitted this resolution of the imperial conference for the approval of the House of Commons, but he attached to the imperial conference proposal a very significant clause. The Prime Minister's resolution, after citing the procedure mentioned, proceeds as follows to indicate that independent action should be taken by Canada:

This house approves of the procedure proposed for the negotiation, signature, and ratification of treaties and conventions, and advises further that before His Majesty's Canadian ministers advise ratification of a treaty or convention affecting Canada, or signify acceptance of any treaty, convention or agreement involving military or economic sanctions, the approval of the parliament of Canada should be secured.

At that time I sat as a member of His Majesty's loyal opposition and the Conservative members of that opposition asked me to discuss in the house the terms of that resolution. During his remarks on that occasion, the Prime Minister said, as reported on page 4756 of Hansard:

We declare that in regard to the ratification of treaties, conventions or agreements involving military or economic sanctions we stand first, last and always for approval in the first instance by the parliament of Canada.

In reply to a question put by myself, the Prime Minister said, as reported on page 4768 of Hansard:

What I wish to make clear, however, was that all treaties or conventions involving military or economic sanctions must come before parliament, and where military or economic sanctions were involved I wished to make the terms broad enough to include agreements, so that in referring to treaties or agreements of any kind we should not have a difference over the mere use of words.

In commenting upon this, the former member for Labelle, Mr. Bourassa, gave the following interpretation, to which no member of the government or any member of the house dissented at the time:

The government invites the cooperation of parliament and declaration by parliament that no treaty, convention or agreement, whether Canada is mentioned or not, but involving military or economic sanctions, shall be accepted by the government of Canada without the approval of parliament.

Representing for the day His Majesty's opposition, I commended highly the stand taken by the Prime Minister. The result was that the resolution which I have mentioned passed this house unanimously.

Therefore I was somewhat surprised on February 11 last, with respect to the statement of the Prime Minister regarding the sanctions enforced against Italy by Canada, by orders in council to which I have called attention, and without parliament being called together, without the opinion of parliament being taken, without that confirmation of the action of the government which was necessary if the pledge given to parliament and the resolution adopted by parliament were to be carried into effect, as understood at the time, in 1926—I was somewhat surprised, I say, at the statement of the Prime Minister on that date:

On October 29th I issued a statement to the effect that Canada would apply these sanctions. Sanctions were enforced by Canada on the

following dates: Embargo on the export of arms, October 31st, 1935; prohibition of credits to Italy, November 15th, 1935; embargo on imports from Italy, November 15th, 1935; embargo on exports of certain key products to Italy, November 15th, 1935.

I have referred to these orders in council, and so far as I can discover, apart from the particular section of the Customs Act which partly authorized the first order, there was no authority outside of the Treaties of Peace Act, 1919, the purpose and import of which had time and time again been stated to parliament as being restricted to the closing up of incidental matters which were left to be settled between the allied governments and the other governments after the Treaty of Peace had been ratified. But certainly the imposition and enforcement of such sanctions by order in council, under a new agreement made by this government's representatives, without the sanction of parliament, was a violation of the resolution of the Prime Minister, which I have read and which was unanimously approved on June 21, 1926. In discussing the matter at the opening of the session a question was put in reply to which the present Prime Minister said, as reported at page 94 of Hansard of the present session:

May I say to my right hon. friend, because I understand his difficulty in appreciating the situation, that the committee of coordination at Geneva was not a League of Nations committee in the sense in which I have no doubt he regards it. It was not a committee of the assembly nor a committee of the council. It was a committee of representatives of different countries represented at Geneva who took under review the question of deciding what particular sanctions the different countries that were representatives of the league would agree upon. This committee set up a further committee of eighteen.

Mr. MACKENZIE KING: Will my hon. friend pardon me a moment. I understand it is agreeable to hon. members that we should proceed past eleven o'clock, seeing that there is a bare possibility of proroguing some time to-night. To enable us to sit after eleven it will be necessary to have a motion put and adopted, with the Speaker in the chair. I would therefore move that the committee rise, report progress and ask leave to sit again this day.

Progress reported.

BUSINESS OF THE HOUSE

Mr. MACKENZIE KING: I move that the house shall not be adjourned at eleven o'clock p.m. this day and that standing order 7 in relation thereto be suspended.

Mr. HEAPS: May I ask the Prime Minister until what time he intends that the house shall sit.

Mr. MACKENZIE KING: That will depend on hon. members. I believe there is a disposition on the part of all to conclude some time to-night, and unless there is strong objection we shall proceed until we do.

Mr. BENNETT: Would the representative of the crown attend after midnight?

Mr. MACKENZIE KING: The deputy of his excellency has been extremely obliging as far as parliament is concerned, and has informed me that he is prepared to come at any time. Moreover, there is precedent for parliament proroguing as late as half past one o'clock in the morning.

Mr. HEAPS: There are some hon. members who think we might sit for a while longer and if necessary come back in the morning and finish up early.

Mr. MACKENZIE KING: We might see what progress we make.

Mr. POULIOT: Ask St. Lawrence-St. George to make it snappy.

Motion agreed to.

SUPPLY

The house again in committee of supply, Mr. Sanderson in the chair.

DEPARTMENT OF EXTERNAL AFFAIRS

Geneva—Publications of League of Nations for distribution to members of parliament and a grant to the League of Nations Society in Canada, $3,000.

Mr. CAHAN: At a meeting of the council of the League of Nations—

The CHAIRMAN: I regret having to interrupt the hon. gentleman, but he has spoken forty minutes.

Mr. BENNETT: But he was interrupted.

The CHAIRMAN: He was given extra time on account of the interruption.

Mr. BENNETT: But the Speaker resumed the chair.

Mr. CAHAN: Perhaps I am taking a mistaken view of the importance of this question, but I do regard it as very important indeed. At a meeting of the council of the League of Nations held on October 7, 1935, a committee of the council, appointed on October 5, reported in effect:

(1) That a state of war exists between Italy and Ethiopia.

(2) That war had been resorted to by Italy in disregard of article 12 of the covenant of the League of Nations.

It was perfectly clear, and admitted, that the ordinary procedure under which unanimity would be required in the council and in the assembly in order to carry out, under the League of Nations, the proposed economic war against Italy by imposing sanctions, was impossible of achievement; and therefore, at a plenary meeting of the League of Nations held on October 10, 1935, the president made a statement which, in the official report of that plenary meeting of the assembly, reads as follows:

The president said that the general committee had considered, with a view to laying suggestions before the assembly, what arrangements might be suggested for the constitution of the organ of coordination. The delegation of Italy, vice-president of the assembly, sitting in that capacity in the general committee, had stated, at the opening of the meeting, whilst repeating his earlier reservations, that he would abstain from taking part in the deliberations.

Then he proceeds:

He would add that the organ which the members of the league were invited to constitute was not an organ of the assembly or of the council. It would be a kind of conference of members meeting to consult together with a view to applying the provisions of article 16.

That was indeed a very suave and tactful way of stating that a new international agreement was proposed to be framed by which the nations which accepted it would commit themselves to the imposition of economic or military sanctions against Italy. It was a coordinating committee. It was not deemed to be an organ of the council or an organ of the assembly of the league. It was merely a meeting of representatives of member states to frame a new agreement among themselves as to the enforcement of sanctions against Italy. At page 267 of the Journal the Baron Aloisi of Italy said:

The proposed committee could not therefore be regarded as in any way an organ of the league. As the president himself had explained, it was only a conference of certain states consulting together on the steps which they would agree to take on their own responsibility.

I am anxious to conclude and shall go through my notes as rapidly as possible. At page 267 of the Journal the president replied:

No body of the league had the power to decide compulsorily for all members that one of them had committed a breach of the covenant.

[Mr. Cahan.]

Then he went on to say:

Having replied to the first observation of the delegate of Italy, he would admit that the delegate of Italy was right in respect of the doubts expressed regarding a vote on the resolution if the text before the assembly was to be regarded as a formal resolution of the assembly. In that case the question of unanimity or voting by a majority would arise. He had felt bound to state at once that, in the present instance, the assembly was not asked to consider a resolution in the strict sense of the word but an invitation addressed by the assembly to the states members.

The original draft used the word "invites" and he suggested that it should be replaced by "recommends" because there was no authority on the part of the assembly to invite such a conference. Then, without going fully into the matter, this coordination committee set up a committee of eighteen, consisting of the representatives of eighteen states. When this committee met Mr. Coulondre, the French representative—and I know Mr. Coulondre as one of the most astute officials on the permanent staff of the French foreign office—said:

The committee of eighteen, an offshoot of the coordination committee, was a conference of sovereign states—

And, as a conference of sovereign states it sought to reach an agreement between the several states respecting the enforcement of economic sanctions. Later the matter was dealt with. At this stage I do not intend to deal with the various discussions whereby Canada was represented on this coordination committee, or with the proposal of Doctor Riddell, as the representative of the sovereign state of Canada, or with the fact that the various representatives in discussing that proposition referred to it, as the official report shows, as the Canadian proposition.

Mr. POULIOT: I rise to a point of order. The hon. member, although he is making a very entertaining speech, is reading it.

Mr. CAHAN: I have to read extracts which are taken from the official reports of the League of Nations, and for convenience I have made typewritten copies. That was referred to as the Canadian proposal and the list of petroleum and derivatives, coal, iron, cast iron and steel, was referred to as the Canadian list. I do not think that was with a view to imposing any special responsibility upon Canada, but I can well understand how the press in considering these proposals would use the same term.

That agreement was reached with regard to the imposition of sanctions covering certain lists which were before the committee.

The committee of eighteen reported back to the coordination committee and the coordination committee adopted the report. So Canada entered into a new formal agreement with regard to the imposition of sanctions, an agreement which was not covered by the terms of the covenant and which was made through an organ, so-called, outside the council and the assembly.

I suggest that when the Prime Minister, as Minister of External Affairs, proposed the orders in council adopting and imposing sanctions, which have been laid upon the table of the house, he certainly had forgotten altogether the resolution of this house, introduced by himself, under which no agreement of any kind would be made thereafter—and that was in June, 1926—with regard to the imposition of economic or military sanctions without parliament being convened and confirming that agreement. I think, first, that except by resorting possibly to the peace, order and good government clause of certain then existing statutes, to which the Prime Minister would not resort under any circumstances on that date but to which he has resorted on several occasions since, there was no statutory or moral right or authority on the part of the government to adopt and impose the sanctions which I have mentioned, other than the embargo on the export of arms.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Chairman, I am sure my hon. friend the member for St. Lawrence-St. George does not regret more than I do that at this stage of the session and at this hour of a closing day it is not possible to go fully into the all important matters he has been discussing. What my hon. friend has said does bring out very clearly how involved with respect to the matter of sanctions the whole question of procedure at Geneva has been and also the necessity of careful revision of some features of the covenant of the league and the obligations assumed thereunder. That revision may be expected to take place this fall. I believe that what my hon. friend has put on the record this evening will be of assistance not only to our own government but to other governments as well in reviewing the entire situation.

As I understand my hon. friend's point of attack, it is mainly that the present administration imposed sanctions by order in council when a resolution had passed this house some years ago to the effect that the government should not in future enter into agreements to impose sanctions without the approval of parliament in the first instance. May I say in just a word that I had not forgotten the resolution of 1926. In fact it was very much in my mind at the time the government had to deal with this question. But it was perfectly clear to me then as it is now that the resolution related, not to treaties and agreements that had been entered into in the past, but to treaties and agreements which might be entered into thereafter. We were not entering into a new treaty; we were taking action under a treaty which had been in existence for some years. My hon. friend takes exception to our having acted under that treaty. May I say that if our course is to be condemned in that particular the British government itself must also be condemned, because it adopted an identical course, it proceeded under precisely the same treaty. The action taken by the British government in passing the orders in council imposing sanctions was taken under the Treaty of Peace Act, 1919 the action of the British government was taken before the Canadian government took the action it did.

May I point out further that the British government took the action it did by order in council while its parliament was in session. In the case of the other dominions I think most of their parliaments were in session at the time. We were faced with a situation which was one of great reality. It required to be viewed in a realistic manner. The problem with respect to the imposition of sanctions for the most part had presented itself before this administration came into office. To a certain extent it might be said that our hands were tied with respect to the action it would be possible to take. I prefer to say that we had to consider very carefully how parliament would view our action in imposing sanctions by order in council. Considering all the circumstances we felt that, having regard to the situation itself, to the position of hon. gentlemen opposite when they themselves were in office and the support which we as an administration had received from the country and would have in this parliament there was little doubt that, as soon as parliament did assemble, our actions would receive the support of hon. members on all sides. I think we were fully justified in making that assumption and acting in the light of it. The fact that this is the first time this question has been raised in parliament since parliament assembled some five months ago is the best evidence that the administration has a right to feel that it did act wisely and wholly in accordance with the wishes of hon. members of the House of Commons in this matter.

I do not wish to take up time, but I think it is important to make clear the following

facts, namely, that the assembly met on September 9 and adjourned on September 28; that the Italian forces entered Ethiopia on October 2; that the members of the council of the league approved the report of subcommittee indicating that Italy had begun war in disregard of the obligations of article 12 of the covenant on October 7; that the assembly concurred in the action of the council and passed resolutions recommending the setting up of a committee to coordinate measures to be taken under article XVI on October 10; that the committee of coordination set up the subcommittee of eighteen on October 11; that the coordination committee adopted four sanctions proposals on the following dates: October 11, prohibition of export of arms; October 14, prohibition of loans and credits; October 19, prohibition of imports of Italian goods; October 19, embargo on export of certain metals and other exports to Italy.

The committee recommended that the first recommendation should be put into force forthwith. All of that was done while hon. gentlemen opposite were in office, while my right hon. friend the present leader of the opposition was Prime Minister. All that had taken place before the present government assumed office at all. We came into office on October 23. We then had to consider whether we should immediately call parliament before imposing sanctions. Parliament could not have been brought together for at least another six weeks. What position would Canada have been in before the rest of the world had we called parliament together to consider what action should be taken on sanctions, and had waited six weeks or more before these sanctions were imposed, when it was recommended at Geneva by the powers represented there that sanctions, to be of value, should be imposed with as little delay as possible; forthwith, in fact? I have mentioned that the recommendation with respect to the prohibition of export of arms urged that the prohibition should be imposed forthwith. That was done by Canada on October 31, P.C. 3461, under section 290 of the Customs Act. I think my hon. friend will agree that under the Customs Act we had authority to do that. With respect to the second recommendation, the prohibition of loans and credits, on October 14 the committee—

Mr. CAHAN: Which committee?

Mr. MACKENZIE KING: This coordination committee.

[Mr. Mackenzie King.]

Mr. CAHAN: No; the coordination committee did not act until November 2.

Mr. MACKENZIE KING: I thank my hon. friend. I should have said the committee of eighteen.

Mr. CAHAN: That is a subcommittee simply making a recommendation.

Mr. MACKENZIE KING: This committee invited the governments of the principal states to put into operation at once such measures as could be enforced without fresh legislation, and to take all practicable steps to secure that the measures recommended be completely put into operation by October 31, 1935. Let me repeat, it was October 23 when the administration assumed office.

Mr. CAHAN: May I be allowed to make a statement, because I think the right hon. gentleman is giving an impression which he does not intend. It is true that the subcommittee reported at that time, but the coordination committee did not take action until November 2, at 3.30 p.m., when it passed a resolution requesting that full legal effect be given to proposals two, three and four by the members of the league by November 18. All that went before November 2 was simply preliminary conversations by certain subcommittees.

Mr. MACKENZIE KING: The different countries had to indicate what they would be prepared to do before the committee of coordination could take the action it did. As I say, and as my hon. friend says, these were necessary preliminary undertakings, and it was the only way in which matters could be arranged. It was in this way that the recommendations were brought into force at different dates by different countries, though the four chief European banking countries, Great Britain, France, Belgium and Switzerland, arranged to bring the recommendation regarding loans and credits into force simultaneously on October 29.

Mr. BENNETT: They asked to have them brought in by November 18, I think.

Mr. MACKENZIE KING: That is quite correct. In Canada, at the beginning of November, the Minister of Finance secured the cooperation of the chartered banks and other financial institutions in carrying out the recommendation. On November 15 an order in council, P.C. 3594, was passed prohibiting loans and credits to Italy. It was brought into force on November 18.

With reference to the third and fourth recommendations, the Secretary General of the league requested each government on

October 20, to inform the committee of coordination as soon as possible, and not later than October 28, 1935, of the date on which it could be ready to bring the measures provided for into operation. On November 2, as has been mentioned, the committee of coordination adopted a resolution fixing November 18 as the date of entry into force of these recommendations.

Mr. BENNETT: Nos. 2, 3 and 4.

Mr. MACKENZIE KING: Yes. The Canadian government brought them into force by order in council on November 15, effective November 18.

May I point out another circumstance which I suggest ought to be considered. The government had to consider the entire situation and ask itself what would be the result of bringing parliament together some six weeks later, the first session after a general election. One measure which we felt to be vital to the success of trade in Canada was if possible, a reciprocal agreement with the United States. Certainly no reciprocal agreement with that country could have been negotiated during that period of time had the government been obliged to take immediate steps to bring parliament into session. We would have lost all opportunity of getting that measure underway or securing it at all. A new government taking office after a general election, and after a previous government has held office for more than five years, is faced with a multitude of problems. To have immediately brought parliament together to deal with the question of sanctions would have meant that, so far as the business of the session was concerned, it would have been practically impossible to have had legislation in readiness for hon. members. Moreover, a wholly erroneous impression of the European situation might thereby have been created. If there had been the slightest probability that there would have been objection to not bringing hon. members together for the purpose of obtaining their consent before sanctions were imposed, I say that, notwithstanding all the difficulties there might have been, parliament would have been summoned for that purpose. But we believed—and I think this session has confirmed the wisdom of our decision—that, when they assembled, hon. members would view this matter in the light of all the circumstances, with which the government was faced, and would feel that the government had acted in a way which was most in accordance with their wishes and most in accordance with the will of the Canadian people.

I should like to put before the committee the position in which the country would have been if we had waited before imposing sanctions until parliament could assemble. This dominion would have been responsible for not having agreed to impose sanctions at a time when practically all other parts of the British empire and other countries members of the league had imposed them. We would have been open to criticism on this score. I think my right hon. friend, had he been in office, would have found, just as we found, ample precedent and authority in the example of the British government with respect to imposing sanctions by order in council, under the act to which I have referred.

I say all this without in any way wishing to indicate that I do not think the hon. member was quite within his rights in bringing up the matter and speaking as he did and, in fact, criticizing the government as he did. I fully expected that criticism would be made. I can only thank the hon. member for the considerate manner in which he has spoken, and I thank the house as well for not having found it necessary to seek to bring any criticism on this score until the last hours in the last day of the session.

Mr. CAHAN: With respect to New Zealand may I say that that country convened a meeting of its parliament and passed the League of Nations Enforcement in New Zealand Act, 1935, on November 24. They delayed until after November 24 to put their order in council into effect. They also provided that within twenty-eight days after the commencement of the next ensuing session, the one after the special session, the regulations would lapse unless parliament should ratify them within twenty-eight days after the next ensuing session. What the Prime Minister has said has some force. It has this force: That a government having serious problems to face must at times face them by taking action for which there may be no clear statutory authority at the time, feeling confident that when parliament meets it will by act of parliament ratify and confirm the action the government has taken. That has to be done frequently, in times of emergency. But when I raised the question at the beginning of the session and suggested an early discussion the Prime Minister asked to have it postponed to a later date, and suggested that at such later date the matter would be brought up.

Some hon. members on this side of the house were waiting until the last bill was brought down expecting that the government would bring down a bill and ask the house to ratify and confirm the action it had taken

with regard to sanctions. That was not done; it has not been done to date, though I really expected there would then be an opportunity to discuss the whole matter. Because, if this is to be taken as a precedent—and I trust it will never be taken as a precedent—then Canada may be forced into war, without parliament having been advised or given an opportunity to consider or prescribe such course of action as parliament may desire to follow. That is all I have to say at this time. At some future date, when there is an opportunity, I should like to say more, but I do not wish to prolong the discussion at this time.

Mr. MACKENZIE KING: I agree with my hon. friend when he says that the action of the government at this time should not be regarded as a precedent. I feel as strongly as he does that parliament should, in all of these matters, have its voice heard before the country is committed to anything that may involve us in a war.

I make no apology, however, for not having invited a debate on this subject at an earlier stage of the session. There again, what my hon. friend has just said about a government facing actual situations and deciding its course in the light of them, has its force. I believe I can say now, in the light of what has been said by the Prime Minister of Great Britain as to the significance which the imposition of further sanctions upon Italy would have, that there was the possibility of a debate in this house arousing adverse comment and possibly more in the way of misunderstanding in Europe. That would not have helped the situation there. After all, while the situation in Europe is of great concern to all the people in Canada, it is of infinitely greater concern to the people of European countries. They, I believe, were entitled to first consideration. I believe this parliament has contributed to the solution of that situation, in so far as there has thus far been a solution, much more effectively by its silence, up to the present—so far as it has been silent—than it would have contributed by any prolonged discussion.

Miss MACPHAIL: I am not going to enter into a lengthy speech at this hour of the night, but I am as anxious as the hon. member for St. Lawrence-St. George (Mr. Cahan) or any other hon. member to speak on this subject. I do not agree with the Prime Minister (Mr. Mackenzie King) in his last observation that anything which would be said in this parliament regarding Canada's foreign policy or her position in respect to sanctions, or on any other question, would be as upsetting as was feared.

Mr. MACKENZIE KING: May I interrupt my hon. friend at once? I hesitate to do so, but she has just said "or any other question." I have made no such statement. I confined what I had to say to the present very critical situation as it has been in the last month or two, and as the government has known it to have been.

Miss MACPHAIL: I disagree with the Prime Minister. I do not think a discussion in this house would have been upsetting, and I think it is a left-over of colonialism that we cannot discuss in the House of Commons matters which are freely discussed in the British house.

Mr. MACKENZIE KING: Again may I say to my hon. friend that I pointed out in this house that anyone who wished to bring up the subject could bring it up at any time we were going into committee of supply, but that he must take the responsibility for bringing it up, rather than that the government should take responsibility for introducing the discussion. I made that clear.

Miss MACPHAIL: Yes. Well, a debate in which the government would not take any part would have been a one-sided debate, so that the Prime Minister—

Mr. MACKENZIE KING: Oh, the government would have taken its part all right, but it would not have had the responsibility for provoking the debate.

Miss MACPHAIL: I doubt very much if the Prime Minister would have stated the position had the debate come earlier in the session.

I want to proceed now to say what I started out to say. I think we should have had a debate, not only for the one day which we were promised, but for several days, on Canada's foreign policy. We spent one month debating the trade agreement between Canada and the United States, which could not be in any way changed. A month is a long time, and I think most of the debate was useless.

Mr. MACKENZIE KING: It could all have been changed if the house had not approved it. My hon. friend is mistaken in saying that anything is done without the approval of the house.

Miss MACPHAIL: In theory that is true. In practice the house would approve it when the government approves it, because the government in this instance is almost the house. But we did take a month on the trade agreement between Canada and the United

States; we were promised by the Prime Minister himself a day to discuss Canada's foreign policy or external affairs, and we did not get anything like a day. All we got before six o'clock was a very interesting statement by the Prime Minister, for which I thank him, and in which he went further in the direction of my thinking than I expected he would go. It was a very interesting statement. It was one that touched many angles of the problem and one that gave me a desire to discuss it. But after the Prime Minister had finished his statement at six o'clock there were just two hours left, so that the day that we were to have for external affairs boiled down to just two hours. For this reason I protest. It is impossible to go on at this time; no one feels like it and the committee is not in a mood for it. But at another session the importance of Canada's external or foreign policy should be recognized by allowing plenty of time for discussion. We spend days and weeks in fairly futile talk, and why could we not have a debate on Canada's foreign policy? It seems hard to find a real reason. In the Prime Minister's speech, which I enjoyed, the other day, in the speech made by the hon. member for Essex East (Mr. Martin), to a degree in the speeches made by the hon. member for Winnipeg North Centre (Mr. Woodsworth) and by the leader of the opposition (Mr. Bennett), one could see a lack of clearness of thinking which I have and which we all have. That is, Canada is only feeling its way to a much more distinctively Canadian foreign policy than we have ever had before.

Three lines of thought showed very distinctly in at any rate three of those speeches: the collectivist or league line of thinking, which in theory we all once subscribed to, the imperialistic line of thinking, and last, the more isolationist or North American way of thinking. I am not clear and I do not believe any other hon. member is very clear about what he or she thinks Canada should do, other than we feel that Canada's foreign policy should be determined by Canada's interests and should not be too closely allied either with empire policy, or with league policy unless league policy is materially changed from what it is at the moment. I am not going on, because it is useless to do so. But I repeat that at another session not only one day but several days should be available so that the House of Commons may in some degree clarify its thinking on this subject, which is certainly a very important one, and much more important than, shall we say, the trade agreement with the United States, on which we spent a very long time.

Mr. BENNETT: The address which the hon. member for St. Lawrence-St. George delivered was prepared over six weeks ago. We—for I associate myself with him—have been watching for an opportunity, believing that the government would ultimately introduce a bill to ratify what had taken place. I think it was not too much to expect, when we were asking about legislation that would probably be included, but it was not introduced. As to dealing with the matter on going into supply, we had only Mondays and Tuesdays and Wednesdays. If one will look at the record he will find that the number of days we had an opportunity to do that were extremely limited. I have been waiting for an opportunity to take up what I dealt with, for instance, to-day, and the opportunity was very slow to present itself. I quite agree that the position the Prime Minister has mentioned is one of extreme difficulty, and one that I think any one of us, if we had to meet it, would find it difficult to deal with in any way, perhaps other than the way in which it was dealt with, having regard to the fact that we had a general election and it was difficult to call the house together, the slowness of making returns to writs, and matters of that kind. But it is competent for this parliament by proper enactment to express its ratification of what had taken place and make it retroactive in character, that is, to validate the order in council in that sense, and we have been doing that this session with respect to many matters, carrying the provision back to a date antecedent to that on which we legislated. I say it would have been quite competent to have done that in view of the commitments which were made in 1926, which were unanimously adopted by this house, in consequence, I think, largely of the general expressions that were made by the Prime Minister in answer to the discussion which was precipitated by the questions of the hon. member for St. Lawrence-St. George. That is the only observation I have to make, because I appreciate the difficulties the Prime Minister has had. My real criticism is that no validating legislation was offered to this house.

Mr. MACKENZIE KING: May I just say that the reason no validating legislation was offered in this parliament is precisely the same as the reason why no further legislation was found to be necessary in the British parliament. The British government acted by order in council under the Treaty of Peace Act, 1919. Its action was clearly approved by the parliament of Great Britain. I think we were equally wise and sensible in adopting

a like attitude in this parliament. I say to my right hon. friend that I do not believe he himself would have sought to propose any vadidating legislation at any stage of this parliament except the one we have now reached.

Mr. BENNETT: My observation was made in view of the commitments entered into in 1926, which were not made by the British parliament.

Mr. MACKENZIE KING: That commitment, as I have already said, related to agreements and treaties that might be entered into after that date, not with respect to obligations which had been assumed prior to that time.

Mr. BENNETT: There is a clear distinction in the resolution between treaties and agreements and conventions.

Item agreed to.

LEGISLATION

Library of Parliament—
Salaries, and to authorize payment of M. C. MacCormac from April 1, 1936, to September 30, 1936, $45,429.
Books for the general library, including binding, $17,000.
Books for the library of American history, $1,000.
Contingencies, $12,500.
To provide for the cost of printing reports, $1,000.

Mr. WOODSWORTH: Mr. Chairman, I must protest against this procedure. We cannot find the items as fast as you call them. There are limits beyond which this committee ought not to be allowed to go. If we are not permitted to find the items before they are carried, I think it is high time we gave up for to-night and came back in the morning. I wanted to speak for a moment on this item, and I shall not hold up the committee very long as I do not want to disregard the general feeling to-night. Again and again some of us have felt that our library is a disgrace to this parliament. We are facing the necessity of appointing a new librarian in the near future and I think we ought to have a man who knows library work. There should also be a reorganization of the whole institution from top to bottom along modern lines. I know a little about libraries and I do not know of any staff more kindly and considerate than the one we have here, but I think it is perfectly ridiculous that the parliament of Canada should not have a better system in its library. I want to protest against the appointment of a new man simply for political reasons and not one who is thoroughly conversant with library work. Any assistants who are appointed should be thoroughly trained in this work. Instead of putting up buildings to house the mounted police, we should provide a decent stack room for our library. Also we could have an index along modern lines. I should have liked to have the time to deal at some length with what I think might be done, but at this time I must be content with these remarks. I again protest against this rushing through of estimates which occurs year after year and which does not give a chance to hon. members to express their views.

Item agreed to.

DEPARTMENT OF IMMIGRATION AND COLONIZATION

Empire settlement scheme, $6,800.

Mr. WOODSWORTH: What is this empire settlement scheme?

Some hon. MEMBERS: Carried.

Mr. WOODSWORTH: If this is what is to happen in this committee we might as well admit that this boasted parliamentary institution of ours is becoming a mere farce. I asked a plain question and I think I should receive an answer.

Mr. MACKENZIE KING: Let it stand for a minute.

Mr. WOODSWORTH: If the minister himself does not know what the scheme is, then I think it is a rather serious state of affairs.

Hon. T. A. CRERAR (Minister of Immigration and Colonization): I ask my hon. friend to give me an opportunity to get this information. I think it is asking too much to expect a minister to carry the details of four or five departments in his head. I do not think the tone of the hon. member's remarks is called for at all. If he will give me an opportunity of getting the deputy here he will have his information in a few minutes.

Mr. WOODSWORTH: In the meantime, may I suggest that if it is too much to ask that of the minister, is it not too much to ask the committee to pass these items without any information being given?

Mr. CRERAR: I quite agree with that and I am not dissenting from the criticism my hon. friend has made. In 1923 there was inaugurated what was known as the 3,000 family scheme for the purpose of bringing 3,000 British families to settle in Canada. That was a cooperative arrangement and it has been discussed at various times in the house

in previous sessions. This item is simply to clean up some of the outstanding unsettled items with the British government.

Item agreed to.

Soldier and general land settlement—
To provide for the cost of administration of soldier settlement and general land settlement, and for the cost of administration of soldier settlement staff, performing investigations for the war veterans' allowance committee and Farmers' Creditors Arrangement Act, $786,300.

Mr. WOODSWORTH: Could we have an explanation of this large item which involves an increase of $12,700?

Mr. CRERAR: The increase is practically all due to the statutory increases to the employees in that branch.

Mr. BENNETT: In connection with the Farmers' Creditors Arrangement Act, may I say that I think those who occupied positions under this act and who were appointed under the statute for five years should be given something more than a month's notice of the termination of their employment. There are two or three cases which I think the government would do well to consider carefully and determine whether it would not be consistent with the general view taken by the government in connection with these appointments to do something more than has been done. There is not a single person left except the judges.

Mr. DUNNING: My right hon. friend is discussing an entirely different matter.

Mr. BENNETT: This item refers to the Farmers' Creditors Arrangement Act. I merely suggest to the government that they give sympathetic consideration to these cases. Similar representations were made to the late government in connection with other matters of the same kind and they were dealt with in a much more sympathetic manner.

Mr. CRERAR: May I point out to my right hon. friend that this item has nothing to do with the administration of the Farmers' Creditors Arrangement Act. This is merely some appraisal work which the soldier settlement board inspectors do when requested by the authorities in charge of the administration of the Farmers' Creditors Arrangement Act.

Mr. BENNETT: As long as it comes under the act, that is all I desire to say, because it involves the payment of costly administration for part of the work done under the Farmers' Creditors Arrangement Act, and it affords me an opportunity, not to say the things I might properly say, but to suggest that it would be at least—

Mr. STIRLING: Decent.

Mr. BENNETT: My hon. friend says 'decent." I put it no more strongly than this, that it would be at least reasonable for the government to consider giving more sympathetic treatment than has been accorded to those who made arrangements in consequence of their appointment, changed their homes and found themselves, with a month's pay, relieved of their positions under, in some cases, extremely difficult conditions. I merely ask the minister to give careful and sympathetic consideration to the matter. The Minister of Finance is, of course, more vitally affected than the Minister of the Interior. The dictates of reason, of sympathy and of the decent amenities of public life would warrant more sympathetic treatment being accorded the people of whom I have spoken than they have yet received.

Item agreed to.

Miscellaneous—
To provide for the administration of the Royal Canadian Mint, including salaries, contingencies, retiring and other allowances, and general expenses, $230,000.

Mr. WOODSWORTH: Why the increase?

Hon. CHARLES A. DUNNING (Minister of Finance): An extension has been built owing to an increase in business. The increase is to provide for statutory increases in wages and salaries, $9,500; for equipment for the new refinery, $5,000; for recovering values from the old refinery, $7,000; and for contingencies. The increased expenditure is due to new business.

Item agreed to.

Administration of the Old Age Pensions Act, $12,000.

Mr. BENNETT: Can the minister give particulars of the probable increase by reason of Quebec accepting old age pensions?

Mr. HEAPS: Perhaps the minister will give us an approximate figure as to the number of persons he expects to come under the provisions of the act in the province of Quebec.

Mr. DUNNING: The final estimates have not been completed with respect to the anticipated cost in the province of Quebec. Naturally experience is more important than any estimate in connection with a matter of this kind, but it is anticipated that the additional cost to the dominion in consequence of the addition of the province of Quebec will be in the neighbourhood of $6,000,000.

Mr. BENNETT: I thought it would be more than that.

Mr. HEAPS: Then the minister cannot give us an approximate idea as to the basis of his figures? Did he take Ontario as an example, for instance?

Mr. DUNNING: There are 54,000 pensioners in the province of Ontario.

Mr. HEAPS: Is the minister basing his Quebec figures on Ontario?

Mr. DUNNING: Partly; population, character of population; character of institutions, character of family relationships, and so on. There are a good many indeterminate items, and really I must confess that I have not pressed the officers of the department to try to come very close with regard to the matter, because the statute is there and the cost must be met, whatever it is,

Mr. BENNETT: But it is important to know. The minister's estimate would cover only about 25,000 people.

Mr. DUNNING: Yes.

Item agreed to.

To provide for payments in connection with the movements of coal under conditions prescribed by the governor in council and for the cost of administration thereof, $1,950,000.

Mr. CAMERON (Cape Breton): Mr. Chairman, I am very much interested in this item, but at this late hour I do not intend to say all that I was going to say if it had come up at an earlier stage of the session. This item has to do with subventions in connection with the movement of coal, and I wish to express my appreciation of the attitude of the government towards these subventions for the present year. These subventions have been provided by successive governments since 1924, and they have increased to some extent until the present year. I had intended to make an appeal to the government still further to enlarge the amount of the subventions to be voted, on the ground that I believe this would be probably one of the most productive investments we could make in the way of solving our unemployment problem. I have now made up my mind, however, that instead of going into the matter as fully as I had intended I shall submit a statement to the government in writing, because the argument I intended to present to-night would have had for its purpose only to ask the government to look into the question of subventions more fully during the recess in the hope that a permanent policy might be evolved for submission to parliament at the next session.

The other matter I had in mind has to do with the question of coal from another angle, that is, supplying our Canadian needs from

our Canadian mines. We have sufficient coal in Canada to supply all our needs, but unfortunately these coal deposits are so situated geographically that it is somewhat difficult to overcome that handicap and sell our coal in competition with the American products in the markets of central Canada. The most serious problem with regard to unemployment with which we have to contend in Nova Scotia is the industrial centres around the coal producing areas of that province. It is estimated that if we could market an additional two million tons of coal per annum we would be able to take care of the unemployment situation in those centres. According to the returns of the bureau of statistics there are about two million tons of coal used in the manufacturing industries of Ontario over and above the coal supplied by the Nova Scotia mines. There are about nine million tons consumed in Ontario in all, over and above the coal supplied from Nova Scotia and if, with the aid of subventions, we were able to provide the entire coal requirements of Ontario we would be keeping within the country something like $60,000,000 annually.

I believe we could do that with a comparatively small expenditure, probably not more than $5,000,000, and my first submission is that as a national investment we would be furthering our own best interests if we broadened our coal policy in that regard. I believe that would go a long way towards solving our railway problem. It would take up the slack in respect to labour as far as unemployment on our railways is concerned.

Some hon. MEMBERS: Carried.

The CHAIRMAN: Order.

Mr. CAMERON (Cape Breton): I want to say, Mr. Chairman, that if I am not interrupted I do not intend to take many minutes, but if there is any man in this house who thinks he is going to prevent me from expressing my opinion by calling "carried," he does not know to whom he is talking.

What I am particularly concerned about to-night is not so much placing my opinions with regard to coal subventions before this committee as it is with regard to a question which was asked here the other evening concerning the possibilities of a trade treaty with Russia. One of the items which undoubtedly will be made the subject of discussion in regard to a treaty with Russia will be the matter of coal, and every ton of Russian coal that will come into Canada by virtue of any agreement which may be entered into can have only the effect of displacing a ton

of Canadian produced coal, which will be bound to lead to increased unemployment in our Canadian mines.

Mr. REID: What about anthracite?

Mr. CAMERON (Cape Breton): Anthracite screenings from Russia will take the place of bituminous coal from the east for power purposes in the manufacturing centres of this country. We can produce coke in this country to take the place of the very best anthracite in the world. I wish to point out—I have these figures from the fuel board—that last year there was imported into the United States over 400,000 tons of anthracite coal from Russia over a duty of $2 a ton. In my judgment it will be impossible to arrange with Russia, having regard to what they were able to accomplish against a duty of $2 a ton going into the United States, a trade treaty including coal which will not be of serious damage and injury to the coal industry of the Dominion of Canada.

I am of the opinion that many hon. members fail to realize the tremendous economic importance of the coal mines in Nova Scotia. Last year even with the depression there was paid out in wages to the working men of that province over $14,000,000. I say to my friends from Ontario that the industrial centres of Nova Scotia furnish one of the very best markets in Canada for both the manufactured goods and the agricultural products of the great province of Ontario. I propose to develop this feature further if I am spared at another session; we of the maritime provinces at confederation were given the assurance that we might expect the market for our coal not alone of Quebec but of Ontario. I can prove that from the records antecedent to confederation. Economically we have a splendid case for the consideration of the government, and from the standpoint of the development of this dominion we in the maritime provinces have a right to expect the most favourable consideration.

I have been associated more or less with public life for the last forty years, and one of the great questions always before the public of the maritime provinces has been the attitude of the federal government in regard to coal and steel. I should like to see in this parliament favourable consideration given to that subject, and as far as I am concerned if I felt that I contributed in the least degree towards a policy which would stabilize the attitude of all governments toward this great industry, to bring it out of the doldrums in which it has been struggling for some time and place it on a basis whereby those who have their money invested in this great enterprise will be able to go forward and develop it so that it can make the contribution of which it is capable towards the economic life of this dominion, I shall be amply satisfied. I regret that I have taken so much time, but I feel very keenly on this matter. I want to emphasize my profound fear with regard to the question of Russian coal coming into competition with coal produced in Canada.

Mr. BROOKS: I had intended to make some extended remarks in connection with the subvention for coal, but briefly I want to protest on behalf of New Brunswick against the fact that the coal miners in that province have not received the same consideration as have the coal operators in Nova Scotia. I am glad indeed that Nova Scotia has received this consideration, but we have a thousand men employed in the town and area of Minto, who for the last four or five years had almost steady employment. But to-day they are working only two or three days a week. The coal operators have applied to the government but have received no consideration, and on that ground I want to register a complaint on their behalf.

Mr. HEAPS: Would the minister kindly tell the committee the basis of this subvention to the mining industry of the maritime provinces?

Mr. CRERAR: The arrangement was entered into a little over ten years ago, or rather the subvention principle was adopted. The purpose was to put Canadian coal, particularly that from Nova Scotia, into a position to compete effectively with coal imported from the United States. To do that a complicated system of accounting was worked out. The subventions have been paid since that time on the basis of what is required to enable Nova Scotia coal to compete with American coal.

Mr. BENNETT: A rate per ton per mile.

Mr. CRERAR: Yes, based on a rate per ton per mile, and undoubtedly it resulted in a great deal of Nova Scotia coal moving to the western part of Quebec and on into a considerable area of Ontario.

Mr. HEAPS: Will the minister inform the committee how much coal was involved in this item of $1,950,000? Can he tell the committee how it works out per ton?

Mr. CRERAR: I cannot at the moment give the information as to the number of tons that were assisted. The amount paid in subventions last year was slightly under $2,000,000. Some of that went to western Canada; one figure that sticks in my memory is that the subvention paid on the movement

of Alberta coal into Ontario last year was $65,000. It was at the rate of $2.25 a ton. The information is available; I can give it in a moment.

Mr. CAMERON (Cape Breton): About 1,400,000 tons for Nova Scotia.

Mr. CRERAR: As the hon. member for Cape Breton North-Victoria has said, the amount of coal which received subvention assistance last year from Nova Scotia amounted to about 1,400,000 tons. To be exact—and I always want to give the exact information to the hon. member—it is 1,498,000 tons.

Mr. HEAPS: The minister does give that information, and I do not ask for it very often. It works out to $1.40 a ton.

Mr. BENNETT: There is more besides that. What about western Canada coal?

Mr. HEAPS: There is very little.

Mr. BENNETT: Oh, no.

Mr. CRERAR: The average on the Nova Scotia coal is 83 cents per ton.

Mr. HEAPS: Eighty-three cents is not very much, but at the same time I always feel these subventions are not consistent with the Liberal policy. I hope some day we shall get away from coal and wheat subventions. I always like to get at the costs of production between this and other countries with which we compete. I do not wish to delay the passing of the vote, but my view is that the cost of Nova Scotia coal at the mine mouth is probably fifty per cent higher than similar coal in the United States. I do not wish to go into that question now, but it is an important point. When the matter is raised at another session we shall give it further consideration.

Mr. CAMERON (Cape Breton): The report of the bureau of statistics shows that bituminous coal from the United States is sold at about $1 a ton higher than Nova Scotia coal is sold at in the markets of Quebec.

Mr. HEAPS: I did not hear the hon. member.

Mr. CAMERON (Cape Breton): The report from the bureau of statistics shows that the average price of bituminous coal from the United States is about $6 a ton in Ontario centres.

Mr. HEAPS: I am talking about the cost of coal at the mine mouth.

Mr. CAMERON (Cape Breton): Well, the cost of coal at the mine mouth, plus railway haul would work out about right.

[Mr. Crerar.]

Mr. HEAPS: No; there is no "railway haul" about it; I am talking about coal at the mine mouth.

Mr. CAMERON (Cape Breton): But you get at it pretty closely by taking the railway haul from the $6 price. May I make one further observation, namely that the production of coal involves about sixty-four per cent labour, a point worthy of consideration.

Mr. MacNICOL: What is the price of soft coal in Ontario?

Mr. CAMERON (Cape Breton): I do not know what the retail price is, but I have said that the bureau of statistics has given the total amount paid for it, and it works out to about $6 a ton.

Mr. MacNICOL: It is $7.50.

Mr. NEILL: I notice a big reduction in the vote. I trust the bonus paid in British Columbia on the coal mined on Vancouver island has not been reduced.

Mr. CRERAR: No; I assure the hon. member there is no change.

Mr. HEAPS: Has this subvention had the effect of increasing the production of coal in the maritime provinces?

Mr. CRERAR: I am informed that the production last year was practically the same as in 1934. If we contrast that figure with those of several years ago we find there has been a change. The depression has had its effect. Better methods of using coal for heating purposes, and the use of fuel oil have operated to reduce the normal consumption of ten years ago.

Mr. HEAPS: Could the minister give the figures for some years, giving first those for the first year of the subvention, and then those for other years leading up to the present time?

Mr. CRERAR: In 1928, with the subvention the production of coal in Nova Scotia amounted to 6,700,000 tons. In 1935 it was 5,800,000 tons.

Mr. BENNETT: That is hardly the fair way to put it. The movement to Quebec and Ontario has increased. The increased markets in Ontario and Quebec have been made by the subventions.

Mr. McNIVEN (Regina): I notice we are called upon to vote nearly $2,000,000, and I have observed that since 1928 the vote has been regularly approved. I would gather from the remarks of the minister that at no time including this evening has there been any reservation in so far as labour is con-

cerned. I am going to say that where government moneys are concerned there should be a definite reservation that labour should be paid a fair wage in connection with the mining of such coal. I state definitely, positively and from personal knowledge that that has not obtained in the past, in so far as Saskatchewan coal is concerned. In respect of certain agencies there is a premium paid in excess of the cost of mining and placing that coal upon the market in which it is sold. In respect of other agencies there is no relationship between the cost of production and the amount that is paid to labour for the production of such coal. I state, generally, that where government moneys are paid in regard to subventions or subsidies or bonuses, or in respect of tariffs of any kind, the Department of Labour has a distinct and separate responsibility to see to it that labour is cared for and paid the percentage of the cost of production to which it is entitled. In so far as the mining of coal is concerned, in the light of my experience I am going to say definitely and positively that that has not been so in the past.

Mr. NEILL: I beg to endorse emphatically the remarks of the hon. member who has just taken his seat.

Item agreed to.

Mr. BENNETT: Does the Prime Minister not think we should adjourn, in view of the fact that the Hansard reporters have been working continuously, and it will be pretty hard to keep at this very much longer. It is now 12.30, Tuesday morning. We could be back at 10.30 a.m., I should think.

Mr. MACKENZIE KING: If my right hon. friend insists, I will move the adjournment—

Mr. BENNETT: Oh, I will not insist.

Mr. MACKENZIE KING: Possibly we might run as late as one o'clock, and have it understood that we shall adjourn at that time.

Mr. WOODSWORTH: What is the sense in that? It seems to me that we are all tired out and cannot do our work efficiently. As the leader of the opposition has said, I think that more hard-worked than we are are the reporters here. People on the Hansard staff will be forced to work morning, noon and night, with no cessation. It is not fair to carry on in this way.

Mr. MACKENZIE KING: I remember a time when frequently this house sat until six o'clock in the morning.

Mr. WOODSWORTH: Oh, yes, I have been there, too.

Mr. BENNETT: But it did not meet in the morning.

Mr. MACKENZIE KING: I remember very often when this house sat until six o'clock in the morning towards the concluding part of the session. Certainly, however, the government has no desire to have hon. members or any of the staff unduly taxed at the present time. My impression is that both the staff and hon. members rather hope that we may get through before the king's birthday, and that we were obliging everybody by so doing.

Mr. HEAPS: It is the twenty-third now.

Mr. MACKENZIE KING: However, we might continue I think, until one o'clock.

Mr. BENNETT: I do not think that is fair.

Item agreed to.

To provide for report on cultural conditions in Canada (literature, art, drama, education, et cetera, $2,500.

Mr. WOODSWORTH: I have no objection, in one sense, to this small item, but I do not like this way of doing things. We had last year an item of this sort, "to provide for a report on cultural conditions in Canada —literature, art, drama, education, et cetera." I understand that this is a sort of disguised grant which is being made for a very laudable purpose, to literary people who need help. I think it is high time that we provided for them in some recognized, regular, decent fashion, and not under a camouflage of this kind. What is the good of carrying this item year after year? Let the grant be made openly and regularly, and in such a way as would approve itself to the people generally.

Mr. MACKENZIE KING: This item, I think, was explained to the house a couple of years ago, at the time it first appeared in the estimates. I regarded it as an undertaking which had been made by the previous administration and one, therefore, which should be carried on at least for the present year.

Mr. BENNETT: With the approval of the present administration.

Mr. MACKENZIE KING: My right hon. friend says, "with the approval of the present administration." I think that is quite right. It was a grant to a distinguished literary gentleman in this country and, in the circumstances, seemed to be entirely warranted. But

I agree with my hon. friend from Winnipeg North Centre, who has just spoken, that it is in the nature of an exceptional grant to an exceptional person, and that in these matters there should perhaps not be so many exceptions.

Mr. NEILL: Is the report made by one person or more than one? In any case where can the reports be found? Are they published or circulated?

Mr. MACKENZIE KING: It is a grant to Sir Charles Roberts. I have no doubt that his report, when it is presented, will be an admirable one.

Mr. NEILL: Is it presented annually to anybody, or is the printed record available?

Mr. MACKENZIE KING: I do not think there is any condition about it being an annual report. It no doubt will prove to be a volume of considerable importance.

Item agreed to.

To authorize, subject to the approval of the governor in council, appointment of such extra temporary officers, clerks and employees as may be necessary to carry out the purpose of any of the items in these special supplementary estimates.

Mr. BENNETT: What is the amount? This has been discussed fully. Why is it blank? Is it included in the previous item? There is no amount filled in there. I think something was said about $12,000.

Mr. DUNNING: It is a general item covering the special supplementary estimates in order to permit of the engagement of some temporary help.

Mr. BENNETT: Yes, but how much money is it to be?

Mr. DUNNING: No money. It applies to all of the items in the special supplementary estimates, and takes the place of a similar provision in the former relief acts with respect to the engagement of temporary assistance for the works contemplated.

Mr. BENNETT: But there must be an amount.

Mr. STIRLING: How are they paid?

Mr. DUNNING: Out of the special funds in the various supplementary estimates. I suppose "one dollar" might be put opposite this.

Mr. BENNETT: No. It would limit you. You could not do anything then. We discussed this some evenings ago, and I thought there was some sum mentioned. As it stands now it should be struck out unless there is a sum placed there, for the obvious reason that an appropriation which contains no amount is not an appropriation at all. It is not even a blank cheque.

Mr. DUNNING: I had that looked into from the standpoint of legal draftmanship and legal requirements, and I am advised that the language of it is sufficient to make it applicable to any item in these special supplementary estimates, the language being:

To authorize ... the appointment of such extra temporary officers, clerks and employees as may be necessary to carry out the purpose of any of the items in these special supplementary estimates.

It is a proviso with respect to the whole of the items contained in these supplementary estimates, in precisely the same manner as a similar clause in the relief acts of former years made a similar provision with respect to expenditure under them. That is the intention.

Mr. BENNETT: I am sure the Prime Minister will say this is bad. I have heard him so frequently refer to the poor old colonel's authority on Parliamentary Grants. A parliamentary grant that carries with it no sum cannot be said to be an appropriation. Under the relief act, which was a blank cheque, the authority was given to the governor in council to name any sum that might be necessary for that purpose. This is a new proposition, to grant the governor in council unlimited right to make an unlimited expenditure for unlimited purposes.

Mr. DUNNING: Oh, no.

Mr. BENNETT: It is. We may as well face this frankly and admit it without any question:

To authorize, subject to the approval of the governor in council, appointment of such extra temporary officers, clerks and employees as may be necessary to carry out the purpose of any of the items in these special supplementary estimates.

In other words, if it takes one thousand employees costing a millions dollars, it can be done.

Mr. DUNNING: No; that is not the intention, I am sure.

Mr. BENNETT: That is what it says. Why not?

Mr. DUNNING: The intention is to authorize expenditure for temporary assistance out of each item in these estimates. That is the intention, and I am advised that this section gives the necessary legal authority to do so; that is to say, to provide, for instance, for what we just discussed, let us

say the dry dock improvements at Esquimalt, $8,500. There is authority to take out of that $8,500 as much as may be necessary to pay for the wages of the men on the work. It is not by any means an additional appropriation, but merely provides that the government can take out of each of the appropriations sufficient to pay the men on the work. That is the intention. If there is any doubt about it I shall again check it although I have already done so with the law officers. But that is the fact. Certainly no payments will be made other than out of the individual amounts mentioned in the supplementary estimates and separately voted.

Mr. WOODSWORTH: Does the minister mean that these individual votes may be diverted from the specified purposes?

Mr. DUNNING: No; for the purpose of the item only; positively.

Mr. MACKENZIE KING: This is a proviso proposed by the government which might have been added to several resolutions included in these special supplementary estimates. It has been drafted so as to avoid repetition. It is not unusual to ask that a grant be voted for certain works on condition that they be approved by the governor in council. Vote 419 in these very estimates provides for certain reimbursements to the Canadian Pacific Railway and the Canadian National Railways "upon such terms and conditions as the governor in council may determine." The same proviso is made in vote 420. Vote 425, which is the present one, is nothing but an authorization applicable to several other votes. The fact that it is separate from those votes does not make it irregular. The government has the right to submit to the committee of supply estimates to which conditions are attached. My right hon. friend has referred to Durell's Parliamentary Grants. I will give him, as the authority for what I have said, page 27 of that work.

Mr. BENNETT: Yes. That is not this.

Mr. MACKENZIE KING: Take for example item 314:

To aid, in cooperation with provincial governments concerned, in reestablishment of needy fishermen.

That item of $300,000 has already been granted by parliament for that purpose. Parliament has made the grant and any temporary clerks who are employed in connection with that grant will have to be paid out of the grant. This item does not mean or imply that we are voting any additional money for clerks; the money has already been voted with respect to the various services which are to be rendered. What this item does is to authorize the appointment of temporary clerks, under authority of the governor in council, where temporary clerks are needed in connection with any of the items for which this parliament has already made appropriations, and to pay them out of those appropriations.

Mr. BENNETT: There will be no difficulty about imposing conditions on grants; that is elementary. This item number 425 does not state the essential point to which the Prime Minister has referred, namely, that the amounts will be charged against the appropriations of the several items.

Mr. MACKENZIE KING: I have no objection to it so doing.

Mr. BENNETT: I ask the Prime Minister to be fair and look at the item which reads:

To authorize, subject to the approval of the governor in council, appointment of such extra temporary officers, clerks and employees as may be necessary to carry out the purpose of any of the items in these special supplementary estimates.

No mention is made as to what this is to be charged against.

Mr. MACKENZIE KING: That was the intention.

Mr. BENNETT: If that had been there, there would have been no discussion. The right of this house to say that when we appropriate $10,000 for X, that shall include the cost of clerical assistance necessary to put that in operation, is quite within our power. But that has not been said.

Mr. MACKENZIE KING: That is understood.

Mr. BENNETT: I suggest the proper way to do this would be to amend the bill which will be based upon these resolutions by inserting a paragraph that any of the items mentioned in the special supplementary estimates shall include the cost of the payment of such extra clerks, and so on as may be necessary for the carrying into effect of the expenditures contemplated by such item.

Mr. DUNNING: There is no objection on the part of the government to such clarification.

Mr. BENNETT: This item does not say that.

Mr. DUNNING: The law officers advise that that is the intention.

Mr. BENNETT: An intention not expressed is not any good.

Mr. DUNNING: My right hon. friend often advises me to take the advice of my legal officers, and until this moment I have done so. In view of the fact that we shall evidently not finish to-night, I shall give instructions that the words suggested by my right hon. friend be added to this section in order that there may be no doubt whatever that the intention is to charge such costs against the individual votes and not create authority by this item to make further expenditures. This will be considered between now and when the house meets this morning, and the necessary words can be added. I would prefer to amend the item as the bill is already printed.

Item stands.

To provide for payment to the Canadian Wheat Board on account of the liabilities of Canadian Cooperative Wheat Producers, Limited, assumed by the Canadian Wheat Board, under the authority of paragraph (f) of section 7 of the Canadian Wheat Board Act, 1935, $15,856,645.35.

Mr. BENNETT: This item will certainly be opposed as vigorously as it is possible to oppose anything. I consider this is the most monstrous effort I have ever seen to use parliament for a purpose that has not to do with the regular transaction of fair business. Under the agreement given by the crown guaranteeing the ultimate liability or responsibility of the wheat board, it will be determined, when this matter is settled, what is the liability of the crown. But this item is departing entirely from the provisions of the statute. There is no provision for this at all in the wheat board act. In view of the evidence given by Mr. Murray that two-thirds of the sales made were charged against the carry-over, to which this refers, it is quite clear that to pay this money at this time is nothing more or less than an effort to trim up the books in a way that should not be permitted. I put this to the Prime Minister: There is an outstanding guarantee by the Dominion of Canada to pay the ultimate balance that might be due to the banks on the carrying out of the business of the wheat board. The wheat board act provided that the surplus should be taken over by the board. The board took over that surplus from the old cooperative enterprise, and the liability of the old enterprise became the liability of the new wheat board. Mr. Murray said that the sales which were made from time to time were appropriated as to two-thirds against the old balance of wheat taken over from the cooperative enterprise. It is now proposed to fix the value of the wheat that was taken over at the price prevailing on that day, and show a loss of $15,000,000. I just leave it to the Prime Minister and to this country whether or not this is even a legitimate exercise of the power conferred upon the government under the wheat board act. I am going to take the trouble to point out the section in order that there may be no misapprehension about it. It is chapter 53 of the statutes of 1935, and paragraph (f) of section 7 reads:

> The board shall undertake the marketing of wheat in interprovincial and export trade and for such purposes shall have all the powers of a corporation and without limitation upon such powers the following:—
>
> (f) notwithstanding anything hereinbefore contained, to acquire from Canadian Cooperative Wheat Producers Limited, upon terms to be approved by the governor in council, all wheat or contracts to purchase or take delivery of wheat in respect of which the government of Canada has given a guarantee.

The entire number of bushels held by the Canadian cooperative enterprise was transferred to the wheat board under the direction of the government, pursuant to the arrangements made. The banks made the wheat board their debtors instead of the cooperative enterprise. It is now proposed that we should make right any loss so that a profit may be shown, if possible, for the balance of the transactions. I ask the Prime Minister if that is ordinary business, apart even from anything else. The provision is quite clear that we are assuming the ultimate liability with respect to the transaction. At this moment it is not possible to determine what that loss has been. I think there will be some loss, but that cannot be ascertained until the last bushel of that wheat is sold. Mr. Murray said that two-thirds of the sales made at the date he gave evidence were sales out of the wheat transferred by the cooperative enterprise to the wheat board. How then can the loss be fixed by taking the price it was on that day as against the cost, and showing that as $15,000,000 loss? As a matter of fact, the sales that have been made since may increase or diminish that loss—I assume they will increase it—whereas the sales made from now on to the end of the crop year may diminish the loss. The only time at which this matter can be ultimately decided is at the expiration of the crop year, which is July 31. At that time it can be determined whether or not there is any wheat of the old crop, so to speak, to be carried over as distinguished from the year's crop of 1935. The ultimate loss in the terms of the guarantee can then be established. In fairness to everyone connected with this transaction, I must say that I do not think there is any point in endeavouring to put before us that this loss is more or less than it really is.

Mr. DUNNING: Hear, hear.

Mr. BENNETT: Quite so, and it cannot be determined until the end of the crop year.

Mr. DUNNING: I shall deal with that in a moment.

Mr. BENNETT: The Minister of Finance can juggle with the figures as much as he likes, but he cannot change that fact.

Mr. DUNNING: When my right hon. friend gives me an opportunity—

Mr. BENNETT: Right now.

Mr. DUNNING: My right hon. friend took the responsibility in his early remarks of accusing me of cooking the books of this government.

Mr. BENNETT: I did not say that. I did not use that word at all.

Mr. DUNNING: He said, cooking the books of the country.

Mr. BENNETT: I did not say that.

Mr. DUNNING: What did my right hon. friend say?

Mr. BENNETT: I did not say that. The minister makes that statement. I deny that I made that statement, and no one heard me say it either.

Mr. DUNNING: Will my right hon. friend repeat what he did say?

Mr. BENNETT: I say that I made no such statement.

Mr. DUNNING: Will my right hon. friend say he did not use the words "cooking the books"?

Mr. BENNETT: I did not.

Mr. DUNNING: Thank you; that is all I want to know. At any rate, he takes strong exception—

Mr. BENNETT: Yes, I certainly do, and I shall talk another day if necessary.

Mr. DUNNING: May I tell him that this government determined that the people of this country should learn exactly what was the position of this wheat transaction from time to time in the same manner as they would learn if they were shareholders of a corporation which had a similar liability.

Mr. BENNETT: This is not a printing mill or a lumber organization.

Mr. DUNNING: Well, we shall look at Hansard.

Mr. BENNETT: Yes, we shall look at Hansard.

Mr. DUNNING: The Canadian Wheat Board Act did not authorize the transfer of the liabilities of the Canadian Wheat Producers—

Mr. BENNETT: That is what was done.

Mr. DUNNING: —but it did, in its express terms, authorize the board to acquire from the Canadian Cooperative Wheat Producers Limited, upon terms to be approved by the governor in council, all wheat or contracts to purchase or take delivery of wheat in respect of which the government of Canada had given a guarantee. I assume, perhaps improperly; that those responsible for the language of the statute anticipated a settlement on a definite basis as between wheat producers and the new governmental wheat board which was taking over the wheat. For that reason the price on the day on which the wheat was taken over was taken as the basis of settlement. My right hon. friend's whole remarks indicate that that involved a process of deception. If he did not mean that he meant nothing.

Mr. BENNETT: Mr. Chairman, that is improper language to use. The hon. gentleman complains of the use of words, but that is an improper word to use, and he knows it.

Mr. DUNNING: My right hon. friend, then, does not accuse the government in this matter of practising deception.

Mr. BENNETT: I did not allege the practice of deception and my hon. friend knows it.

Mr. DUNNING: We are improving right along.

Mr. BENNETT: That is another highly improper observation. It will not advance us.

Mr. DUNNING: No, it won't; "cooking the books" is serious.

Mr. BENNETT: If the minister says that I alleged that he cooks the books he makes a statement which is not true.

Mr. DUNNING: What was it—doctoring the books?

Mr. BENNETT: That is not what I said about the books. I was talking about transactions as shown by this estimate, and the hon. gentleman will find from Hansard what I said.

Mr. DUNNING: I shall. On the basis of the date upon which this transaction was concluded there was a loss of $15,856,000 with respect to wheat then taken over from wheat producers. Perhaps I had better be careful and ask my right hon. friend in advance

whether he said that the object of doing so was to attempt to show a profit after that date.

Mr. BENNETT: I shall deal with that; go on.

Mr. DUNNING: Apparently I am in order this time. May I tell my right hon. friend, as I told him when this matter was discussed on a former occasion, that there was no anticipation on the part of the government of any such thing. In fact, further losses have occurred; and may I suggest that this method of accounting for these losses will make it absolutely clear from time to time to anyone just what the losses are, not the losses chargeable particularly to my right hon. friend's government or the losses chargeable to the period in which this government was handling the transactions, because such a differentiation would be, I believe, quite impossible under the circumstances. I do not believe it could be made. But this was a situation in which this country had a definite liability to the banks, guaranteeing whom? The wheat producers association. The wheat producers' liability came to a head when the wheat board, established by this parliament, took over the holdings of the wheat producers, and as of that date there was a loss of about $15,000,000, as I have indicated. That loss is provided for in these supplementary estimates. Why? Because undoubtedly it relates to the year which has passed, in fact, to several years which have passed. It is an accumulation along with the $6,000,000 which has been voted with respect to the wheat of 1930. It is an accumulation of losses with respect to the handling of wheat grown between 1930 and 1935 until the time of taking over.

Now, with respect to the new wheat of the 1935 crop, that is in an entirely different position, because it is taken over under the terms of the Wheat Board Act; and under the terms of that act, if there are any profits then they must be distributed to the farmers through the medium of the participation certificates provided for in the law. Hence we are dealing, it must be remembered, with an inventory of wheat which was on hand at the date when this transaction took place. On that date a definite loss was ascertainable, based, it is true, on the price of the day. If further loss is experienced, that amount will have to be added, because it in no way conflicts with the 1935 crop. That amount will have to be added to the amount provided for in this item. The question in my mind, quite frankly, was: To what fiscal year of the dominion should the loss with respect to this transaction be charged? It had been accumulating, in the nature of things, through the whole period during which the government guarantee had been operative. My right hon. friend argues that the loss is not determinable until the whole transaction is closed. I submit that if we adopted that principle this country could easily remain in virtual ignorance of the extent to which it currently had lost money with respect to these wheat holdings. In any business, I submit, there is a period in each year when the inventory of that business is valued at the value of the day of the inventory, and loss with respect to it is ascertained and charged.

Mr. BENNETT: Hear, hear.

Mr. DUNNING: My right hon. friend might have some complaint if, from the time of establishing this $15,000,000 loss, there had subsequently been a profit of which some political use might be made by the government now in office. That is not the case. It is extremely unlikely, nay, all but impossible, that it should be the case. There will be a further loss. I cannot conceive of any circumstances under which a further loss can be avoided. It is merely a question whether or not we should pile up a concealed loss, argue about it, dispute as to what it is, or determine, when we have a definite loss with respect to a a particular year, to take it. If by good fortune that loss should be reduced in a future year, by virtue of something happening which none of us expect can happen with respect to that portion of the wheat, then so much the better. I submit that far from this being unfair to the previous government, or in any way unfair from the standpoint of a business handling of the matter, it is completely the reverse. I want to assure my right hon. friend that it was conceived in that spirit, absolutely in the spirit of getting as nearly as possible a correct assessment of the situation in which the country stood with relation to wheat. I can assure him that as far as I can now see, with respect to the disposal of the wheat prior to the 1935 crop there still will be a further loss for which parliament will have to make provision during the present year.

Some hon. MEMBERS: One o'clock.

Mr. BENNETT: The case I have made has been proven by the minister, and I cannot quite understand any man of affairs or business who, reading the statement that the minister made, would desire to pass this estimate. The minister said what is true, that always, in a business, you take your inventories to determine your position, but did you ever hear of doing it at a particular moment because

you drove out existing men and put somebody else in their places? When is the time to take the inventory? It is at the end of the fiscal year, and why? Because the relief act provided that notwithstanding the provisions of any statute or law the governor in council might, upon terms and conditions which might be agreed upon, enter into agreements and so on, and grant financial assistance to any province and to Canadian Cooperative Wheat Producers Limited by way of loan, advance, guarantee or otherwise. And the country did give its guarantee to the wheat producers for the wheat taken over from the cooperative enterprise. Had it been taken over a few days sooner the price would have been higher.

What about the sales that were made a few days later? In the middle of it, just because you got rid of McFarland and Grant, for that reason you fix that as the day and you make the loss from that moment. The time to figure the loss is the time when, by law, every corporation makes its inventory, the end of the fiscal year, which in this case is on the 31st day of July, as every man knows who has any knowledge of business at all. Now the minister tells this committee, "We took an inventory on the 6th or 7th of December because it pleased us to do so, that being the day on which we fired McFarland and his associates and put in somebody else." That is not the time to take the inventory; the time is the end of the fiscal year, when you take the amount of wheat that has been sold in order to determine the extent of the loss. Suppose wheat had continued at $1, $1.25 or $1.50; what about the inventory then? The date on which the inventory is taken is at the end of the fiscal year.

I repeat that. Look at the accounts of any business; is that not the way in which it is done? How are the assets and liabilities determined? They are determined after inventory, and when is the inventory taken? It is taken at the end of the fiscal year, or on a day that is fixed. That is what is done by everyone for the purposes of the auditors. What do the auditors certify by? By the inventory at the end of the fiscal year. Anyone who knows the elements of business knows that. They do not take an inventory in December for the purpose of making a report on the operations of a company at the end of July. It is no good to say that this is going to give a picture, for it does not give a picture of the facts. It was not a case of putting somebody in charge; it was the continuance of a wheat board, and only the personnel of that board was changed. The liability of the wheat board, as provided by law, is under a guarantee given to the banks, and the guarantee to the banks says "ultimate liability." That ultimate liability can be determined only after the end of the sales.

If—and I assume this is what the government intend to do—they think it desirable to say, "on the 31st day of July we had X bushels of wheat, and the loss to this date has been so many millions of dollars," until such time as the wheat has been entirely liquidated, there might be some reason to it, though it is quite certain that the wheat will bring no enhanced price. But whatever price it brings, whether that price increases or decreases the loss is a matter for the determination of the ultimate liability at the expiration of the period of time when the liquidation is complete, whenever that may be. Every man who has had anything to do with business knows that. There is not a balance sheet prepared anywhere in the world on any other basis. What do the auditors certify on? Not on an inventory taken in the middle of the year; but we are asked, because for political reasons you removed three men from the job and put somebody else in, to fix the loss, which you can fix, as the minister said, only when your fiscal year is ended.

Mr. DUNNING: I did not say that.

Mr. BENNETT: I am answering that. I think the minister said "once a year"; I am not sure of his exact words, but I think he referred to an annual statement, an annual adjustment of assets and liabilities, and there is not a man who does not know that is the way in which business is transacted. It is because of departures from that principle that disaster usually follows. As far as I am concerned, I say that this is not only unfair—

Mr. DUNNING: Unfair to whom?

Mr. BENNETT: It is unfair to the enterprise. I am not talking about individuals; it is unfair to the enterprise, because you are taking an inventory, a valuation, on a date other than the day when it should be taken. In the second place you are substituting an immediate determination of liability when the agreement was that this country was to pay only the ultimate liability. You have changed the guarantee, which is based on the ultimate liability. Now this government is asking us to pay on an intermediate liability, a liability that might have been greater or less depending on the date on which the wheat was taken over. If it had been taken over a few days sooner the liability would have been less, but is that the way to determine what

the real liability is? This can be determined in one way, and in one way only, and that is by the ultimate liquidation of the property, namely the wheat. Then you know what the ultimate liability is. Suppose, although it will not happen—and this is the test to impose—that immediately after the wheat was taken over, it began to enhance in value and by the 31st day of July it reached a figure that showed not only no loss but a substantial profit. What about the situation then? That is the test. When the wheat is all liquidated the ultimate liability is determined. I put this to the committee: There was a time when, according to the current values of wheat in this country, that transaction showed a substantial profit, in the hands of the cooperative enterprise. That was a real, substantial profit, one measured not by hundreds of thousands of dollars but by millions of dollars.

Mr. McPHEE: What date was that?

Mr. BENNETT: Along between 1930 and 1935, I think in the early part, when wheat went up to its highest point. I do not carry the months and days in my mind.

Mr. McPHEE: What particular year, for instance?

Mr. BENNETT: Whatever year it was that wheat went to the high price. It does not matter what the year was; I do not carry in my head the years, months or days, but there was a real profit if you could have sold all the wheat at the price then prevailing.

Some hon. MEMBERS: Hear, hear.

Mr. BENNETT: But the way you are doing here, you are acting as though we could have sold all the wheat at the price which prevailed on the 6th of December.

Some hon. MEMBERS: No.

Mr. BENNETT: This loss is made up in that way. Let there be no misunderstanding as to how it is made up. This loss is the difference between the arbitrary price fixed on the 6th day of December and the liability.

Mr. CRERAR: The value of the wheat on the 6th day of December.

An hon. MEMBER: What year?

Mr. HOWARD: The value of the wheat on a fixed date.

Mr. BENNETT: But why fix that date when it was not the end of the fiscal year?

Mr. DUNNING: Because that was the date the board actually took over the wheat.

Mr. BENNETT: That is the date on which the liability was assumed by the wheat board. They did not pay for it; it was provided by another statute that there should be this guarantee. We were especially careful about that very thing, and when the matter was under discussion in this house it was pointed out that what happened was that you had a complete novation by which the liability of the cooperative enterprise was taken over by the wheat board; the guarantee was given by the nation to the wheat board for that liability, against ultimate liability, and ultimate liability means on the realization of the assets.

It is now one o'clock, Mr. Chairman, and I shall complete this argument when we resume.

Mr. MACKENZIE KING: The minister should have the right to reply.

Mr. BENNETT: Of course. I have not finished by any means.

Mr. DUNNING: I might call my right hon. friend's attention to the fact that he was sufficiently sure of a loss to pass an order in council agreeing to pay out $8,000,000.

Mr. BENNETT: That had nothing to do with that transaction at all. It had not anything to do with this, and the minister knows it.

Mr. DUNNING: There must have been in my right hon. friend's mind an idea at least that that much money could not be realized by the producers for their members. Therefore he was making an effort to reimburse them for something which could not come out of the wheat itself. That involved an assumption of a loss.

Mr. BENNETT: No; on the contrary it was a profit, which they did not realize—

Some hon. MEMBERS: Oh, oh.

Mr. BENNETT: But anybody knows, if they will apply business principles, that it was a profit which they would have made had they not used their wheat for stabilization. Because it was used for stabilization they said: We must get the money we otherwise would have.

Mr. DUNNING: In other words there was a loss of this amount. The wheat is not sold yet. Well, unfortunately it is no use trying to convince my right hon. friend.

Mr. BENNETT: My hon. friend certainly will not.

Mr. DUNNING: I rose with some heat because an accusation—

Mr. BENNETT: I made no accusation.

Mr. DUNNING: I shall not repeat; we shall see what Hansard says. I have no doubt at

all as to the correctness of the course pursued. The new body created was taking over this wheat from a formerly constituted body. Some basis had to be arranged for the transaction.

Mr. BENNETT: And there was; they assumed the liability to the bank. That is what happened. That is all there was about it.

Mr. DUNNING: And between the liability to the bank and the value of the wheat on the day they took it over, there was a difference of $15,800,000.

Mr. BENNETT: Certainly.

Mr. DUNNING: Now, is that clear? My right hon. friend might have some complaint if between then and now, or at any time in the future there was any prospect at all that it would appear that some abnormally low point was taken for some ulterior purpose.

Mr. BENNETT: The moment you concede that your case is gone.

Mr. DUNNING: I do not agree that my case is gone.

Mr. BENNETT: As a matter of logic it is.

Mr. DUNNING: I am in the judgment of members of this committee and I shall be in the judgment of future sessions of this parliament with respect to the matter. I have advised the people of Canada, advice which they had never previously received, that as of a certain date they had a loss in connection with this transaction—

Mr. BENNETT: They once had a profit.

Mr. DUNNING: I admit at once that if the new Wheat Board Act had provided otherwise than it did with respect to the 1936 crop then we would have had to follow a different course, but with respect to the new crop the Wheat Board Act is quite clear, that if a profit is made the farmers are entitled to it through the medium of participation certificates, but a profit on that one crop only, not with respect to the previous crops which formed part of the wheat taken over by the wheat producers.

Mr. BENNETT: That is quite clear.

Mr. DUNNING: Quite clear and quite true. In the meantime further disposal is taking place of the crops prior to that of 1935. There is no doubt at all that further losses will result; my right hon. friend knows it. I desire to show the losses as nearly as possible in the year in which they occur, and to charge them to that year in the accounts of the country. By my right hon. friend's method we would never be admitting a loss until heaven knows when, and then we would have to tell the country it had lost a great deal more than we now state, and provide for it now. In some one fiscal year—

Mr. BENNETT: That is exactly the opposite of what I said.

Mr. DUNNING: —instead of having the loss spread with some approximation over the years to which it applies. My right hon. friend has been lecturing me on my lack of wisdom and business judgment and that sort of thing. I have as much right to my opinion as to what constitutes good business as he has, and I think he would have been wiser had he made an approximation of the loss year by year as the years proceeded from 1930 to 1935.

Mr. BENNETT: When? In the middle of the year?

Mr. DUNNING: If he had turned over the wheat to another organization I would expect those responsible for the conduct of that other organization to insist on some valuation with respect to the property they were taking over. I would not like to try to sell to my right hon. friend the kind of pig in a poke which he suggests the new board should have taken over from the old Canadian wheat producers. I would not have a chance in the world.

Mr. BENNETT: On the contrary, Mr. Murray said that he would apply the sales on the basis of two-thirds and one-third.

Mr. DUNNING: Exactly; he had to have some basis.

Mr. BENNETT: Precisely.

Some hon. MEMBERS: One o'clock.

Mr. DUNNING: Can we not pass this item?

Mr. BENNETT: No, not by a long way.

Progress reported.

SUPPLY—CONCURRENCE

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

That the resolutions passed this day be now read a second time and concurred in.

Motion agreed to.

On motion of Mr. Mackenzie King the house adjourned at 1.20 a.m. (Tuesday).

Tuesday, June 23, 1936

The house met at eleven o'clock.

SANCTIONS AGAINST ITALY

NEWS BROADCAST FROM STATION 2RO ROME, ON WEDNESDAY, JUNE 17

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Yesterday my right hon. friend, the leader of the opposition (Mr. Bennett) referred to a news broadcast from Rome on the evening of Wednesday, June 17, which stated that the Canadian council of ministers at a meeting held the previous day, that is June 16, had decided to favour the abolition of sanctions. I replied that I would make inquiry as far as possible to see if there was any ground for believing that this statement indicated knowledge in advance of the policy of the government announced in the House of Commons on June 18. I do not think it does.

The statement quoted is incorrect since as a matter of fact the question was not discussed in council at all on June 16 as stated. The general position had been discussed some days earlier, and council's decision reached at the time, but the final wording of the statement of the government's position was taken up at the special meeting of council on the morning of June 17. I notice in the Montreal Star of June 16 the following dispatch from Ottawa:

> It is understood that the government is giving consideration to-day to its position in respect to sanctions against Italy. What precisely will be the attitude is not officially determined. It is believed, however, that the government is practically certain to join that section of British thought which favours the lifting of the penalties.... Discussion is tentatively fixed for Thursday. The Prime Minister on that occasion is expected to define the attitude towards a continuance of sanctions. Inasmuch as these penalties in time of active war did not frustrate the annexation of Ethiopia by Italy, their continuance, in time of peace, may be regarded as futile.

I think there is little doubt that the statement to which my right hon. friend referred was simply a more positive expression of the above, or similar anticipations. For some days before the announcement of the United Kingdom government the press contained similar surmises as to the decision which would be announced.

I may repeat that there is not the slightest indication that the decision of the government was communicated to any outside person.

Right Hon. R. B. BENNETT (Leader of the Opposition): I have only to say that it was not a press report. It was at seven o'clock p.m. Atlantic standard time, as I indicated, that it came over the radio from the Rome station in the terms I have indicated. That station, fortunately or unfortunately, seems to have been very accurate in its statements during the last six months, especially regarding the Ethiopian situation.

CANADIAN MINISTERS ABROAD

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): I have pleasure in informing the house that His Majesty has been pleased to approve the appointment of Sir Herbert Marler as Canadian Minister to the United States, and the appointment of the Hon. Randolph Bruce to succeed Sir Herbert Marler as Canadian Minister to Japan.

VIMY WAR MEMORIAL

On the orders of the day:

Mr. THOMAS REID (New Westminster): The other day a return was brought down in regard to questions I had asked with respect to the names of those who had been invited to attend the unveiling of the Vimy war memorial. My question this morning is to ask the Prime Minister whether it is his intention to attend that ceremony?

Right Hon. W. L. MACKENZIE KING (Prime Minister): In reply to my hon. friend I may say I should like very much to be able to be present at the ceremony at Vimy next month, particularly because of the nature of the ceremony and also in view of the fact that His Majesty the King has accepted the invitation of his Canadian ministers to be present, and the president of the French republic has accepted the invitation of the government of Canada to be present on the occasion. I have however had to ask myself what may be involved in the way of absence overseas during the next twelve months, and as hon. members know, the coronation ceremonies will take place in London in May of next year, to be followed by an imperial conference, and I expect, unless something unforeseen happens, to be present in Great Britain at that time. I had anticipated that it might not be necessary for any reason other than in connection with the unveiling ceremony at Vimy to visit Europe this year; I am inclined, however, to believe that the importance of the meeting of the League of Nations Assembly which is to be held in September, and which will have to do with the critical situation in Europe and the revision of the

covenant and which may mark a fresh start in the affairs of the League is so important that it would be desirable for the leader of the government of Canada to be one of the representatives of the government at Geneva at that time. In these circumstances I fear I may have to forego what would be an exceptional privilege, namely, being present in France at the unveiling of the monument at Vimy. I have asked my colleagues the Minister of Justice (Mr. Lapointe), the Minister of National Defence (Mr. Mackenzie) and the Minister of Pensions and National Health (Mr. Power) to represent the government at the Vimy ceremony, and it has been so arranged.

BUSINESS OF THE HOUSE

INQUIRY AS TO PROBABLE DATE OF OPENING OF NEXT SESSION

On the orders of the day:

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, this would seem to be the appropriate place to ask the Prime Minister (Mr. Mackenzie King) if he has any information to give the chamber regarding the probable date of the opening of the next session of parliament. I quite appreciate the difficulty to which he has referred with respect to his own personal movements, but I recall that on more than one occasion he made similar inquiries of the late administration, and it occurred to me that this might be a suitable occasion on which to indicate generally his intention. I agree that if the League of Nations is to revise the covenant this year it is highly desirable that the Prime Minister of Canada should be present. Whether or not that would interfere with any plan which might be prepared for the early opening of a session of parliament of course I do not know. But it is quite clear that the right hon. gentleman would have to be absent moderately early in 1937, and it is probable that we would not have parliament continuing to sit in his absence. This is a matter of some interest to hon. members, and I have been asked to try to ascertain whether the government has any information to communicate in this regard.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, my right hon. friend is correct in anticipating that the date at which parliament may reassemble will necessarily be contingent, in part, on what may take place at Geneva. It is possible that some action taken at Geneva may necessitate the calling of parliament in the fall of this year. There is also the circumstance which my right hon. friend has mentioned, namely that the coronation ceremonies take place on May 12. Obviously in order to permit those who may be attending the coronation ceremony, and the conference which follows, to be present at these meetings it will be necessary for parliament to have adjourned either at the conclusion of the session's deliberations, or during the proceedings of the session itself.

If it is found necessary to have a fall session hon. members may expect that the house will be called together during the latter part of November. The present hope of the government however is that if we meet in the early part of January, it may be possible for us to conclude our labours before the coronation ceremonies take place.

SUPPLY

CANADA'S FOREIGN POLICY—METHOD OF DEALING WITH ESTIMATES

Hon. CHARLES A. DUNNING (Minister of Finance) moved that the house go into committee of supply.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, may I address a few words to the Prime Minister (Mr. Mackenzie King) before you leave the chair. He has intimated that he may attend the meeting of the league at Geneva. I am sure the house will be delighted to learn that he has made that decision. It seems to me the world situation is important enough to necessitate the attendance of the Prime Minister, but may I point out that he has not given the house a clear statement of the policies he will advocate at Geneva. I recognize that if there is to be a reorganization of the league there has to be a good deal of latitude allowed, because the whole subject would be one of negotiation. At the same time, since the issues of peace and war are so largely dependent upon what is done at Geneva, it seems to me only right that the Prime Minister should give us, even now, some indication as to the general lines he intends to advocate at Geneva.

Further than that, in this session the opportunities for the debating of international affairs have been obviously very unsatisfactory. Last night the hon. member for Grey-Bruce (Miss Macphail) intimated that she had been very anxious to present her views in the matter. She had not been able to do so earlier in the session. Near the last of the session we were promised that we would be given a day to debate the subject, although

at an earlier stage that opportunity was refused us. The "day" we were promised dwindled down to two hours.

Last night we had the curious spectacle of the hon. member for St. Lawrence-St. George (Mr. Cahan) attempting in the midst of considerable disorder to present a highly technical and learned dissertation on some of the constitutional issues involved in the action of the government with regard to Geneva. It was impossible for any of us to give careful attention to his presentation. That is an absurd situation. The only opportunity we have to discuss a matter of such great importance is in the dying hours of a session. I would ask the Prime Minister whether or not he could give us the assurance now that near the beginning of the next session a committee may be appointed charged with the definite responsibility of studying Canada's foreign policy. I cannot see where there could be any objection. None of us is anxious to drag to the light of day matters which ought to be kept quiet. We recognize clearly that certain things may come to the knowledge of our Department of External Affairs which could not at all times be made public, but surely we must get away from anything like secret diplomacy. More than that, it seems to me very desirable that the public at large should take an interest in its external affairs. It was all very well when Canada was a colony for us to confine our attentions to matters within our own boundaries; but to-day Canada is part of a big outside world. I believe it is the responsibility of this house to debate these matters, and that of the government to afford opportunities for wider discussions leading to greater public interests. I offer this suggestion to the Prime Minister.

I have one further suggestion along another line. No person could sit in the house last night and fail to be impressed with the ridiculous situation which results when we try to pass a great variety of estimates at the last moment. Indeed, I have often thought that the present method of handling estimates in committee of the whole is not the best that could be devised. Last night in connection with a particular estimate the minister in charge quite naturally did not know exactly the details in connection therewith. He had to wait until his deputy was called in. All along the deputies must attend in the house, and there is the curious spectacle of the minister leaning over to get a few sacred words from his deputy in order that he may pass on the information to the house.

Mr. McLEAN (Melfort): Sacred, or salient?

[Mr. Wermenlinger.]

Mr. WOODSWORTH: "Sacred" is the word I used, and perhaps in this connection it is as good as "salient." We as members of the house are supposed to remain in our places to hear wide discussions covering the whole range of government departmental administration. It is obvious that a good many of us are interested in only one department, and can be interested in only a few departments; certainly we cannot all be interested in the whole wide range of subjects covered by all the departments.

Some of us have earlier advocated a change of procedure. It might be possible, just as we have experimented a little with a special committee on national railways, to have the estimates referred to appropriate committees. The fisheries committee could deal with the fisheries estimates; the agriculture committee with the agriculture estimates; the external relations committee, if one can be set up, could deal with external relations. In such a committee we could call in the deputy ministers who could be questioned in the easier and less formal atmosphere of a small committee. If necessary we could even call in outside witnesses who might give expert evidence. The members would be able to specialize in certain departments, and that specialization carried on year after year would give a great deal of added interest to the lives of a great many members who are keenly interested in specific affairs and in certain details but who are not so much interested in the general debates in the house.

Someone may say, "Well, but that would not give all the members an opportunity to speak." It would, because the report would come from the committee, and if there were any outstanding evils or any questions of importance we still would have the opportunity to discuss them in the house. We would not be precluded from doing that. Of course it may be said that Hansard would not get it all. From my standpoint I think that would be a decided advantage. It would shorten the session tremendously if we did not have Hansard record all the casual observations made during the discussion of the estimates. I venture, therefore, to ask the Prime Minister whether he will not at least consider some change in procedure by which the estimates may be placed for consideration before appropriate committees, thus saving an enormous amount of the time of this house, as well as adding to the efficiency of parliament.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, in reply to my hon. friend, first with respect to his desire

that I should make a clear statement as to the government's policies on matters pertaining to the League of Nations and the European situation, which I presume would be the most important feature of all, may I say that I think I made a very full, very complete and very clear statement to this house as recently as Thursday of last week. From what I have since seen of the press comments on the statement then made it would appear that the journalists of the country at least had the same impression. I confess that at the moment I cannot think of anything further that could be said with advantage. What will have to be considered at Geneva in September will depend very largely upon what appears on the agenda of the League of Nations at that time. As my hon. friend and members of the house generally know, the assembly of the league meets again on the thirtieth of this month to resume the session which was adjourned last fall. After that session is held the government will be in a better position to know what questions will be uppermost at the meeting of the assembly in September. Until that session is concluded I do not think there is anything I can add to the statement which was given to the house the other night. I feel, however, that my hon. friend and other members of this house may with some degree of confidence rest assured, that the position which will be taken by myself and the colleagues who may be present with me at the assembly will be one which will very much accord with the views of this house. As far as I am able to sense the situation I believe members of all parties in this house are pretty well united with respect to the views they entertain on Canada's foreign relations. There may be differences here and there, but as a Canadian people I think we are singularly united in the essential features of our foreign policy, and certainly those essential features will be kept to the fore at the meeting in September.

My hon. friend has spoken of the desirability of having a committee to study foreign relations. May I say that there is nothing to preclude any number of members of the House of Commons forming themselves into a study group for any purpose at any time. In Great Britain that is done in connection with many matters in the House of Commons, and I see no reason why those who are interested in foreign affairs should not constitute themselves at any time into a committee for the purpose of making as complete and thorough a study of foreign relations questions as can be made. I would point out, however, that we have a standing committee of this house which deals with industrial and international relations. That would appear to be an appropriate committee to consider, as far as one of the standing committees might consider, matters relating to Canada's foreign policy.

Mr. WOODSWORTH: But may I point out, without any desire to interrupt that in practice that or any committee can consider only such matters as are referred to it. As far as my memory goes, the only matter ever referred to that committee with regard to foreign affairs was a motion of my hon. friend from Grey-Bruce (Miss Macphail) some years ago.

Mr. MACKENZIE KING: What my hon. friend has just said only emphasizes what I am saying. The hon. member for Grey-Bruce evidently suggested that some question should be referred for study to the committee and the suggestion was acted upon. If hon. members have suggestions to make as to particular subjects to be referred to that committee I think there is every reason to expect that their suggestions would be favourably considered and the necessary references made if it were apparent that the desire to have them so referred was at all general.

However, the matter of procedure is quite secondary to the importance of having subjects themselves carefully considered, and I must say that I entirely agree with my hon. friend as to the desirability of having the fullest study given these all-important questions. Probably the more study that is given to them the less will be the desire for premature discussion in many phases. With regard to discussion I am one of those who believe in the wisdom of the fullest possible discussion except where it is perfectly obvious that such discussion in this house and this country may have the effect of adding to the difficulties of those who are contending with very great problems in other parts of the world. I must say that, with the knowledge the government has had of the very critical nature of the European situation this year, I make no apology to any hon. member of this house for having done my utmost to prevent premature discussion of questions that were inflaming the minds and the passions of peoples in the old lands. I think we owed that much to them, to see that nothing should be done here in the way of adding fuel to what I believe was very near to becoming a pretty serious conflagration across the ocean.

With respect to the procedure to be adopted in connection with the discussion of estimates, what my hon. friend has suggested has been discussed on previous occasions. There is much to commend his suggestion, but at this

stage of the session I should not like to say more than that between now and next session I will ask my colleagues to consider with me the wisdom of adopting a course such as my hon. friend has suggested. Perhaps when parliament reassembles, if hon. members feel it their desire so to do, we might have a discussion of the matter on the floor of the house. In regard to the estimates and the time of bringing in supply, may I say that this year the main estimates were laid on the table of the house during the very first week of the session, so the house has had the supply before it for a long time. If we have not concluded with the supply I would say it has been because we have had an exceptionally heavy and important sessional program with a great deal of legislation embodied in bills on one subject and another, which was relatively of much greater importance than anything which appears in the supply. In the estimates we have sought to avoid as far as we could items that we believed might prove to be contentious. In this first session of parliament we have not only endeavoured to get through but have actually succeeded in having enacted legislation which in other parliaments would have occupied the time and attention of this house over two or three sessions instead of being brought as has been the case with this year's program within the compass of a single session.

PRIVILEGE—MR. BENNETT

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, before you leave the chair might be a proper opportunity to mention a matter of privilege. The other evening the Minister of Agriculture (Mr. Gardiner) stated that the house had been compelled to spend fifty-two per cent of its time in sitting and listening to the leader of the opposition. I hope his other remarks were nearer the truth than that. The fact is that not twenty-five per cent of the percentage stated by the Minister of Agriculture was taken up by the leader of the opposition.

I desire to point out that I occupy a statutory position and am paid the salary of a cabinet minister. During this session, except for the time when I was indisposed, I have been here continuously six hours a day, from three to six o'clock and from eight to eleven o'clock except for two days. It may well be that I have had a good deal to say, but I can assure the house that the Minister of Agriculture was not present during all that time to hear me, because his duties kept him elsewhere for a considerable part of the time. I have a duty to perform and I have endeavoured to perform it. I have been continuous and assiduous in my attendance in this house because I conceived it to be my duty to do so as long as I occupy the position I do.

Right Hon. W. L. MACKENZIE KING (Prime Minister): May I say to my right hon. friend that I think all the members of the house will agree with me when I say that he has earned his salary. If he will be good enough to allow us to prorogue at noon, he will be entitled to a bonus.

Motion agreed to, and the house went into committee of supply, Mr. Sanderson in the chair.

DEPARTMENT OF FISHERIES

Salaries and disbursements of fishery officers and guardians, fisheries patrol and fisheries protection services, $878,600.

Mr. NEILL: Mr. Chairman, this is the item that deals with the practical work in the field. I do not know why the minister called this item because when we were discussing this matter before we did so under another item. However, I do not suppose it makes much difference. This item shows a tremendous cut in the practical work, that is the work in the field in the protection of fish. It is true that an amount of $71,000 is provided for in the supplementary estimates, but actually the cut in the practical work is being replaced only to the extent of $40,000. A total of $185,000 has been taken off the fishery votes, and this providing of $71,000 in the supplementary estimates is something like the boy's idea when he robs a bird's nest. He believes that the mother cannot count and if he leaves one egg out of four she will be quite satisfied. The amount left here is totally inadequate for the work required.

I took the trouble to try to find out the amount spent in British Columbia on what I call the practical work, and also what was spent on supervisory work or overhead. It is possible I have exaggerated the figures, but I do not think so. I might say that I found it very difficult to obtain these figures as the accounts of this department are kept in the most disgraceful manner. It is necessary to look up the auditor general's report and then you must have a close and intimate knowledge of the situation to find out where the money has been spent. Certain items are put in under different headings and sometimes you have to guess how much relates to this, that or the other item. The minister cannot be blamed for this as these accounts

have been kept in this way for a long time. So far as I can make out, $105,000 was spent on practical work while $196,000 was spent on overhead expenses. Even supposing that I have exaggerated the figure, it would still leave an enormous amount being spent on clerical and office work when compared to the amount being spent on the practical work.

When reductions are made in other departments it is not so vital. For instance, if the public works vote is cut down, a bridge may not be built in a certain section, but the old bridge is still there. But when you reduce this vote you are ruining a small part of the fishing industry. It works out like this. The wages of the permanent force cannot be cut, so the only thing to do is to take off some of the seasonal men who are paid for three months or six weeks to protect the fish. That is the only way a reduction can be made, as we all know how difficult it is to reduce the permanent employees.

I was speaking on this matter before but I shall briefly review what I said. The fish are spawned in a river and then at the end of a period they go out to the sea. At the end of four years, or in some cases, two years, they come back to that same river. For certain reasons they do not go up the river at once. They hang around the mouth of the river, perhaps to get acclimatized to the brackish water, perhaps to wait for the biological urge to go up the river to spawn, perhaps to wait for high water in the river—we really do not know why they wait, but they congregate there. When they are out in the open sea the fish are spread over an enormous area and the fishing is necessarily less intensive, but when they gather at the mouth of the river, sometimes packed almost as close together as sardines in a tin, a man can come along with a seine and make a tremendous haul. It is possible to take 40,000 fish in a couple of hauls. Such treatment does not merely deteriorate the run, it eliminates it entirely. When a run of fish is wiped out like that, it is not renewed again perhaps for ten or fifteen years. That is why we have the guardians.

A guardian is placed at these points for six weeks or two months or so to protect the fish. When you take the guardian away, you invite people to poach. Human nature is human nature and when a man who is making his living with a seine boat knows he can catch 40,000 fish in a couple of days at the outside, he is going to do it. We are no worse in British Columbia than any other people, and that is exactly what I would do if I were in the same position. The temptation is too great and that is why we put on guardians. When a guardian is taken off in order to reduce expenses it means that that particular stream may be ruined for fifteen years. If the run is wiped out there will be only a mere handful of fish the next year. It would be no good to put the guardian back the next year, because there would be no fish left to protect. It will take two or three cycles of runs to build up the run again. Out in my district there was one spot which had practically been fished out. Two rivers run into a lake, there being falls on both rivers where the fish could readily be taken. The government put on five year closure. They put guardians on these falls every year for a few weeks in order to prevent poaching, because the situation lends itself very readily to poaching, and they put in an expensive fish ladder that facilitated what fish were left getting up. The result was that in a few years, instead of four or five gill net fishermen there were 165 last year or the year before. That shows how protection pays. One of the guardians is being cut out this year because there is not enough money to pay him, and in consequence there will be poaching on a large scale. We must have money and we must have guardians, and apparently we have not the money. You cannot cut down on permanent wages, but I submit that you can cut down on overhead both here and in British Columbia—and I am dealing with the British Columbia estimates. This is no new idea of mine, because in 1928-29 when the Liberals were in power I raised the same question. I said then that the Vancouver office was overstaffed. I was informed that there were a great many returns to be handled. Yes, handling is the right word—they are handled by one official and then another. Officials are copying letters from some inspector out on the coast, sending a copy of a letter from a man at Prince Rupert on to the head office, whereas the man in Prince Rupert could save two if not four days by sending the letter direct to Ottawa. That is the sort of unnecessary overhead that exists. Some years ago I discovered that a man in the Fisheries department out there had been padding his accounts; in plain English, he was stealing money. I set myself to find out who was responsible for not checking up on him. Finally I gave it up in despair—and I do not easily give up in any undertaking like this—not because I could not find someone responsible for checking the accounts but because I found that there were so many responsible officials that they all passed the buck. With one or two exceptions, with one accord they were all lending themselves to the covering up of the whole matter. One official had been found

guilty and they would cover it up at any cost. Finally I gave it up in despair. There were too many cooks.

I want to quote a typical letter I received the other day:

I think the government is doing wrong by cutting down on the fishery patrol. I think it would be better to cut down on the office staff and increase the fishery patrol. There are a number been fishing and selling blue back salmon for the past two weeks—

And that is illegal.

—and they get away with it. At Powell River you can buy fish all the year round both in season and out of season. What is really essential is the conservation of fish; clean out all the streams that the salmon go up to spawn and find a market for the fish.

On one occasion a number of men got together and proposed to the government that if they would appoint a man to round up offenders against the regulations they would supply a man who would do the work for nothing—and men do not generally work for the government for nothing. One man wrote me to this effect: "The main thing is that the Vancouver office will have no strings on our man." Do you get the idea? If the government would send out an independent man, someone not directly interested in the department, the cost of the Vancouver office could be cut in half and that would provide a good deal of money for ground officers, because the permanent man is paid by the year while the ground officers are paid only six weeks or three months.

In this connection may I quote the leader of the opposition. The other day we were discussing the estimates of a department, and while the right hon. gentleman was not criticizing, he used this language:

The department is an efficient department and I think it reflects great credit upon the deputy head, but I think if you said to him, "Go and cut down that staff by twenty-five per cent," he would do so and have a more efficient organization than he has to-day.

And he was not contradicted. The Minister of Railways the other day, giving the reasons for the amalgamation of the various branches of his department, said that there was a central purchasing office in one branch, with a staff of twelve, in another a staff of five, in another four, and so on. Then the leader of the opposition made the statement that in his time they cut out 12,000 officials, and he said:

That is a terrible thing to say, and yet the service was more efficient by reason of it.

And he added that that was a still more terrible thing to say. He went on to warn the minister that even if he found that some of the superfluous staff had to be paid he should not keep them in the office but if necessary pay them to keep them away from the office, because the organization would be improved by having a smaller and more practical staff.

Coming to the question of hatcheries, I believe that in British Columbia some ten are closed out of sixteen or fourteen; yet the cost of overhead has been cut down only two per cent. It is notorious that there must be a good deal of work in overhead connected with the running of the hatcheries, and yet the cost has been reduced only two per cent, whereas some of the practical works have been cut down seventy-five per cent. What do we want with a purchasing agent and a statistician in the Vancouver office? The minister may reply that there are no such officials. That may be true; but I was a member of the house when they were appointed in 1928-29 and I know what they were called then. I protested against them at that time; I said we did not need men filling those positions. Now they are called something else, but they are still there drawing salaries. Then we have an inspector of chartered boats. We might as well have a chaplain; indeed he would do more good. These boats are chartered by the government, but the government takes no responsibility. If the boat is unseaworthy, if there is anything wrong with the engine, that is up to the owner; the government will not even be responsible for insuring it. The owner must insure it himself. All that is necessary is to see to it that the boat is reasonably seaworthy, the engine capable of running; and the inspectors who travel on boats under their own control can readily discern anything wrong with them. But we have a man whose ostensible business is to inspect these boats.

Unfortunately there is an idea abroad that any official with a high salary and a fancy title is bound to produce results, but that is not so. A Welsh rabbit, which is neither Welsh or rabbit, sounds nice, and I compare the two, because in the case of the Welsh rabbit the element is ennobled by a fancy name and some skill in cooking, while in the other case an ordinary clerk is dignified by a fancy title and a high salary. But the fundamental basis in both is the same—just a plain ordinary piece of cheese, useful and wholesome, but just—cheese. A gentleman who was once appointed for the first time to the position of minister was struck by the enormous number of officials in his department, and he conceived the brilliant idea of

making inquiries, not of his deputy, who would say at once that there were not nearly sufficient officials, but of the officials themselves. He sent a circular to them inquiring of each official what his or her duties were. One official exlaimed, "What a shameful thing to ask us to do. What do I do anyhow?" Many years ago a certain man was elected as alderman in a certain city and, being one of those pestiferous fellows who ask a lot of questions, he fixed upon two employees and demanded to know what they were doing. This was in February when there was four inches of snow on the ground, and by steady persistence he elicited, against the opposition of the officials, that these two men had been put on in the previous June to make hay in the park, and they were still making hay in February. In this house I was once approached by a man who asked me to help him in connection with his superannuation. In the course of conversation he said, "After all, the government have not treated me too badly, because my job petered out four years ago and they have only fired me now." That is an illustration of how things go on.

An hon. MEMBER: Tell us the whole story.

Mr. NEILL: It is good to put these departments now and again through the threshing mill and separate the wheat from the chaff. They are honeycombed with dry rot in some cases, and bureaucratic and departmental politics. An official in one of the departments once told me: "I have been here a long time; I have not suffered myself, but I have seen more harm done to the public service of Canada by the exercise of departmental politics than ever any of you political chaps could exercise, because you have a nemesis waiting for you in the House of Commons; you can be exposed, but departmental politics is subtle and underhand and you don't know what is going on." I was very much struck the other day by the remarks of the leader of the opposition when the Minister of Marine was introducing the bill in connection with the harbour board. He complimented the minister for doing it right away, and he said, "If you had not done it then, you never would have done it," and he instanced his own experience where he had the same desire to do it and was not able to; and I think the Minister of Marine knows now that if he had not done it when he first went in he never would have done it at all. This is a parallel case. The Minister of Marine was taking control of a thousand men; this is a much smaller thing and could be very much more easily done. I do beg the minister to put his hand to the cleansing of the Augean stable; I know it would be a great boost to his reputation. We need a great shake up, different views, and different policies.

Let me quote an illustration. I will not take the trouble to look up the page, but in the last fishery report the chief supervisor of fisheries for British Columbia said that the pack of salmon was "very satisfactory"; he said it had amounted to 1,582,000-odd cases. But the record year a few years before that was 2,000,000-odd cases. That is a drop of practically half a million cases, equivalent to three or four million dollars, a heavy drop, about twenty-five per cent, but he said—it is "very satisfactory." Well, there is the official point of view. It is "very satisfactory" that we have dropped our output twenty-five per cent. What are our competitors doing? Here is the record of Japan. A few years ago she was not in the picture. Last year she put up 2,418,000 cases, nearly a million cases more than we did; say, at $5 a case, $5,000,000 more than our total output. But the official says everything is "very satisfactory." Is it?

Then take Newfoundland. A complete reorganization of Newfoundland fisheries is provided for by the newly appointed fisheries board. Yes, they are taking time by the forelock and doing what is necessary to a complete reorganization. That is what we want in British Columbia, but the answer is, "very satisfactory." Is it? "Now" is the watchword of the wise; now is the time; now is the accepted day, as it is said. If the minister would cut loose from these palsied influences of the past he would have an opportunity to create a reputation and a record for himself that have not been attained by any minister for many years past, because we have never had for any length of time a separate minister of fisheries, although for a few months the Hon. E. N. Rhodes was a very efficient minister. But now the present minister is making a new start and he has got a chance to make a record for himself that may do wonderful things for the industry and for his own reputation. He can cut down on the overhead, and, as the leader of the opposition says, with better efficiency—not with less efficiency but with more; that is the point. Let him spend the money he saves in that way on patrol men, on guardians, on air patrols, on the destruction of sea lions and hair seals, on the building of fish ladders to let the fish get up where sometimes now they cannot for lack of water; on the cleaning

of creeks to help natural spawning. If these things are done the fishermen will have their livelihood assured, and that is about all they want. All they need after that is a market. If the minister would take out of the $300,000 vote sufficient money to help with the freight charges, they would have a market. The British Columbia government, I understand from Victoria the other day, has expressed no desire to take up the $50,000 out of that grant, so that that $50,000 will rest with the department and I suggest that this would be the most profitable use to make of it. Let me quote this one sentence from an editorial in a fishery paper published in British Columbia:

> Fishermen realize that the best aid given them is the guarantee of an assured future and the maintenance of a source of income which, if allowed to go to ruin, no appropriation, least of all to "needy fishermen," will be able to reestablish.

That is the spirit of our men out there. They do not want pork barrel aid. They want to be helped to help themselves, and they will be only too glad to do their share.

One more thing I suggest, and it is all important. Make the Fisherman's Loan Act workable. Was not a question answered the other day that not one loan had been granted under it? Certainly not, because the regulations are such that loans cannot be made, and never will be except to a very small extent. Make the act workable, and then there will be a chance for these men to help themselves. The British people are doing it. I have a record here showing that they are going into a scheme of this kind. Now the minister has got this $50,000 that is available, so to speak, that should be credited to British Columbia out of that $300,000, I suggest that it should be used to help the causes I have indicated and make the Fisherman's Loan Act workable. By "workable" I mean, conditions by which they can take advantage of it. Make it apply to sums greater than a thousand dollars if necessary, and make it apply to the boat and gear. It is now confined to the man who has got real estate which, forsooth, he must occupy. How can a fisherman be occupying real estate? But he has to occupy it and it has to be worth double the amount granted. Take the halibut man with a boat worth $25,000; he may not have enough land to put a henhouse on, but for that reason he cannot get any loan. If the act were made workable in that way it would be a tremendous advantage.

I put forward these views without any desire unduly to criticize the minister. I have not criticized the minister; he is only new at the thing, but I am pointing out conditions as I see them and have seen them for a long time. I claim to have some knowledge there. I have lived in a fishery district for over forty years, and for nineteen of those years I have represented it either in the house at Victoria or here, so I may claim to have some working knowledge of conditions. I should appreciate it if the minister would investigate the matters along the lines that I have indicated.

Hon. J. E. MICHAUD (Minister of Fisheries): Just a word in respect of the remarks that have been placed before this committee by the hon. member (Mr. Neill). I am pleased to be able to inform him that, with the additional amount provided in the supplementary estimates, it will be possible this year to have expended for patrol work the same amount that was expended last year, and have the same patrol and the same force that we had last year. There is the amount as requested in the main estimates this year, in item 145. With the amount provided in the supplementaries, added to the amount which we are asking the house to vote in the first column, we shall have exactly the same amount that was expended last year—not that was voted by parliament, but that was expended for the service of patrol that my hon. friend has pointed out.

Mr. NEILL: Item 145?

Mr. MICHAUD: Yes. With the additional amount provided for in the supplementary estimates we shall have enough money to give to British Columbia the same amount of patrol work that the government did last year.

Mr. NEILL: If the minister will allow me, the decrease is $141,548, vote 145.

Mr. MICHAUD: That is the whole vote.

Mr. NEILL: No, that is vote No. 145. It is decreased $141,548 and increased $40,000 by the supplementaries.

Mr. MICHAUD: But last year of that vote $913,702 was actually spent. This year we are asking parliament to vote $878,600 plus $40,000, which will make almost $5,000 more than was actually expended last year. That is why I say I shall be able after this vote goes through to implement the recommendation made by the hon. gentleman as well as other hon. members representing fishing districts, and give the patrol that was provided for last year.

My hon. friend has complained about the Vancouver office, about there being too many cooks, too many officials. Unfortunately I

am not familiar with the local situation there, but I promise my hon. friend that as soon as it is possible for me to do so I shall have this investigated and see for myself what the conditions are, and if they are as represented I can assure him that not only fifty per cent but seventy-five per cent or one hundred per cent if necessary will be dismissed if they are superfluous. Of course there are some officials whose work may not appear to be necessary, but when one considers that in British Columbia during the year we have twenty-one boats belonging to the government, two large boats and nineteen smaller ones, and besides that during the summer we hire on an average eighty-two boats for patrol work, the amount of work involved is apparent. There is an official there, I understand, whose duty it is to supervise that fleet of small craft, direct them and see that they are in working order. But if the work of that man after investigation is found to be unnecessary I can assure my hon. friend that his services will be dispensed with.

My hon. friend made one remark which I think was not justified. He said that the books or accounts of that department were kept in a disgraceful manner. If that be so this department is not responsible for it, because the books and accounts are kept by the treasury department. They have officials of their own keeping the books and accounts of our department as well as of other departments, and the officials of the Department of Fisheries are not responsible.

Mr. NEILL: If the minister will allow me, perhaps I should not have said that the books are kept in a disgraceful way; I should have said that the system is such that it is almost impossible to ascertain what was spent on this or that.

Mr. MICHAUD: Well, the criticism should be directed to the Department of Finance, which has jurisdiction over the treasury department. However, this matter I am sure will be taken note of by those responsible.

As to departmental politics, I am safe in saying that I know nothing about it, and I have had no actual fact pointed out to me. But if any hon. member has a complaint to make about political activities by officials of the department I shall be pleased to have the facts laid before me, and if after inquiry the official is found guilty of breach of his duties the minister will not countenance any such activities on the part of any official.

Mr. KINLEY: Even at this late hour in the session I desire to say a word. We are now dealing with the main fisheries estimates, on which we would naturally discuss both matters of policy and matters of routine. I hope the presentation of that vote at this late hour in the session is not an indication that the fishing industry is not considered of paramount importance in this committee and to this country. Coming as I do from a county which is largely interested in the fishing industry I regard it as my duty, as far as I am able, to place before the committee and the government the importance of the fisheries.

Fisheries are of national importance, and have an international aspect. While the fisheries department has direct control of the fisheries I regard our fisheries as an industry with which practically every department of the government is concerned. I know of no man who could do more for the fisheries than the Minister of Trade and Commerce, by making proper trade arrangements with other countries whereby we should be able to sell our products and bring new money into this country. The fisheries invite foreign trade. For that reason I trust that the Minister of Trade and Commerce during the recess, in conjunction with the Minister of Fisheries, will give his attention to the matter of marketing our fish products in foreign countries.

The same is true of the Minister of Transport. Transportation is a big item in connection with fish. It is a bulky product, freight rates are high, and transportation is all important. The Minister of Transport can give great assistance to the Department of Fisheries in facilitating transportation, both as to cost and as to speed, and making fish more readily available to people throughout Canada and to the people of other countries. The Minister of Agriculture also, through the acts relating to cold storage and farm loans, in which the fishermen are interested, can do his part. So that while the fishery estimates have to do principally with the regulation of the fisheries, all these departments are represented in the picture. The fish trade is unique and important and should appeal to the imagination of every member of the government.

Fisheries are of greatest importance to us in the maritime provinces. We are a maritime people. If we are to prosper as a part of Canada it must be in the industries that are naturally ours; I refer to activities on the sea—the fisheries and the mercantile marine. If we build up the industry that is naturally ours, when we get it to a state of efficiency and secure the trade it will be ours

against competition and will be economically sound. For that reason I say that as far as the maritime provinces are concerned, while we have our interest in farming and other industries, common to other provinces also, if we want to excel as a port of Canada it must be in our activities upon the sea. That has been our history in the past. There was a time when we had more ships per capita upon the ocean than any country in the world. Our men sailed to every port on the seven seas. Our fisheries sustained us and were the admiration of foreign countries. In fact one of the reasons set out for the pact of confederation was that this country would develop the fisheries of the maritime provinces.

We hope that the minister who has now taken charge of the fisheries of Canada will amplify these thoughts and see to it that this natural primary industry of the maritime provinces receives every consideration. The main countries with which we are in competition are stimulating their industry, and we must put ourselves in a position to compete. Geographically we are in a favoured position; Nova Scotia and the maritimes are adjacent to the finest fishing banks in the world. There is no good reason why we should not meet competition of every kind. This is one thing which will help to relieve unemployment in my constituency. I therefore enlist the sympathies of the Minister of Labour, because he too must be interested in the fisheries. Fishermen are a class who can live on a smaller amount of this world's goods than can most people, and they deserve consideration.

Something has been said about cutting down the fisheries estimates. The votes for fisheries are very low, and perhaps they have been pared down lower than is justified. But we must realize that we have supplementary estimates which to a certain degree make up the loss.

I notice that the wages of guardians have been lowered, and I must say there is some justification for that action. In the rural parts of Canada I believe it is a mistake to have government men getting more money than people engaged in private industry. The man who works for a private company should not be placed in the position where he must envy the government employee. Everybody is looking for a government job, because it is paying more than anybody else. I believe hon. members will agree that the reduction per day of wages of these men is in some degree justified, because it shows a disposition on the part of the government to save money

[Mr. Kinley.]

—for other active items of fisheries estimates. If we are serious in our efforts to save it in the Department of Fisheries I am sure the fishermen will cooperate as far as possible. At any rate the total expenditure this year will be greatly increased.

The last government made provision for loans to fishermen who offered real estate as security. The principle of offering loans is a step in the right direction, but it was inadequate for the purposes of the fishermen because, as a rule, they hold no real estate. I suggest that the legislation should be amplified so that the fisherman may get a loan on his gear or boats. The proper way to do that would be to give the loans through the people who know how to give them, and know what credit should be given. I suggest that the government could make some arrangement with the chartered banks, branches of which are found in every fishing village. If the government would guarantee or share the guarantee of the loans the fisherman could get the small amount of money he required, because he usually does not need very much.

The Minister of Finance might look into the matter during the recess in an effort to reestablish the fisherman. I believe with a proper expenditure of money and proper attention our fisheries will stand the strain and stress of days to come.

Item agreed to.

Building fishways and clearing rivers, $1,400.

Mr. NEILL: I suggest the amount in this vote is unreasonable, to the last degree. Last year there was a vote of $6,000, and this year it is only $1,400. I can point to one island alone where we could use all that. I know the minister has arranged for a further sum of $3,000 in the supplementary estimates, but when we are shutting up the hatcheries we must surely give further help in building fishways and clearing rivers. The total amount will be only $4,400 as against $6,000 for last year, and I suggest that instead of a decrease there should have been an increase towards helping to preserve the fish. There is a general idea that the best way to help them is by clearing rivers and building fishways. I realize the minister has obtained a substantial increase, but to begin with he suffered a cut which was out of all reason. My quarrel perhaps should be with the Minister of Finance; possibly the Minister of Fisheries did not present sufficient of what we call in the west a "skookum tumtum," or a strong mind, that is he did not take a sufficiently firm stand with the Minister of Finance.

Mr. KINLEY: May I say that if hon. members want the thrill of their lives they should come to Nova Scotia and catch a tuna. In that way we would enlist the interest of the tourist department in the fisheries of Nova Scotia.

Mr. REID: And if you want good salmon, come to the Fraser river.

Item agreed to.

Fish culture, $240,000.

Mr. NEILL: This is an expenditure for fish culture and, I assume, includes hatcheries. The cut is no more than two per cent. Could not the minister have made a greater cut in this vote, in view of the reduced expenses in connection with hatcheries?

Mr. MICHAUD: It is a fact that the closing of the sockeye hatcheries in British Columbia will bring about a saving of about $50,000, but I wish to repeat—if I did not make it clear yesterday—that only the sockeye hatcheries are being closed. All other hatcheries in the rest of the country are maintained. Further I must add that they are not closed because it was found that artificial propagation was not proper or adequate, but because it was found the natural propagation of sockeye salmon was sufficient to meet the requirements. The money we saved by closing those hatcheries is being expended on other hatcheries throughout the country—in British Columbia as well as in the rest of Canada. We have estimated that out of the $50,000 we will spend $43,500 to improve other hatcheries.

Mr. NEILL: After the minister closes what he is going to close in British Columbia, are there not only four left? He is going to close ten of them.

Mr. MICHAUD: We are closing Anderson lake, Babine lake, Smiths Falls, Kennedy lake, Lakelse lake, Pemberton, Pitt lake, Rivers Inlet and Harrison lake.

Mr. NEIL: That is nine; you are keeping four.

Mr. MICHAUD: We are keeping Cowichan lake, Argenteuil, Lloyd's creek, Nelson, Penask and Summerland.

Mr. NEILL: Those are merely sport fisheries. They are little better than breeding ponds, in some cases. I cannot see where we can save $50,000 out of certain hatcheries, and then spend all of it on these small hatcheries.

Mr. MICHAUD: No, on the rest of the country.

Mr. BARBER: The minister said something about a fifty thousand dollar reduction in the amount to the fish hatcheries in British Columbia. Would he give us the reduced vote to British Columbia?

Mr. MICHAUD: It is not a separate vote for British Columbia; it covers all the hatcheries in the country. Fish culture was taken under one vote. We have closed some of the hatcheries in British Columbia; the closing of the hatcheries I have just enumerated will cause a saving of $50,000, but the money is to be expended for the improvement of some hatcheries in British Columbia and others in the rest of the country.

Mr. BARBER: I take it that the minister proposes to reduce the vote to British Columbia by fifty per cent, and to distribute it in other parts of the country.

Mr. MICHAUD: No.

Mr. BARBER: Well, that is the only place hatcheries are being eliminated.

Mr. MICHAUD: No; it is because British Columbia is the only place where there are sockeye hatcheries.

Mr. NEILL: No; yesterday I spoke about the building of a new hatchery in Nova Scotia last fall. Can the minister explain why, when the government had in view a change in policy, it should build a new hatchery? What was the cost of it, and where was it built?

Mr. MICHAUD: I am told that the hatchery in Nova Scotia was constructed to carry on the artificial propagation of Atlantic salmon in order to maintain the supply, while the report of the biological board is to the effect that on the Pacific coast, in connection with sockeye salmon, natural propagation is sufficient to maintain the supply.

Mr. NEILL: I can hardly agree with that; if you look up the report of the biological board they do not say that. What they do say is this: they have decided that while propagation by artificial means can be done, the results are not sufficiently more profitable than the natural propagation to make it desirable to continue that, but certainly they do not say that the natural system is sufficient in British Columbia, because the facts are against that. We are going down every year, a thousand cases this year and perhaps a million cases next year. I cannot quite grasp why, in view of the information gained by the biological board, it should be necessary to start a new station on the Atlantic at a considerable expenditure. One would think the conditions

on the two coasts were practically similar. Was there some depletion of a run on some particular river that justified this expenditure, or what was the idea?

Mr. MICHAUD: I am told that it was in order to build up the Atlantic salmon fisheries in the eastern part of Nova Scotia.

Mr. NEILL: What particular rivers were concerned?

Mr. MICHAUD: I am told that practically all the rivers in the eastern part of Nova Scotia were concerned.

Mr. NEILL: And what was the cost of the hatchery?

Mr. MICHAUD: Some $30,000.

Mr. NEILL: And for that we had to go hungry in British Columbia.

Mr. MICHAUD: Oh, no.

Mr. NEILL: Officials were discharged from the hatcheries in my district in the fall of the year, when there was work for them to do. When I inquired as to the reason I was told that the vote had petered out. I inquired further, and I have a letter from the deputy minister saying that the construction of a new hatchery in Nova Scotia took up a good deal of their money.

Mr. MICHAUD: I do not think it is fair to draw the conclusion that the hatcheries in British Columbia were closed in order to provide money for the construction of a hatchery in Nova Scotia. There was no relation between the two.

Mr. NEILL: The minister misunderstood me; that was not what I was trying to convey. I did not say the hatcheries were closed, but in the fall of the year, when the hatcheries in British Columbia were still running, their work was hampered. Men were taken off, and when I asked why I was told there was no more money. If you put a man in a hatchery to do the work of two men, provided he was not underworked before, the assumption is that the work will suffer.

Mr. MICHAUD: I understand that in the fall of last year the appropriation was practically exhausted, and the work in the hatcheries all over Canada was curtailed to the limit in order to make the vote extend to the 31st March.

Mr. NEILL: Let us be frank about it; was it in order to help the political fortunes of Mr. Ernst?

Mr. MICHAUD: I do not know anything about that.

[Mr. Neill.]

Mr. CAMERON (Cape Breton): I cannot agree with my hon. friend from Comox-Alberni with regard to the appropriation for the hatchery in Nova Scotia. I think that salmon hatchery is destined to do a very good work with regard to the rivers in eastern Nova Scotia.

Item agreed to.

Marine Biological Board of Canada, $188,300.

Mr. NEILL: What is the extra $13,000 for in the supplementaries?

Mr. DUNNING: We will come to the supplementaries in a moment.

Mr. BARBER: I notice that the total vote for this board, including the item in the supplementaries, is $201,000. Would the minister explain whether this covers salaries and expenses and, in case an investigation is carried on such as was carried on at Cultus lake, whether any money comes out of the fish culture vote to assist in that work?

Mr. MICHAUD: Yes.

Mr. BARBER: Would the minister give me the details of the salaries and expenses?

Mr. MICHAUD: The salaries at Nanaimo station are as follows: Doctor Clemens, $5,400; Doctor Foerster, $3,900; C. R. Elsey, $2,760; Doctor J. L. Hart, $3,000; C. McMottley, $2,400; Doctor A. L. Pritchard, $2,760; A. L. Tester, $1,620; J. P. Tully, $1,740; W. E. Ricker, $1,800; Miss D. Dickinson, $960; Miss E. Robinson, $960; Miss E. Keighley, $1,020 and T. Russell, $1,200. Then there is the foreman at Cultus lake, W. F. Baxter, $1,500; E. L. Kennedy, $1,200, G. G. Thomson, $1,200. J. H. Stannard, foreman, Queen Charlotte Islands, $1,500, and D. Crocker, $1,200.

Mr. BARBER: I am not so much interested in that. The information I wanted was whether this vote for the biological board, totalling $201,000, is for salaries only.

Mr. MICHAUD: Yes, for salaries and investigations all over the country.

Mr. BARBER: No expenses connected with it? Are the expenses paid out of the fish culture vote?

Mr. MICHAUD: There is the cost of publicity and the travellling expenses, and there is the salary of Doctor Huntsman, as well as the salary of Miss Rigby, who is assistant editor and clerk. There are expenses totalling about $18,000, but this covers salaries for the Prince Rupert station, the Halifax station, the Nanaimo station and the St. Andrews station.

Mr. BARBER: I just wish to point out that the vote for fish culture, which has been condemned by some, amounts to $240,000. That has to do with one of our main industries, perhaps the best of all the industries having to do with fish, the sockeye salmon industry. To-day, on the other hand, we are paying $201,100 in order to maintain this board of scientists. Once more I wish to stress the importance of the minister taking into consideration the application of a little more practical knowledge and consultation with some of the practical men engaged in this industry, instead of leaving it all to a board of scientists.

Mr. NEILL: I asked the reason for the $13,000 that appears in the supplementary estimates.

Mr. MICHAUD: That provides $10,000 for a biological station in the lower St. Lawrence and $3,000 to pay the salary of a lobster investigator in the maritime provinces. The lobster supply is getting low and for some years the lobster fishermen and the lobster packers have been requesting that a scientist should be entrusted with the duty of investigating the cause of his diminution of supply.

Mr. CAMERON (Cape Breton): There are one or two general observations that I wish to make. The matter to which I shall refer may be new to the minister, but it certainly is not new to the department. For a number of years the fishermen in Nova Scotia have been agitated over the continued use of the beam trawler. Several royal commissions have been appointed to consider this matter and have made reports adverse to the continued use of the trawlers.

Mr. ISNOR: Did the hon. member say that all those reports were unanimous?

Mr. CAMERON (Cape Breton) : I did not use the word "unanimous" at all.

Mr. ISNOR: What did you say?

Mr. CAMERON (Cape Breton): I said that the reports were against the use of the beam trawlers.

Mr. ISNOR: All the reports?

Mr. CAMERON (Cape Breton): All of them.

Mr. ISNOR: That is not quite correct.

Mr. CAMERON (Cape Breton): I know some of the reports were not unanimous, but in my training a report of the majority is the report. I was going on to say that what might be termed a makeshift policy was adopted some years ago for the licensing of these trawlers, and I understand some licences have been issued this year. Before a licence is issued the department must be satisfied from evidence that the issuing of a licence is necessary in the interests of the trade. My idea of evidence is that an opportunity is given to both sides to be heard, and my complaint is that on this occasion only one side was heard. I am going to suggest to the minister, on behalf of the fishermen whom I represent, and I know I can speak for the fishermen in many other counties, that no licence should be issued until both sides to the controversy have been heard.

I am sorry I must differ with the hon. member for Queens-Lunenburg (Mr. Kinley); I do not believe sufficient money is appropriated for the purpose of properly guarding our streams. One of the best assets that the province of Nova Scotia could have from the tourist standpoint is streams well stocked with sport fish. I do not know where the hon. member got the idea that the salaries paid to these guardians were too large. The hon. member's idea was that they were so large as to be almost discriminatory when compared with other industries. These guardians are paid only $25 or $30 per month.

Mr. KINLEY: Not in my county.

Mr. CAMERON (Cape Breton): I have the figures under my hand. They are employed for only two or three months and I do not think you can expect to have an efficient guardian when you pay such low wages. If you want to have your streams properly protected you must pay more money for this service. I cannot recall the term used by the hon. member for Comox-Alberni (Mr. Neill), but whatever it was I hope the minister will remember it in his attitude toward the Minister of Finance (Mr. Dunning) in the coming year when estimates are being considered.

Mr. KINLEY: Mr. Chairman, I think my hon. friend must have misinterpreted what I said. In one stream in my county we put on more guardians, but the department is paying them less. I think that is sound business. I am not saying that our streams should not be properly guarded; on the contrary what I say is that it is better to have more guardians, and that can be done at the lower rate; the same money employs more guardians.

I should like to say a word about the use of beam trawlers. In the light of conditions that exist I cannot see how anyone in authority

in this country can think that the beam trawler is necessary at the present time for the success of the fisheries. Some years ago the Maclean commission was appointed to report on conditions in the maritime provinces and they reported against the use of the beam trawler. Doctor Cyrus Macmillan was perhaps the strongest member of that commission advocating abolition, and he became Minister of Marine and Fisheries later on. He is now a professor at McGill university. It is true that Judge Maclean, for whose opinion I have a high regard, had a different opinion from that of his colleagues, but that difference was quite small. In effect he said that the beam trawler should be used only for the purpose of taking up the slack, to use the vernacular of the fishermen; he said that it should be used only when necessary to provide a continuity of supply.

The Minister of Public Works (Mr. Cardin), who was then Minister of Marine and Fisheries, presented an order in council to the government, which he said had been prepared with the assistance and on the opinion of his deputy. The government passed that order in council, which in effect, entirely prohibited the use of the beam trawler. This order in council was questioned and it became the subject of litigation in the courts. After an adverse opinion had been rendered by one court, an appeal was started, which was later withdrawn. The tax was paid back to the one firm that had paid it.

Another order in council was passed by the government of the right hon. gentleman to my left which set out in effect that beam trawling would be permitted only if it did not interfere adversely with the line fishermen, and that before a licence would be issued the minister must be convinced that they would not decrease their purchases from the line fishermen. In the face of this order I have received resolutions from groups of fifty, one hundred or two hundred fishermen in my county who have been laid off by these same companies and who have since been unable to get any work. I contend that if there ever was a time when the provisions of that order in council should be enforced, it is the present.

Then we had the Jones commission which investigated the economic conditions of the province of Nova Scotia. That commission reported, recommending that the beam trawler be gradually abolished. They pointed out that it was not necessary. I am not giving my own opinion. My opinion is the opinion of the fishermen whom I represent, and they are unanimously against the beam trawler, but that is not the opinion I am giving now. I am quoting the opinion of scientific men who heard the evidence. The Minister of Public Works himself travelled along the coast taking the views of fishermen from place to place. The beam trawler people themselves say it is not essential to the carrying on of the industry.

This matter was before the price spreads committee at the last session and that committee reported against the beam trawler. With one exception, Mr. Young of Weyburn, the committee was unanimously in favour of the report against the beam trawlers. Mr. Young was in favour of the trawlers but all the others reported absolutely against them, and in the course of the evidence given before the committee the hon. member for Kootenay East (Mr. Stevens), who was then chairman, made a comment which I should like to read. I quote:

> By the Chairman:
> Q. Just before you leave that, may I say this: your idea is that an international arrangement be made to discontinue the use of those trawlers?
> A. Surely that would be the logical thing to do, for there is not any necessity for beam trawlers to have continuity of supply; and they are a great expense to the companies who are operating them. They admit that themselves very frankly. I know the president of the National Fish Company, Mr. Britton, and that particular year I was here on the subject of advertising, and he admitted to me that the only reason they wanted beam trawlers was that it gave them a certain amount of independence.

In other words, they want the beam trawler as a club to hold over the fishermen. Not a great amount of fish can be caught by the trawlers. There are three trawlers and it is estimated that each can catch nine million pounds of fish a year, or twenty-seven million pounds. Personally, I think that is an exaggeration, but those are the figures. Now that is a large part of the deep sea catch in Nova Scotia. We may be told that they do not catch a large percentage, but the fact is that it puts the beam trawler corporation man in the position where he is a primary producer and he can say to the fishermen, "I have a beam trawler coming in to-morrow; you take what I give you for your fish or you can go home." The fisherman has no bargaining power.

We are not opposed to the beam trawler as an economic factor; we are not opposed to progress. But it is not real progress, for the fishermen can produce better fish more cheaply than the trawler can. And what is more, the fishermen do not destroy fish. At this moment the United States government is concerned about haddock fishing on the banks

adjacent to Nova Scotia, and there is a suggestion that beam trawlers be prohibited west of St. Pierre. The banks off the coast of Nova Scotia are being ruined by the beam trawler. However, that is an international matter with which we are not concerned at the moment. The point is that we want the Canadian market for Canadian fishermen, and we think that they should have some way of determining the price for which they must sell their product. But the beam trawler is one instrument that defeats that object. We may have to come to a minimum price for the fishermen. To my mind the fishermen of Canada, whether they are right or wrong, will never be satisfied until the beam trawler is abolished. We have a population of only 10,000,000 while in the United States there is a large market with a population of 120,000,000. If we had a population of 20,000,000, the beam trawler might be necessary, but we have a condition that does not exist in any other country. Ground fishing is only one part of the activities of our fishermen; they must fish in the outports to catch lobster, mackerel, herring and seasonal fish that come along the shore. Put these men in Halifax and make them coal heavers and beam trawler operators and you will denude the shores of Nova Scotia and ruin the industry. The government must know, surely, that scientific men like those who composed the commissions that have studied this matter are not men who would be parochial in their opinions or who would give opinions without reason. And the opinions are there.

I submit that in the interests of employment the experiment should be tried and if necessary the beam trawler operators could be compensated. Just allow them the profit they showed in their income tax returns last year. This is a matter that has been before the country a long time and we will keep it before the country, not because we are opposed to progress but because we believe that progress should be genuine, and the interests of our men who need work should be paramount. There is no other means by which men can live than by working, and until you can allow men to sit at the table without working you must see to it that they have work.

Mr. MICHAUD: My hon. friend from Cape Breton North-Victoria and my hon. friend from Queens-Lunenburg seem to be under the impression that the Minister of Fisheries has the power to abolish the beam trawler. I have not, nor did I have that power last spring when the time came for the renewal of licences. It is true eminent men have given their opinion as to the necessity of the steam trawler, but one fact remains, and it is this. The parliament of Canada has dealt with the question in all these investigations that have been carried on, and in 1929, I believe, passed section 56 of the Fisheries Act. Under the provisions of that act power was given to the governor in council to make regulations for the operation of steam trawlers. These regulations were questioned before the courts and one tribunal decided that they were ultra vires inasmuch as they were prohibitive in effect.

Mr. KINLEY: The trawlers were taxed by order in council.

Mr. MICHAUD: The tax was so high that it was prohibitive; it really prohibited the trawler from operating. If parliament wanted to prohibit the trawlers it would have passed a statute forbidding the use of them; but it provided for the regulation of these trawlers. So far the regulations have been made and administered by the Department of Fisheries; and I felt last spring, when the time came for renewing licences, that, not having the power to refuse to issue licences, I should confine myself to renewing those that had been in force in the previous year or for the last few years.

Mr. KINLEY: The minister is no doubt aware that so far as the companies carrying on the fishing business in the maritimes are concerned, it is a matter of privilege, because there is only one company that is allowed to have steam trawlers.

Mr. MICHAUD: If they complied with the regulations and made application in due form I renewed the licences. Last year one application was refused because the conditions had not been complied with.

Mr. KINLEY: That was in my constituency and I compliment the minister on not having granted it. The minister takes the point that the statute was for regulations, but I want to point out to the minister that the order in council was in effect a prohibition—absolutely—which showed the intent of the government of that day.

Item agreed to.

To provide for the payment of a bounty for the destruction of harbour seals, $15,000.

Mr. NEILL: Is "harbour seals" a misprint? Is it intended to mean "hair seals"?

Mr. MICHAUD: Hair seals.

Mr. NEILL: I compliment the minister upon putting that item in. It is a very necessary thing.

Item agreed to.

Fisheries—Salaries, $113,331; contingencies, $20,000.

Mr. NEILL: This is the item dealing with civil government at Ottawa. I have prepared elaborate data that I proposed to unload, but I am going to take mercy on my weary fellow members and cut it down very substantially.

Some hon. MEMBERS: Hear, hear.

Mr. MICHAUD: Hand it over.

Mr. NEILL: I will put it into three minutes if I can. First, I just wanted to correct a misstatement that was made when I was speaking on this matter on March 3. I was reported somewhat generally in the press as having said that in my opinion the civil servants of Canada were asleep. That was a mistake. What I said was, certain sections, and that I am prepared to stand up to. To say it applied to them all would be doing a gross injustice to the civil service, a large majority of whom are very faithful, conscientious people, and some of them entirely devoted to their work. I then intended to deal with, though now I am only going to summarize it, some of the statements the deputy minister put into the mouth of his minister in connection with the figures, with which he dealt with the utmost abandon. Discrepancies of twenty-five per cent and in some cases seventy per cent I can readily prove. I proposed to show also the type of figures that his chief supervisor in Vancouver sent out, but I showed it to the minister, so I will not repeat it. It was not a case of typographical error; it was a straight case of faking figures, they faked figures at the bottom in order to make them agree. That was at the least gross carelessness. If the minister wants details I have them under my hand. Page 56.

Mr. MICHAUD: Intentional?

Mr. NEILL: Absolutely. If it is not intentional the man is a fool. It is not a typographical error. I will show it to the minister if he wishes.

Mr. MICHAUD: I have seen it.

Mr. NEILL: The reason I say it is intentional is this. They add up seven columns and they do not add them up correctly, but to make them agree with the other two totals they put in a false statement. You have only to look at the thing, on page 55. If you take the number of cases inspected of sockeye, 270,000, and reject 21,000, you surely do not have 349,000 left, do you? It does not need a statistician or a purchasing agent to tell you that. But they make the totals correct. Then I show that the deputy minister's own bulletin, the bulletin for May, says that the British Columbia product increased $550,000 last year, but if you compare it with his own report on page 6 you will find the increase is only $452,000, a trifling difference of $98,000. But here are the only points I want to make. I am taking their own figures. They show that the marketed value for 1935 went up $550,000 while the landed value to the fishermen, according to the January bulletin, went down $178,150, showing that the fishermen got less for their product that year while the cannery men got a large increase. That goes to support my contention, and that is the trend of my remarks, that the policies of the departmental officials and their sympathies in British Columbia lie wholly with the big cannery interests, as the men who are prominent in the business world, in the financial world, in the social world, and perchance in the political world also. Their sympathies go there; they are not with the working fishermen.

Mr. MICHAUD: The sympathy of the minister goes with the working fishermen.

Mr. NEILL: I thank the minister for his kind words, and I shall look forward with hopeful anticipation to his making good on that.

I see in the item there is a purchasing agent in the office at Ottawa. What do we want a purchasing agent for? In the same building there is a purchasing agent for the Marine department; on the same floor or the next one there is a purchasing agent for the Public Works department. There is also a government contract supervising committee that takes charge of the salvaged stuff that has to be disposed of. What does that department need a purchasing agent for? Will the minister tell us why? It will tax his ingenuity, I think.

Mr. MICHAUD: It is to purchase all that the department needs. Most, though not all, the purchases for the eastern section of the fisheries department are made in Ottawa through tender from the main office. It is only in British Columbia that we have a special purchasing agent, a man in Vancouver who looks after the purchases in British Columbia, but all the purchases in the eastern section are made in the head office at Ottawa through that gentleman.

Mr. NEILL: In that case, what does he buy?

Mr. MICHAUD: All kinds of things.

Mr. NEILL: Stationery? Coal? Gas?

Mr. MICHAUD: No. We have boats on the Atlantic. He buys supplies for all the boats, and supplies for all the hatcheries. There are repairs needed for our boats, and everything is done through tender. I think the officer justifies his existence as such by the work that under my observation he has to do. Possibly a concentration of all the purchasing departments of the government might result in some saving, but it is a matter of policy.

Mr. NEILL: Could we not cut out the man in British Columbia? The Atlantic purchasing is done here; could not the Pacific coast purchasing be done here also?

Mr. MICHAUD: I doubt it. The purchasing of supplies for British Columbia would be difficult to do from Ottawa. The distances are against us; it is so far away that it takes a long time to communicate. I understand the system that now prevails in Vancouver has been in vogue for over twenty years. Prior to that time the department was administered wholly from Ottawa, and it was not found satisfactory. That is the information I have.

Mr. NEILL: We have a three day mail service now; try air mail and telegraph and wireless; I do not think the distance has got any greater. Is it not a fact that within the last five or six years the department in British Columbia bought three boats? I forget the names of them all, but one, I think, is called the Vanidis. If my information is not erroneous they have already had to rebuild two of them, or they have rebuilt one and contemplate rebuilding the other two. I do not know whether "rebuilding" or "reorganization" is the correct word, but I understand some very big alterations have had to be made on a comparatively new boat.

Mr. MICHAUD: I understand some alterations were made in a boat.

Mr. NEILL: A new boat.

Mr. MICHAUD: A new boat which was bought some years ago.

Mr. NEILL: Then for God's sake get a new purchasing agent.

Item agreed to.

Progress reported.

LEAGUE OF NATIONS— SIXTEENTH ASSEMBLY

Right Hon. W. L. MACKENZIE KING (Prime Minister): Perhaps the house will permit me, there is a statement which I should have made this morning when speaking on external affairs. The Canadian government will be represented at the adjourned meeting of the sixteenth assembly of the League of Nation's at Geneva on June 30 by the Hon. Phillippe Roy, Canadian minister in France, and the Hon. Vincent Massey, Canadian high commissioner in the United Kingdom. Doctor W. A. Riddell, Canadian advisory officer at Geneva, and Mr. Loring Christie, counsellor in the Department of External Affairs, Ottawa, will act as advisers.

At one o'clock the house took recess.

The house resumed at three o'clock.

MESSAGE FROM THE GOVERNOR GENERAL'S SECRETARY

PROROGATION OF PARLIAMENT

Mr. SPEAKER: I have the honour to inform the house that I have received the following message:

Ottawa, June 23, 1936.

Sir,

I have the honour to inform you that the Hon. Thibaudeau Rinfret, acting as the deputy of His Excellency the Governor General, will proceed to the Senate chamber Tuesday, June 23, at 4 p.m., for the purpose of proroguing the present session of parliament.

I have the honour to be, sir,

Your obedient servant,

F. L. C. Pereira,

Assistant Secretary to the Governor General.

SUPPLY

DEPARTMENT OF FINANCE

The house in committee of supply, Mr. Sanderson in the chair.

To authorize, subject to the approval of the governor in council, appointment of such extra temporary officers, clerks and employees as may be necessary to carry out the purpose of any of the items in these special supplementary estimates.

Mr. DUNNING: This item was discussed last evening. My colleague will move an amendment in the terms suggested by the leader of the opposition, which will place beyond any doubt the question as to the use to be made of the item.

Mr. CRERAR: I move:

That item 425 be amended by adding thereto the following:

"payment therefor to be made from the particular item with respect to which such extra assistance is required or from any item providing in terms for salaries or administration expenses."

Amendment agreed to.

Item as amended agreed to.

House of Commons—

Publishing debates, including salaries of amanuenses, etc. — further amount required, $13,095.55.

To provide for the full sessional indemnity to members of the House of Commons—days lost through absence caused by illness, official public business, or on account of death during the present session—notwithstanding anything to the contrary in chapter 147 of the revised statutes, 1927, an act respecting the Senate and House of Commons, or any amendment thereto. Payments to be made as the treasury board may direct, $12,000.

Mr. BENNETT: I should like to say one word with respect to this matter. I mentioned it to the Prime Minister when we rose. I refer to the question of the payment of sessional stenographers. During the last régime there were no statutory increases, and it will be recalled there was a reduction in payments made to civil servants. The policy which had been adopted for many years in connection with the sessional stenographic staff was a salary of $4 per day to begin with; when they had served a second session they went to $4.50 and in the third session they went to $5. But after the failure to provide statutory increases, and the diminution of salaries which took place in consequence of a general reduction in the salaries of civil servants, that was not continued. It has resulted in some ill feeling, if I may use so strong a word, on the part of those who have served in some cases three and four sessions, and in other cases longer than that. Mr. Speaker will no doubt be aware of the circumstances. The old rule of the sliding scale has been discontinued. I remember having personally discussed the matter at the instance of those then in charge, and with the gentleman who looks after the staff. He told me—and I believe it is still so—that beginning with a fixed rate and increasing fifty cents the next year and fifty cents the following year was eminently and entirely satisfactory. I trust when the committee on internal economy makes a final adjustment of these matters at the end of this session they will return to the old rule departed from by the late government at the time I have indicated, when there was a lessening of salaries paid to civil servants and when statutory increases were discontinued.

Item agreed to.

DEPARTMENT OF INDIAN AFFAIRS

To provide for expenses connected with the administration of Indian affairs, including salaries, supplies, relief, medical attendance, hospitalization, dwellings, agricultural activities, surveys, roads, bridges, irrigation, dyking, education, etc. — further amount required, $130,000.

[Mr. Crerar.]

Mr. BENNETT: I have made certain inquiries about this from the Minister of the Interior, and he has explained to my satisfaction that this is to look after increases in salaries provided for by statute and other matters of that kind. I shall not take up the time of the committee with any further discussion.

Mr. CRERAR: I might say that the grant for the educational side of Indian work was cut in the main estimates, and this simply restores it to where it was last year.

Item agreed to.

DEPARTMENT OF THE INTERIOR

Dominion Lands, Parks, etc.—

To provide for the expenses connected with the national parks of Canada, historic sites, care of indigents in the parks, the appointment of stipendiary magistrates in the parks and the payment of their remuneration, etc. —further amount required, $50,000.

Administration of the Migratory Birds Convention Act—further amount required, $4,000.

To assist in the development of the Canadian section of the International Peace Garden in Manitoba, $12,000.

To provide for the expenses incurred under the Lake of the Woods Control Board Act, 1921, and under the agreement between the Dominion, Ontario and Manitoba, confirmed, by the Lac Seul Conservation Act, 1928, for the construction of a dam at the outlet of Lac Seul and its operation by the Lake of the Woods Control Board, moneys expended to be reimbursed to the dominion by the province of Manitoba under the terms of paragraph 8 of the Manitoba transfer agreement, $20,000.

To provide for the expenses incured under the Lake of the Woods convention, 1925, for Canadian participation in legal proceedings in the United States incidental to acquiring a flowage easement over lands bordering on lake of the Woods in the United States, two-thirds of the moneys expended to be reimbursed to the dominion by the provinces of Manitoba and Ontario under the terms of the agreement of November 15, 1922, $10,000.

Mr. BENNETT: In order that it may appear on the record, may I publicly direct the attention of the Minister of the Interior to a matter about which I spoke to him privately. In the national park at Banff there is a publicly owned lighting system developed from the water in the river. It is very satisfactory. There are two sets of rates, that which they charge domestic customers and that chargeable against others. With great effort the permanent officials were induced to believe it might be possible to provide a cheaper rate for what we might call heat and power for larger motors. A rate was provided with a minimum of $3 per month. The meters are paid for on a rental basis of twenty-five cents per month, so that that need not enter into the discussion. Unfortunately with

respect to the smaller motors the officials of the department are not prepared to make the experiment. I do suggest that the minister this season might yield to the urgent demand of those who live in the community and try the rate which has been suggested, as an experiment to see how it will affect the revenue. I do not believe there will be any added cost, for the power is there and might just as well be utilized. If the minister will try that experiment certainly I shall be entirely satisfied; for I had intended, if we had been in the place that he is now in, at least to make the experiment during this year.

Item agreed to.

To provide for a contribution to the government officers guarantee fund and to authorize the establishment and administration of such fund including payments therefrom in accordance with regulations prescribed by the treasury board and to authorize payment of interest on such fund at the rate prescribed by the treasury board, $20,000.

Mr. WOODSWORTH: May I ask whether anything can be done in the near future in connection with social insurance? I am thinking now of the present act having been declared ultra vires, and I should like to know what will be the next step taken by the government.

Mr. MACKENZIE KING: The officers of the Department of Justice at the moment are carefully studying the opinion given by the supreme court, and the Minister of Justice is also giving thought to the matter. I think later he will make a recommendation to his colleagues with respect, possibly, to further consideration of the intra vires or ultra vires of the measure by the privy council. Pending that time the organization already effected with respect to social insurance will be maintained, and nothing will be done to prejudice in any way what has been established. More than that I do not think I can say at the moment.

Item agreed to.

To provide for expenses of the royal commission on the textile industry, including honoraria as follows:—A. S. Whiteley, secretary, $1,000; Robert Rene, assistant secretary, $350; Gordon E. Hooper, adviser on tariff matters, $500, $100,000.

Mr. BENNETT: This is a very large expenditure. Does it include the $20,000 covered by governor general's warrant, or is it exclusive of that sum? Can the minister say what it is costing per day to operate this commission?

Mr. DUNNING: The $20,000 is to recoup unforeseen expenditures already made. The cost per day is rather difficult to give, but I have some information which may have a bearing upon the matter. It is estimated that a total of ninety days' reporting will be required. The judge, of course, gets no salary; he gets a per diem allowance for expenses. Counsel fees and so on are estimated to require, all told, $38,000 or thereabouts, and travelling expenses will be about $2,000. For auditors and accountants the cost will be approximately $10,000, and for an economist $2,500. Then there are a number of small items, including $3,500 for printing the report and certain honoraria which are mentioned in this item to civil servants who are working on that particular job. There is also a miscellaneous item of $6,000. That will give a rough idea as to the cost of the commission.

Item agreed to.

To authorize payment of the insurance money under policy No. 16736, written under the authority of the Returned Soldiers' Insurance Act on the life of Percy William Roper, to Maggie Amanda Roper, notwithstanding the provisions of the said act, $1.

Mr. BENNETT: What is this item?

Mr. DUNNING: This is a curious case, Mr. Chairman, and I should like to give the particulars.

Mr. BENNETT: The only difficulty is as to why the sum is $1.

Mr. DUNNING: I think I can only explain it by reciting the facts of the case. As I think my right hon. friend knows, there are certain provisions of the Returned Soldiers' Insurance Act under which the Minister of Finance has to give a decision with respect to the disposition of the insurance. In this case—I suppose I can mention the name, since it appears in the item in any event—the assured under the Returned Soldiers' Insurance Act named his first wife, Maggie Amanda Roper, as beneficiary. He obtained a divorce in the United States, if my memory serves me aright, and remarried. Both the assured and his first wife were advised by officers then administering the act that the second marriage could not be recognized and that the first wife must remain as the beneficiary of the insurance. The first wife, therefore, continued to pay the premiums and did so until the death of the assured. Later, however, the pension commission recognized the divorce, and therefore the first wife is ineligible to receive any benefits.

When the matter came before me I thought it was very unjust that the first wife, on the basis of an assurance given years ago by responsible officers, should continue to pay

the premiums on the insurance covering the life of her divorced husband, and then, on his death, be deprived entirely of the benefits of the insurance for which she had paid simply because, in the meantime, the pension commission had decided to recognize the second marriage. There is no other way to render what appears to be simple justice than in the manner provided by this vote.

Mr. WOODSWORTH: What is the dollar for?

Mr. DUNNING: It is merely a nominal amount, because it is the sum of the insurance policy that is affected. It is not a vote of money by this parliament; it is a right. The money is there, to go to someone under the policy of insurance.

Mr. BENNETT: I think the minister should have said that the policy was made payable to the wife without designating her name.

Mr. DUNNING: The name is in the estimate.

Mr. BENNETT: It is now, and the difficulty arose as to whether or not she was legally his wife. I recall the circumstances in another way entirely. The policy, like many policies, was made payable to the man's wife. He divorced her, and the new wife said she was the wife. Now, under the provisions of this item, the first wife is recognized as being entitled to receive the money, and very properly so, but the action of the pension commission was limited to the purposes of pension and would have no effect upon this. But litigation might have resulted, and I take it this ends that. There was another case somewhat similar that I recall, and the dollar is a token payment in recognition of the charge against the consolidated revenue fund.

Mr. DUNNING: That is right.

Item agreed to.

To provide for payment of the Canadian Wheat Board on account of the liabilities of Canadian Cooperative Wheat Producers, Limited, assumed by the Canadian Wheat Board, under the authority of paragraph (f) of section 7 of the Canadian Wheat Board Act, 1935, $15,856,645.35.

Mr. DUNNING: I have a word to say, which is due to the right hon. leader of the opposition. Last night I understood him to use the words "cooking the books," and attributed those words to him. I find that he did not use the words I attributed to him; the words, which appear at page 4116 of Hansard, were, "an effort to trim up the books."

[Mr. Dunning.]

Mr. BENNETT: Not a very excellent expression.

Mr. EULER: What does it mean?

Mr. BENNETT: I will tell you what it means.

Mr. DUNNING: I make the acknowledgment, and leave the words which were used to speak for themselves.

Mr. BENNETT: What was the date upon which this wheat was taken over, what was the price fixed for taking it over, and how many bushels were taken over?

Mr. DUNNING: I have the memorandum of release which has already been tabled. The aggregate sum is mentioned therein, but of course that involves wheat and wheat contracts, the cash closing price on that day being 84⅝ cents for number one northern. Every contract which existed was treated, for price purposes, according to the contract itself.

Mr. BENNETT: How many bushels were there?

Mr. DUNNING: There were 205 million bushels, in wheat and wheat contracts.

Mr. BENNETT: I think the figure is 205,060,000 bushels.

Mr. DUNNING: Approximately, yes.

Mr. BENNETT: What was the date?

Mr. DUNNING: December 2, 1935.

Mr. BENNETT: The actual delivery was taken a little later. The reason I have objected so strongly to this is apparent on the face of it. The price of wheat was rising—it went to 90 cents. There were 205 million bushels, and it is said it involved a loss of seven cents per bushel or a little more, making a total of $15,000,000. That meant the entire accumulations of wheat extending over a period of years from 1931 to the month of December, 1935. This is what Mr. Murray said, as reported on page 37 of the proceedings of the committee held this year:

In that connection I might state—and perhaps it would be a good place to start—that our inheritance on December 7 (that was a Saturday, and we started to work on December 9) was 122,863,000 bushels of cash wheat and 175,492,000 bushels of wheat contracts, making a total of 298,356,000 bushels.

I then asked if the cash wheat was all 1935 and Mr. Murray replied:

No. There would be of that, Mr. Chairman, 69,263,000 bushels 1935 crop; on the old account, 53,600,000 bushels of cash wheat. Perhaps I should divide, for the information

of the committee, the 298,356,000 bushels total between the 1935 crop and the old account. There were 93,295,000 bushels of the 1935 crop and 205,060,000 bushels of the old account.

He explained that by the old account he meant the accumulations of wheat which had begun in 1931 and which had continued to that date. That is, he took over from the wheat board 93,295,000 bushels of the 1935 crop. I want to know if any part of this $15,000,000 has any reference to that.

Mr. DUNNING: Any reference to the 1935 crop?

Mr. BENNETT: Yes.

Mr. DUNNING: It is not intended to have any reference to the 1935 crop.

Mr. BENNETT: There is no verification of those figures before this committee.

Mr. DUNNING: I can supply that.

Mr. BENNETT: This was the figure I was anxious to get last evening. Remember I am dealing with the price of 84⅝ cents per bushel. From the record it will be seen that the price of wheat advanced. According to page 45, the average price on December 9 was 87·849 cents per bushel. There is a difference of three cents per bushel, which on 205 million bushels, amounts to $6,000,000.

Mr. ROSS (Moose Jaw): Is that price not for May option?

Mr. BENNETT: I am quoting the figures Mr. Murray gave in answer to this question by the Minister of Mines (Mr. Crerar):

> Q. Have you the average price there?
> A. 87·26 cents.
> The Chairman: You may as well put it in.
> Witness: In the list I have here, I have the average price reduced to three decimals, but in reading it I presume it will be sufficient to give two decimal places, and the exact figures can be entered in the record.

Date:	Bushels	Average price
December 9	820,000	87·849
December 10	2,779,559	87·266
December 11	581,500	87·285
December 12	1,776,000	86·888
December 13	22,025,445	88·779
December 14	2,934,827	89·906

If you take 84·906 from that you have a difference of five cents per bushel, which makes a lesser loss of $10,000,000, predicated upon that figure, than the figure in this estimate. That is the reason why I point to the unfairness of this estimate. Mr. Murray produced under oath a statement showing that if he had taken over on December 14 instead of on December 2 there would have been a loss of only $5,000,000. The price of wheat went up to 90 cents per bushel and the loss would really have amounted to less than $5,000,000. Can that be said to be fair? Can that be said to be just? Can that be considered a business transaction by any stretch of the imagination? I am sure that anyone who is familiar with transactions of this kind will say that I am quite moderate. He did not have to pay over any money; he merely assumed the liabilities at the bank, all of which was in accordance with the provisions of the arrangement. He took over at 84⅝ cents per bushel, but a few days after that the figure was 89⅝ cents per bushel or a little more. Had the transaction happened on that date, the figures would have shown a loss of about $5,000,000. Can that be said to be a fair thing? Can that be said to be even a just thing?

We shall now turn to the further facts in connection with this, namely, those given as to what the effect of these changes meant from day to day. Last night the hon. member for Yorkton (Mr. McPhee) asked me if I could give a date upon which there was a profit in this transaction. I told him I did not carry these figures in my head, but if he would turn to page 338 of the record of last year he would find a complete record of these transactions from July 31, 1931, to June 22, 1935. What are the facts· They are as follows:

	Loss
July 31, 1931	$2,558,352 02
August 31, 1931	4,435,060 53

Mr. CRERAR: May I ask my right hon. friend from what he is reading?

Mr. BENNETT: From the evidence given before the committee of the House of Commons that dealt with this matter a year ago. These figures were produced in answer to a request by the Hon. Mr. Ralston. I continue with the figures:

1931	Profit	Loss
Dec. 31		$ 746,285 82
1932		
July 1		11,110,107 54
Dec. 31		33,121,729 84
1933		
May 1		9,450,038 04
June 1		2,821,713 13
July 1	$ 9,219,695 48	
July 14	34,741,959 03	
July 16	37,158,877 78	
July 17	38,506,044 49	
July 18	39,566,079 82	
July 19	32,771,621 11	
July 21	20,115,809 41	
July 22	14,808,066 91	
August 1	31,915,777 76	
August 31	5,562,064 15	
Sept. 30		12,756,124 46
Oct. 31		15,817,746 43
Nov. 30		19,048,590 79
Dec. 31		18,859,827 60

1934	Profit	Loss
Jan. 31. . . .	.....	8,521,918 66
Feb. 28. . . .	.....	11,710,353 83
March 31. . .	.....	11,516,348 90
April.	.....	17,712,717 85
May 31. . . .	9,550,615 14	.....
June 30. . . .	.....	376,962 18
July 31. . . .	14,807,867 78	.....
Aug. 31. . . .	5,023,150 22	.....
Sept. 30. . . .	2,300,325 72	.....
Oct. 31. . . .	.....	13,579,196 86
Nov. 30. . . .	.....	8,782,293 86
Dec. 31. . . .	.....	5,337,205 52
1935		
Jan. 31. . . .	.....	7,821,412 27
Feb. 28. . . .	.....	5,391,721 79
March 31. . .	.....	2,375,943 13
April 30. . . .	6,011,166 67	.....
May 31. . . .	.....	10,295,925 63
June 22. . . .	.....	11,621,399 00

Mr. EULER: Does that estimate include the charges for storage?

Mr. BENNETT: That is the statement of the total indebtedness to the banks and the net liability after deducting the cash deposit and grain stocks at market values of the 1931 season, pool special account down to that date. And further, at the top of the page, evidence is given as to the approximate average cost of special wheat on the following dates. I give this because it has a distinct bearing on the figures that have been submitted and on the computation of the amount:

1933	Bushels	Approximate cost per bushel
April 30..	72,020	50·272 cents
June 30..	69,342	50·095 cents
1934		
April 30..	107,843	63·089 cents
June 30..	97,919	63·052 cents
September 30..	129,382	65·663 cents
1935		
April 30..	150,662	76·328 cents
May 31..	156,446	79·011 cents

Therefore if 84 cents was received for wheat in December, I find it difficult to figure out how there could be a loss of seven cents a bushel.

Mr. EULER: Will the right hon. gentleman answer the question whether in that cost storage is included?

Mr. BENNETT: Yes, it includes everything.

Mr. EULER: I think not.

Mr. BENNETT: All I know is that these figures were produced with respect to cost. Colonel Ralston was anxious to know what the position was from time to time and these figures were produced; and the costs, in thousands of bushels, were the figures given at the top of page 338. The cost certainly included storage and nearly everything, 84 cents a bushel.

Mr. CRERAR: With regard to the figure my hon. friend has quoted, 79 and some cents, what was the date of that?

Mr. BENNETT: May 31, 1935, last year. Now there are two points I desire to make. The words I used last night, "trim up the books," were not the best words to use, and if the minister inferred from the use of those words that I was reflecting on him, he was entirely in error and I regret that he should be. What I was endeavouring to say was that, fixing the 2nd of December as the date for taking it over, which was a week before they did take it over, they fixed a price that was lower than the price which was prevailing when they actually took it over. That is unfair; it is worse than that. Why did Murray do it? The answer is obvious.

Mr. CRERAR: That was not done.

Mr. BENNETT: But it was. The minister read the figures, and he said the 2nd of December. The evidence given before the tribunal was that they did not take it over at that date. In order that there may be no misapprehension I will look at it again, and the committee will see that it makes all the difference.

Mr. EULER: On what page is that?

Mr. BENNETT: I read from page 45 a moment ago. At page 37 he said:

> In that connection I might state—and perhaps it would be a good place to start—that our inheritance on December 7 (that was a Saturday, and we started to work on December 9) was 122,863,000 bushels of cash wheat....

That is the story, and I would point out that the figures now given are figures that relate to the 2nd day of December, according to the evidence given us by the minister just now. The figure of the second of December was 84⅝ cents, whereas on the ninth day, the day on which they started, the figure was 87·849. The seventh was a Saturday and they started on the Monday. The total sales for the week showed an average price of 88·589 cents.

Mr. ROSS (Moose Jaw): Is the hon. gentleman not quoting figures based on the May option? He quotes 88 and something as against 84 and something, the figure for taking over the wheat.

Mr. BENNETT: All I can say is that Mr. Murray does not put it on that basis.

Mr. DUNNING: Cash was the basis of the agreement.

Mr. BENNETT: Yes.

Mr. ROSS (Moose Jaw): But if I remember correctly, in the committee Mr. Murray gave figures all the way through on the basis of the May option.

Mr. BENNETT: Not on the basis of cash wheat. It works both ways. Whatever he did there he did in connection with this transaction. Now does anyone realize what an unfair thing this is to the previous government and to the farmers and the pool owners of western Canada? Why should contracts that actually sold at a higher price be fixed in value at 84⅝ cents to show a loss? Why the anxiety to get wheat on a rising market? Why, they did not agree to sell at all and in the end it was taken from them by force —the evidence is there on record. It was taken from them by force. Why?

Mr. CRERAR: Taken from whom?

Mr. BENNETT: Taken from the pools; the evidence is there. They telegraphed at last and said, "If you don't do this we will shut off your credit and seize this stuff and get possession of it"—and this on a rising market. The market was going up rapidly, three and four cents beyond what it was when it stood at 84⅝ cents. And on that rising market we have an estimate introduced in this house to make it appear that there was a loss of $15,000,000, when the wheat had not been liquidated, not sold, and when the ultimate responsibility had not yet been determined. That is justice in the Canadian House of Commons.

Mr. CRERAR: Does my hon. friend contend that it should have been left with the pool?

Mr. BENNETT: No, of course I do not, because the statute provided that it should be taken over by the wheat board on such terms and conditions as might be agreed upon; and when these people were not willing to exchange on the proposals made to them the strong arm was used, the wheat was taken from them, and they were threatened with loss of bank credit and other things which are on record in this house. That is what happened. I go to the second point—

Mr. CRERAR: May I ask the right hon. gentleman, just to keep the record clear, what proof he has of that statement?

Mr. BENNETT: It is on the record. The telegrams that were sent are on Hansard; they were put there by the Minister of Agriculture.

Mr. GARDINER: The record put on Hansard by the Minister of Agriculture is a record which shows that in spite of any telegrams that passed after that date, the wheat pool delivered on the second day of December, and that is the day they say there. The telegrams were passing back and forth.

Mr. BENNETT: The actual delivery of wheat was not made then. They signed a document, which is an entirely different thing. What is more, that only makes the point stronger. In the anxiety to get this on a rising market—it was a rising market—

Mr. ROSS (Moose Jaw): How did anybody know it was a rising market?

Mr. BENNETT: It seems that everybody did. That is the answer, that everybody did.

Mr. ROSS (Moose Jaw): For over five years you did not know.

Mr. BENNETT: And what is more: On that rising market this wheat was taken from the pool by force, by threats, by duress, and it was taken from them at 84⅝ cents. Mr. Murray says, "We did not take over until the seventh, and we commenced our business on Monday, the ninth." What right had he, then, to take wheat at all on the second? He commenced his business on the ninth, and on that date the price of wheat was 88 cents or thereabouts, or four cents more than the price now indicated. That proves beyond peradventure my point that you cannot deal with this except as it is liquidated; you can deal with it, on the terms of the agreement, only on the basis of ultimate responsibility or liability, ultimate loss, and the ultimate loss is determinable only after the liquidation of the security. The security was the wheat indicated by this report, and until such time as that was liquidated there was no determination of the loss. That is apart from the law, which is so simple as not to require argument. When it is provided in an agreement that the ultimate loss shall determine the measure of the liability, the ultimate loss can be ascertained only when there has been liquidation of the security; and that security has not yet been liquidated. Last evening the minister said there is going to be a still greater loss because they sold the wheat for less than the 84⅝ cents at which they took it over.

Mr. DUNNING: Carrying charges.

Mr. BENNETT: And the carrying charges, the two together. To go to another point: Mr. Murray said he arbitrarily fixed two-thirds of the sales as being attributable to the 205,000,000 bushels that he took over. The crop of 1935 he dealt with in one way. He

took two-thirds of the sales and appropriated them against that. What is the warrant for that course? Remember the guarantee of this country was a guarantee only against ultimate liability. What right had he to do that? What right has anybody to do it? This country had given this guarantee; it was outstanding, there it was, against ultimate loss—a guarantee against ultimate loss which could be ascertained only upon a liquidation of the security. Suppose an individual in this house gave a guarantee in those terms, what would he say to the bank? "Realize. You must realize before you can come to me. I gave my guarantee against ultimate loss." Then there must be the realization of the security, not on a price fixed of 84 cents when it is still on a market of rising prices going up to 88 cents or 90 cents, which would have shown either no loss or a practically insignificant loss. But in spite of this rising market, Murray wants to take that property over by strong arm methods, and we know the methods he used for the purpose of getting it, when on the Monday he commenced operations the price was rising to 88 cents and had gone to 90 cents.

I say that the introduction of this item estimate is worse than trimming; it is an effort on the part of Murray to make it appear that the losses of the producers were great and that his are not—nothing short of that. Go and tell the pool in western Canada that for the purpose of accomplishing this end, that is what was done: The price on December 2 was 84⅝ cents; on the succeeding Monday it was 88 cents, but the parliament of Canada is asked to pass an appropriation of $15,000,000 for a loss which would not have been a loss if the price had been a little over 90 cents—and it went to 90 cents. It sounds good. It it political propaganda. That is what I mean by "trimming" this account. It is an effort by Murray to repeat the same old story, and had it not been that the wheat was put up by direction of the government to be sold in the markets of the world regardless of what it had cost, this would not have happened, as was pointed out by dealers at Rotterdam and other markets of the world. Not in my time in parliament have I known a parliament that would lend itself to a transaction which permitted its servant to take possession of wheat by force, by the strong arm, and then fix the price at 84⅝ cents, when on the succeeding Monday it had risen to four cents better than that; it did go to over 90 cents, which, on 200,000,000 bushels at 6 cents a bushel, would have reduced the loss by $12,000,000 and left it at the small amount of $3,000,000.

Mr. CRERAR: Reduced the loss where?

[Mr. Bennett.]

Mr. BENNETT: Reduced the loss just as it has been done here; reduced it on the paper loss that is in this estimate. This estimate would have been $3,000,000, not $15,000,000.

Mr. CRERAR: Does my right hon. friend contend that in the final analysis the loss to the government would have been less?

Mr. BENNETT: If the product had been sold for the price indicated. That is the point exactly. Here is Murray getting hold of this; he says the price is 84⅝ cents and, because that represents a loss of $15,000,000, he wants the Dominion of Canada to pay that loss, although at one time there was a profit of $39,000,000. But the wheat is not yet sold; until there is a realization of the security there is no ultimate loss, and there being no ultimate loss there is no liability. Until such time as that liability has been determined by the sale of the security there is no knowledge of what it will be. Yet the government of the day is lending itself—and I use the word advisedly—to the scheme of Murray to make a loss of $15,000,000 based on the figure of 84⅝ cents, when a few days later the figure was 88⅜ cents and later 90 cents.

Mr. DUNNING: And later still?

Mr. ROSS (Moose Jaw): Later still, 70 cents.

Mr. McLEAN (Melfort): And before it was a dollar a bushel.

Mr. BENNETT: That illustrates better than any words I can use just what I have been trying to say to this committee, that to determine a loss before there has been liquidation is a violation of any known rule of conduct that governs in private enterprise, and I cannot see why it should be departed from in a government. There is no such thing as a determination of a loss until there has been a liquidation, and the security, in the case of a private individual, would of course have to be realized upon before the loss was determined. And yet we find the government doing this, for what purpose? What purpose is served by it? Fixing the loss upon an anticipated price, and the minister saying it is going to be larger still, when there has been no liquidation of the security. Go and tell the business men of this country that you put an estimate through parliament to try to show that the late government, or those who operated on its behalf, had incurred a loss of $15,000,000 because they took the grain over at these figures, and ask them what they think about the item as dealing with a transaction in which ordinary business

rules should prevail. Let the Minister of Trade and Commerce give a guarantee against ultimate loss in connection with his printing plant, and let the other party call upon him to make good his guarantee; he will say: "Have you realized on the security? because my guarantee was only for ultimate loss." That is all I have suggested. That loss cannot be known until such time as there has been liquidation, and there will have been liquidation only when the last bushel has been sold; until then, that liability does not arise.

To introduce this estimate at this time is an action political in character, inspired by the conduct of Murray, whose evidence given before the committee indicated that was just what was to be done; first of all, sell regardless of cost; send your men abroad and tell the great buyers of the world: We are going to get out of the business, sell at less than cost, and then fix the price for the security held by the banks at 84§; disregard the agreement, disregard the provision for ultimate responsibility and ultimate loss, forget all about it and introduce into parliament a provision to pay $15,000,000 in order that you may go around the country and say: They lost $15,000,000 on wheat, whereas if the price were fixed at the price that prevailed on the Monday, the day Murray swears he took hold, the loss would have been reduced by four cents a bushel; if it were later it would be increased. How then can it be determined until there has been liquidation? That was the reason for the agreement between the banks and this country, and I say it was the duty of the Minister of Finance to protect this country.

Mr. DUNNING: Hear, hear; I am doing that.

Mr. BENNETT: Is he?

Mr. DUNNING: Yes, by this very vote.

Mr. BENNETT: Then why is he putting in a vote that fixes the loss at $15,000,000 without knowing what it is going to be?

Mr. DUNNING: Because the money is going to be lost.

Mr. BENNETT: But until there is liquidation of the last bushel it is not lost. The whole of it is not lost.

Mr. DUNNING: That is the principle upon which my hon. friend handled wheat for five years. On that principle we differ.

Some hon. MEMBERS: Hear, hear.

Mr. BENNETT: It is not the principle. Oh, hon. members may cheer as much as they please, but the fact remains that until such time as that agreement with the banks has been implemented, it is not determined. Why depart from that agreement? Why change it? Why change the ordinary rules of business? Why depart from sound business practice in a matter of this kind? Why say: "We will not wait for liquidation; we will not wait until the loss has been ascertained; we will anticipate the loss and say it is $15,000,000 without knowing whether it is $15,000,000 or some other figure?" I ask the hon. minister if that is the way he or anybody else has been accustomed to doing business. Where security is held and the agreement provides for liquidation and the determination of ultimate loss, there must be liquidation before that loss can be ascertained. Until that is done it is a departure from the agreements; it is a breach of the agreement made between the government of the day and the banks—for what purpose? For one purpose and one only: to magnify the operations of 1936 and minimize the operations of preceding years.

I protest, Mr. Chairman. It is all I can do. To depart from law, to forget agreements, to wipe them out as scraps of paper, to fix a price regardless of conditions; on a rising market to fix a loss, which has not yet occurred, at a figure which can be determined only when the security has been realized upon, is to depart from all sound business considerations and to create a precedent in this country that the machinery of the treasury is to be used to show a loss for purely political reasons.

Mr. CRERAR: I have observed in this house that when the right hon. leader of the opposition speaks with the greatest vehemence he is usually on the weakest ground. He never was on weaker ground than he is at the present time.

Mr. BENNETT: Well, he is prepared to be judged on that.

Mr. CRERAR: He has been setting up straw men and knocking them down with great vigour. Now, what are the facts of this whole business? My right hon. friend has given some of them himself. The mistake that my right hon. friend has made was that he always looked upon this whole transaction from the time he and his government took hold of it as if it were a great speculation. That was the fundamental error of my right hon. friend.

Mr. BENNETT: That is not so.

Mr. CRERAR: I will prove it from his own words uttered just a few minutes ago.

Mr. BENNETT: All right; I say it is not so.

Mr. CRERAR: The right hon. gentleman gave us a survey of prices in 1933, 1934 and 1935, and he reeled off month after month profits and losses on this transaction on which his government had guaranteed the banks. At one time, July, 1933, he had a profit on his own statement of over $30,000,000.

Mr. ROSS (Moose Jaw): It was $38,000,000.

Mr. CRERAR: May I ask my right hon. friend why, when Mr. McFarland had that profit on these transactions, he was buying wheat instead of selling it?

Mr. BENNETT: To save the market, as the minister knows. Because there was no other buyer.

Mr. CRERAR: How in the world can my right hon. friend say it was necessary to save the market when the market was going up every day?

Mr. BENNETT: But he sold when the market went up. Here is the evidence.

Mr. CRERAR: Excuse me; I did not interrupt my right hon. friend when he was making his speech.

Mr. BENNETT: Pardon me.

Mr. CRERAR: That happened in July, 1933. In May, 1934, Mr. McFarland could have sold his wheat and got out without a loss, on the statement given by my right hon. friend.

Mr. BENNETT: But he could not sell it. That is just the point.

Mr. CRERAR: Why did he not sell it?

Mr. BENNETT: For the same reason that Mr. Murray has not been able to sell it yet.

Mr. CRERAR: I shall come to that. I will tell you, Mr. Chairman, why it was. It was because Mr. McFarland had, if my right hon. friend had not, an ambition to make a big showing and make a lot of money on a wheat speculation in which the credit of this country was pledged. That was the fundamental difficulty with my right hon. friend and Mr. McFarland from the beginning.

Now we come to these more immediate transactions. I am not going to say anything as to why the government changed the wheat board, but I am satisfied that time will justify that action, and indeed has already justified it. What position were we in when the new wheat board took charge on December 3? The Canadian Cooperative Wheat Producers Limited, which had been managed by Mr. McFarland from 1930 until 1935, had over 200,000,000 bushels, actual wheat and contracts for delivery of wheat. They owed the bank not millions of dollars but tens of millions, backed by the guarantee of the government of which my right hon. friend was the head. Does my right hon. friend for a moment contend that when the new wheat board was formed that immense amount of wheat should have been left in the hands of the cooperative wheat producers, free from any control by the government, when the guarantee of the government was outstanding against it?

Mr. BENNETT: He provided by statute that it should be taken over.

Mr. CRERAR: All right; that is precisely what we did on December 2 when the arrangement was made with the wheat board. Now my right hon. friend says: "You took it over when the price was 84⅝ cents on December 2," and he quotes from Mr. Murray's evidence to show that the wheat was not all delivered to the wheat board until some days after that date.

Mr. BENNETT: Oh, no.

Mr. CRERAR: That is true. In the very nature of things it could not all be delivered on December 2, but the arrangement with the cooperative wheat producers was consummated on December 2 and the price fixed as of that date.

It was necessary for another reason for the wheat board to have control of that wheat. It was making sales of wheat, and when my right hon. friend criticizes the government for that action and criticizes the wheat board for taking delivery of wheat on that day he is leaving himself in the position of saying that that wheat should have been left in the hands of the cooperative wheat producers, where the government had not a single string on what they would do with it.

Mr. BENNETT: He provided quite the opposite.

Mr. CRERAR: That is why we insisted that the cooperative wheat producers should agree to deliver the wheat in question to the wheat board as contemplated by the legislation, and the date of delivery was fixed as of December 2. My right hon. friend makes a great play of the fact that the market advanced for a little time after this date, and he speaks about a loss, and shakes his fist in the face of the finance minister—

Mr. BENNETT: Oh, no; he is too far away.

Mr. CRERAR: Well, metaphorically he shakes his fist in the face of the finance

minister and says: "You have increased this loss." What an absurdity! If it reduced the amount guaranteed by the government for the cooperative wheat producers it correspondingly increased the wheat board's own account, or vice versa. But the loss to the government in the final analysis does not alter one cent. My right hon. friend knows this, and no one knows it better than he does.

Mr. BENNETT: That is not so. That is exactly the opposite to what I am trying to make clear.

Mr. CRERAR: My right hon. friend certainly has not succeeded in making himself very clear to the committee.

Mr. BENNETT: Oh, the committee is all right.

Mr. CRERAR: Let us go a step further. My right hon. friend has criticized in this house the policy followed by the present wheat board and initiated by this government. Now—

An hon. MEMBER: Louder.

Mr. CRERAR: I think the committee can hear me. What was that policy? When we came into office we found ourselves with over 200,000,000 bushels of wheat in the hands of cooperative wheat producers, upon which wheat the government had given a guarantee. As a matter of fact, the carry-over on the 1935 crop at the first of August was over 214,000,000 bushels. On top of that we had the crop produced in 1935. If my right hon. friend had been in office and this business had been under his direction during the last seven months the probability is that we would still have the 200,000,000 or 225,000,000 bushels of wheat. Why? Because whenever the market went up he or rather Mr. McFarland would have raised his price still higher. That is precisely the policy that was followed in the past, and the facts prove it. That is the reason the wheat was not sold. Furthermore, why does this loss amount to the figure mentioned here?

I will give my right hon. friend and the committee some further information on that. He takes the price in May, 1935, and he says that May wheat on May 31, 1935, was 79 and some fraction cents. Then he says, "Why do you fix it at 84⅝ cents?" But the carrying charges account for the difference in that period alone—more than that. But—

Mr. BENNETT: Not one-thirteenth of a cent a bushel.

Mr. CRERAR: With interest and insurance on top of that. But in addition, if I remember correctly, the price for wheat was fixed on September 6 at 87½ cents. Now, will my right hon. friend tell us why his government and why Mr. McFarland, the then chairman of the wheat board, and at the same time manager of the Canadian Cooperative Wheat Producers Limited, acting in a dual capacity—

Mr. BENNETT: He had retired from that.

Mr. CRERAR: No; he was still manager of the Canadian Cooperative Wheat Producers Limited after he was appointed chairman of the wheat board.

Mr. BENNETT: He says not.

Mr. CRERAR: Well he was, and—

Mr. ROSS (Moose Jaw): How did he handle any wheat?

Mr. CRERAR: That leads to another point. Why did Mr. McFarland in his capacity as manager of the Cooperative Wheat Producers Limited, on a bank account guaranteed by the government of which my right hon. friend was the head, buy over 10,000,000 bushels of wheat in the market, in the wheat pit in Winnipeg, at a price above 87½ cents, after the price was fixed?

Mr. BENNETT: The answer is obvious. It was given the other day.

Mr. CRERAR: Yes, the answer is obvious. The only reason he did it was that he thought wheat was going up in price, and I assume my right hon. friend supported him in that view, because he probably thought wheat was going to a dollar a bushel.

Mr. BENNETT: Did he? Well, he did not. He did not, because an effort was made to fix the price at a dollar, and it failed.

Mr. CRERAR: The price was fixed at 87½ cents, and after it was fixed at that price why did Mr. McFarland buy 10,000,000 more bushels at a price as high as 94 cents, not from the farmers, but right in the pit in Winnipeg? He bought the future months; why did he do so?

Mr. BENNETT: He sold it, at any rate.

Mr. CRERAR: Was it necessary, after the price was fixed at 87½ cents to stabilize the market, by buying wheat at as high as 94 cents a bushel?

Mr. BENNETT: Of course Mr. McFaland was ill and could not attend to give the evidence for himself; I do not know.

Mr. CRERAR: But there are the facts.

Mr. BENNETT: They are not the facts, as he understands them.

Mr. CRERAR: The facts are simple, and clearly indicate the whole course of the transaction.

Mr. BENNETT: What has it to do with the $15,000,000?

Mr. CRERAR: The hon. member for St. Lawrence-St. George, the ex-Secretary of State, would not agree with it. I do not know that he would know very much about it at the time, but I am perfectly certain he would not agree with it. I am sure the hon. member for Yale would not agree, nor the hon. member for York South.

Mr. BENNETT: Well, they all did, as a matter of fact,—if that will do you any good.

Mr. CRERAR: But those are the facts.

Mr. BENNETT: Those are not the facts.

Mr. CRERAR: They are.

Mr. BENNETT: No. Mr. McFarland did not buy that wheat for the purposes given and under the circumstances noted. That is his statement to me, at any rate.

Mr. CRERAR: Then why did he buy it?

Mr. BENNETT: He can answer that.

Mr. CRERAR: It could not have been for stabilization purposes.

Mr. BENNETT: It was the only machinery that was available for that purpose.

Mr. CRERAR: My right hon. friend talks about fixing the loss. Every bushel of wheat that Mr. McFarland bought after the price was fixed, some of it as high as 93 cents a bushel, is in that account shown as a loss. And that loss was established on December 2. My right hon. friend made a great deal of play about including this in the accounts submitted by the Minister of Finance to the house. I say to the committee that the Minister of Finance would have been lacking in his elementary duties to this country if he had not included it.

Mr. BENNETT: Do not shake your fist so hard; you may hit the Minister of Finance.

Mr. CRERAR: This wheat taken over from the Canadian Cooperative Wheat Producers Limited is no longer for the account of the farmers. This wheat, as soon as it was taken over, became the property of the Canadian government, through the Canadian wheat board, and it was operated through their account. If the price went up the Canadian government would make a profit, and if the price went down the government would make a loss. Does my right hon. friend or any member of this house argue for a moment that when there was a known loss in the wheat which was taken over, that loss should not have been disclosed to parliament and to the country?

Mr. BENNETT: Of course, but the loss has not yet been established.

Mr. CRERAR: It was established.

Mr. BENNETT: Not until the last bushel is sold.

Mr. CRERAR: My right hon. friend says, "Let us wait and see; the market may go up."

Mr. BENNETT: No, no, no; it is a question of realization of the security.

Mr. CRERAR: The loss was established when the wheat was taken over. If my right hon. friend is buying wheat—

Mr. BENNETT: He never bought a bushel.

Mr. CRERAR: All right. But this is the situation: The Canadian Cooperative Wheat Producers Limited had this wheat; the government had guaranteed the bank account and were responsible for every cent of it.

Mr. BENNETT: Against ultimate loss.

Mr. CRERAR: Yes; but when it was taken over it became the property of the government, because it was not the property of the government under the guarantee when the wheat producers had it.

Mr. BENNETT: Yes; it was pledged to the bank as security for the loan.

Mr. CRERAR: Yes, but it was not the property of the government; it was the property of the Canadian Cooperative Wheat Producers Limited.

Mr. BENNETT: The property of the banks, under section 87 of the Bank Act.

Mr. CRERAR: It became the property of the government, and there was a definite loss at the time it was taken over. Does my right hon. friend or any other hon. member say that that loss should not have been disclosed?

Mr. BENNETT: Of course not.

Mr. CRERAR: I shall not detain the committee at further length, but I must say that the Minister of Finance would have been entirely lacking in his duty to the house if he had not disclosed those figures. I hope the predictions of my right hon. friend may come true—or possibly they were only hopes. I

hope that something may happen to save the country from a greater loss; I hope he is right. But I greatly fear that he may be wrong, and that the loss ultimately will be a great deal more than $15,000,000, the amount for which the Minister of Finance has provided.

Mr. BENNETT: The last sentence covers the whole of it. You are anticipating by this legislation a loss that has not been established, and it cannot be known until there has been a liquidation, and the securities realized upon. That is my contention; that is my objection.

Mr. EULER: I am not going to debate the matter at length, but before proceeding with what I have to say may I observe that I cannot understand the attitude of the leader of the opposition when he states that you cannot fix losses until a liquidation has taken place.

Mr. BENNETT: Ultimate losses.

Mr. EULER: I wonder where that would carry the government, if we are going to decide that we cannot estimate losses until we have reached the ultimate selling out of all the wheat we had. You may go on for years and years; surely the country has some right to know the value of a commodity which they have taken over or guaranteed, and surely they should know from time to time what the loss has been—because it is a real loss—unless, indeed, this government takes the attitude taken by the previous government and fixes values which did not exist, as they did in the case of some insurance companies.

This seems to me the reasonable way to look at the matter: There was a change upon the formation of the wheat board and the purchase of the wheat by the government of Canada under the administration of my right hon. friend from the cooperative producers. That is the vital point. We were no longer guarantors to the bank for the loss, or the ultimate loss, as my right hon. friend says; we were the owners of that wheat. My right hon. friend often invokes what he says are business principles. Surely, when a business man buys something he has a right to put on his books an estimate of the value which is actually possessed by the commodity when he takes it over.

Mr. BENNETT: It was merely a novation; the bank still took the wheat as security.

Mr. EULER: Yes, but my hon. friend knows perfectly well that the wheat was purchased. It was his own government that bought the wheat, that passed the order in council for the purchase of the wheat, which afterwards was taken over by the present government. Yes; there was an absolute change in the situation; whereas prior to that we were the guarantors only to the banks on behalf of the cooperatives, if I might call them such, when the wheat board took charge the situation was changed. Shortly after that my right hon. friend passed an order in council under which the government of Canada purchased the wheat that was in the possession of the cooperatives.

Mr. BENNETT: No; we guaranteed the wheat board, and they substituted themselves for the cooperatives. That is what took place.

Mr. EULER: I never like to use harsh terms, but I think that is pretty much of a quibble and hardly worthy of my right hon. friend.

Mr. BENNETT: But it is the fact.

Mr. EULER: My right hon. friend will not deny that to-day the government of Canada is the owner of what is left of that wheat.

Mr. BENNETT: It is pledged to the bank.

Mr. EULER: Yes, but we are the owners of that wheat, and the wheat board is merely representing the government of Canada as its agent. My right hon. friend knows that perfectly well. I will say this further. It was about time, especially when we became the owners of the wheat, that the people of this country knew what they had lost on the basis of what wheat was worth at that time, and I will say this—

Mr. BENNETT: But those figures were all given in the committee last year.

Mr. EULER: My right hon. friend says that the wheat board, or the government if he prefers it that way—and I should like him to give attention to this, because I think it is a point worth listening to—forced the cooperative wheat producers to hand over their wheat to us. As a matter of fact my right hon. friend had bought that wheat and we were merely asking for delivery of it under the terms of the order in council. We assured them that their rights were not going to be prejudiced in any way, as to what they should receive; whether it would be the $8,000,000 my right hon. friend voted or whether it would be the $6,000,000 they later received, they were not going to be prejudiced. The point was that we had to have that wheat because the wheat board were selling the wheat; they were supposed to sell wheat; we wanted them to sell wheat and it could not

be sold unless that wheat was delivered by the people from whom my right hon. friend himself had made arrangements to purchase it.

Mr. BENNETT: Will the minister allow me to ask a question?

Mr. EULER: Yes.

Mr. BENNETT: They needed the wheat to sell, and they sold it. They sold it at an increase of three, four and five cents a bushel during the next two weeks; yet here we have an appropriation providing for a loss of $15,000,000 in order that Mr. Murray may get credit for a profit for the wheat board. That is all.

Mr. EULER: If wheat had happened to go down in price—

Mr. BENNETT: But it did not.

Mr. EULER: I am sure my right hon. friend does not credit even this government with sufficient omniscience to see in advance that wheat was going to increase four or five cents a bushel, because it did not.

Just in conclusion, Mr. Chairman, this is what I really rose to say, and it is with reference to the charges made my right hon. friend with regard to Mr. Murray, the present chairman of the wheat board. What the right hon. gentleman said was neither generous nor just. In the speech he delivered in this connection earlier in the session the statements he made about Mr. Murray, and he is raising the point himself—

Mr. BENNETT: And they were proved to the hilt.

Mr. EULER: The statements he made or the charges that he made, if they were charges, were not borne out by the evidence which was submitted to that committee, as my right hon. friend very well knows.

Mr. BENNETT: I say they were, and that is the difference between us.

Mr. EULER: To-day my right hon. friend makes the charge that Mr. Murray was responsible for forcing the cooperatives, from whom my right hon. friend had purchased the wheat, to hand over that wheat. I want to say to him that anything that was done with regard to the taking over of that wheat was not done on the initiation of Mr. Murray at all. He was not in Ottawa. The wheat committee of the cabinet met from day to day, and that wheat committee is entirely responsible for what took place. Mr. Murray has no blame whatsoever coming to him. In fact, if I may say so in conclusion, I think this country owes Mr. Murray a debt of gratitude for changing a situation that was almost ruinous to the people of this country into one that holds at least a certain degree of hope.

Mr. BENNETT: There are two or three words I am not going to let pass unchallenged. Mr. Murray swore that, in Ottawa, he helped to prepare the statement of the grain exchange presented last year to the select committee in June and July.

Mr. EULER: What has that to do with forcing the cooperatives to hand over the wheat?

Mr. BENNETT: He swore that he helped to prepare that statement. The hon. gentleman has referred to what I said about Mr. Murray in a previous speech. I said that he was the representative of the grain exchange interests. My hon. friend objects to that, but I proved my statement from the mouth of Mr. Murray himself. Now, in his anxiety to show success and a profit, he is to get credit for the sales of wheat he bought at 84⅝ cents on the second of the month and sold on the ninth, tenth, eleventh, twelfth, thirteenth and fourteenth for as much as 90 cents a bushel. That is the story, and in some instances those were contracts in wheat. Instead of those being treated as they were realized upon, as one would expect, they were treated in the other way, with the result indicated.

Mr. EULER: My right hon. friend has absolutely no ground for stating that it was Mr. Murray who forced us to call upon the cooperatives to hand over their wheat to the government. That is the responsibility of the wheat committee of the cabinet.

Mr. BENNETT: He said under oath that he had to have the wheat.

Mr. GARDINER: Mr. Chairman, I think in fairness to the chairman of the wheat board and in reply to some of the remarks that have been made by the right hon. leader of the opposition for the purpose, I assume, of indicating to this committee and to the country in general that there is some political virus behind the activities of the government in connection with the handling of wheat, there are one or two things that ought to be said. I have in my hand the second and final report of the special committee dealing with wheat that met during the present session. I notice that the report states:

Mr. Euler, from the special committee on the marketing of wheat and other grains, presented the unanimous second and final report of the said committee—

The report continues:

Pursuant to the resolution of the House of Commons of March 18, 1936, your committee

held ten sessions and heard and examined under oath three witnesses, namely,—

Mr. A. E. Darby, secretary, Winnipeg Grain Exchange.

Mr. F. O. Fowler, manager, Winnipeg Grain and Produce Exchange Clearing Association.

Mr. J. R. Murray, chief commissioner, The Canadian Wheat Board, Winnipeg, Man.

Mr. Darby described the constitution and membership of the Winnipeg Grain Exchange and the handling of grain from the producer to the exporter.

Mr. Fowler stated the functions, rules and regulations of the Winnipeg Grain and Produce Exchange Clearing Association.

Mr. Murray, chief commissioner of the Canadian Wheat Board, explained fully the operations of the board since its appointment on December 3, 1935.

The committee says that the board was appointed on December 3, 1935.

The report continues:

He was examined closely and at length on the operations of the wheat board since the latter took office in December until the end of January, 1936, with particular reference to the following,—

(a) To what extent, if any, the board had favoured exporters of grain and Canadian millers in the sales policy it had adopted.

(b) To what extent, if any, speculative interests alleged to be short in the Winnipeg market had been permitted to cover their transactions in the large sales made in the month of December, 1935, immediately following the higher price fixed by the Argentine government for Argentine wheat.

After a full examination of Mr. Murray and the records placed by him at the disposal of the committee, we are of the opinion that the course taken by the board in the marketing of wheat was consistent with the intention of parliament in enacting the Wheat Board Act of 1935, and with the policy of the government to reduce the wheat surplus to reasonable proportions.

What I should like to recall to this committee is that Mr. Murray was before the committee during the greater part of the time it was considering these matters and arriving at that unanimous decision. The leader of the opposition was a member of the committee. I think anyone who reads the evidence given by the chairman of the wheat board before that committee, in answer to questions put to him by the leader of the opposition, will agree that there is no reason whatsoever for the inferences that have been drawn by the leader of the opposition this afternoon from the investigations of the committee. To say the least, the chairman of the wheat board demonstrated to the committee and to everyone who has read his evidence, that he was quite capable of taking care of himself while in the hands of the leader of the opposition, and also quite capable of handling the wheat of the people of western Canada. I think he is capable of handling himself while in the hands of the leader of the opposition because of the fact that the latter took occasion, when the chairman of the wheat board had no opportunity of replying to his questions or of appearing on the floor of this house to defend himself, of making upon the chairman of the wheat board attacks which the right hon. gentleman did not make when he was face to face with him in the committee.

My right hon. friend refers to what has happened in connection with wheat and states that back in 1933, in the midst of the month of July, his government could have sold wheat through the then wheat stabilizer, Mr. McFarland, at a profit of $38,000,000 to the farmers of western Canada. I should like to ask him why he did not sell the wheat.

Mr. BENNETT: I did not say that it could have been sold. I stated that on that basis, it represented that profit, just as on the basis of the market price on December 2, it represented the loss which the minister now has.

Mr. GARDINER: We started in at the beginning of July with 69,000,000 bushels of wheat. During the first half of the month, to July 17, that was reduced to 42,000,000 bushels. Wheat was then selling at 95 cents per bushel, whereas it had previously been selling at the beginning of July at 72 cents. In the intervening period the amount of wheat had been reduced from about 69,000,000 bushels down to 42,000,000 bushels. Immediately following that wheat started to go down, but the gentleman who was then in charge of the handling of wheat bought back until by July 22, he had some 66,000,000 bushels again in his possession. In other words, he did what the leader of the opposition says the present chairman of the wheat board should have done during the two weeks in December last after he was first in charge of the wheat. After having sold wheat at a good price to someone else, as when wheat started to go down on the July market two weeks before the new crop was coming in, he went back into the market in 1933 and bought wheat at a price higher than that at which his other wheat had been previously sold.

Anyone who is going to do business like that in connection with the wheat of Canada is not wanted by the present government of this country. At present we are following the policy of trying to get rid of the wheat with which this country was loaded during the time the present leader of the opposition was in

charge of the government of Canada. We are not doing this for political purposes; we are not following the policy followed by the government of the leader of the opposition, which was indicated to this house when I placed on Hansard at page 1640 the McFarland operations in connection with wheat from 1930 to 1935. What will be found in the first column of the table which I then placed on Hansard? It will be found that they started their operations with a considerable volume of wheat. This table deals with the crop years which run from August 1 to July 31. We find that on August 31, 1932, they had entirely disposed of their wheat and had the whole amount in the form of contracts to the extent of 76,000,000 bushels. What happened during 1932? They left no wheat in that account; they carried contracts in full. What happened through 1933? They left no wheat in that account; they carried it entirely in contracts. In January, 1934; no wheat, all contracts. In February, no wheat, all contracts. In March, they took 1,000,000 bushels into the account. In April they took 2,000,000 bushels into the account. In May they took 19,000,000 bushels into the account. If hon. members will follow the prices on the opposite side of the page they will find that they were going up during May and the early part of June, 1934.

An election was going on in the province of Saskatchewan at that time and this wheat was being passed into an account which had been carried in the form of contracts right through the previous two and one half years. We come to June, 1934, when 4,000,000 bushels were taken into the account. They then get out of it again and by the end of August they have 72,000,000 bushels in contracts and they are out of wheat. They remained out of wheat, having only 287,000 bushels in April, 1935. Then they came back in to the extent of 29,000,000 bushels in April, 51,000,000 bushels in May, 66,000,000 bushels in July and 72,000,000 bushels in August. The price of wheat has been going up until it is 81¾ cents per bushel. In September, 1935, it rose to 90 cents per bushel.

That was just when we were passing through the last federal election. That is how that gentleman manipulated the price of wheat during those four years for the purpose of indicating to the people of this country that some great profit was going to be made through the transactions of the government in wheat. The present government has no intention of trying to manipulate wheat prices in this country in the interests of any political party. The present government has the intention of placing wheat in the form of bread on every table on which it is possible to place it in Europe, more particularly in the British isles. By placing it there we hope to teach the people of the world to eat Canadian wheat. We intend to carry on these transactions in such a way as to keep a constant flow of wheat going from the wheat fields of western Canada to the tables of Europe, disposing of the wheat in the interests of the farmers and not in the interests of any political party in this country.

[Mr. Gardiner.]

Item agreed to.

To provide for payment to certain chartered banks of the amount due by Canadian Co-operative Wheat Producers, Limited, to the said banks in respect of losses resulting from transactions in oats, the repayment of such sums being guaranteed by the governor in council, including interest thereon, $174,383.34.

Mr. BENNETT: Does this item include any wheat handled by the province of Saskatchewan?

Mr. DUNNING: No.

Item agreed to.

Resolutions reported.

SUPPLY—CONCURRENCE

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

That the reports made by the committee of supply on February 14, 18, 21, 25 and 28; March 3, 11, 13, 19, 20, 23 and 24; April 24, 28, 29 and 30; May 1, 4, 8, 13, 19, 28 and 29; June 5, 8, 18 and 23, be now received, read a first and second time and concurred in.

Motion agreed to.

Resolutions reported, read the second time and concurred in.

WAYS AND MEANS

SUPPLY BILL

Hon. CHARLES A. DUNNING (Minister of Finance) moved that the house go into committee of ways and means.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Mr. DUNNING moved:

Resolved, that towards making good the supply granted to His Majesty on account of certain expenses of the public service for the fiscal year ending 31st March, 1936, and 31st March, 1937, respectively, the sum of $267,621,461.71 be granted out of the consolidated revenue fund of Canada.

Motion agreed to.

Resolution reported, read the second time and concurred in. Mr. Dunning thereupon moved for leave to introduce Bill No. 115, for granting to His Majesty certain sums of

money for the public service for the fiscal years ending the 31st March, 1936, and the 31st March, 1937, respectively.

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

HIS MAJESTY'S BIRTHDAY

Right Hon. W. L. MACKENZIE KING (Prime Minister): It will be present in the minds of all hon. members that to-day is the anniversary of the birthday of His Majesty the King. As leader of the House of Commons, I should like to avail myself of the high privilege, of extending, on behalf of members of all parties in this house, very hearty congratulations to His Majesty and our best wishes for many happy returns of the day. May I suggest that hon. members give expression to these good wishes by joining in the singing of the national anthem and in this manner bringing to a conclusion the work of the present session of parliament.

After the national anthem:

At 4.30 p.m. the sitting was suspended until 4.50 p.m. this day.

The house resumed at 4.50 o'clock.

PROROGATION OF PARLIAMENT

A message was delivered by Major A. R. Thompson, Gentleman Usher of the Black Rod as follows:

Mr. Speaker, the deputy of His Excellency the Governor General desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, Mr. Speaker, with the house went up to the senate chamber.

In the senate chamber, the deputy of His Excellency the Governor General was pleased to give, in His Majesty's name, the royal assent to the following bills:

BILLS ASSENTED TO

An Act respecting the St. Lawrence and Adirondack Railway Company.

An Act respecting the Ottawa and New York Railway Company.

An Act respecting Thousand Islands Bridge Company.

An Act respecting the carriage of goods by water.

An Act for the relief of Madeleine St. Clair Peacock Milroy.

An Act for the relief of Bella or Bessie Laurie Wozik, otherwise known as Bella or Bessie Laurie Rabinovitch.

An Act for the relief of Agnes Hannah Wright.

An Act for the relief of Margery Brunhilde Morphy Dunton.

An Act for the relief of Mania Leizerson Oberman.

An Act for the relief of Milton Sandford Enoch Chase.

An Act for the relief of Jessie Dansky Glazer, otherwise known as Jobeth Dansky Glazer.

An Act for the relief of Mildred Eileen Champion Webster.

An Act respecting The Trust and Loan Company of Canada.

An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet certain expenditures made and indebtedness incurred during the calendar year 1936.

An Act to amend the Customs Tariff.

An Act to amend the Special War Revenue Act.

An Act to authorize the raising, by way of loan, of certain sums of money for the public service.

An Act to assist towards the employment of former members of the forces.

An Act to amend the Canada Shipping Act, 1934.

An Act to amend The Excise Act, 1934.

An Act respecting the Department of Mines and Resources.

An Act respecting the Department of Transport.

An Act to amend the Judges Act.

An Act to amend The Juvenile Delinquents Act, 1929.

An Act to amend the Dairy Industry Act.

An Act respecting the appointment of auditors for national railways.

An Act to amend The Dominion Franchise Act (dominion by-elections).

An Act respecting the construction of a Canadian National Railway line from Senneterre to Rouyn, in the province of Quebec.

An Act to provide for dominion by-elections.

An Act for the relief of Harry Candlish Coughtry.

An Act for the relief of Jean Malkinson Goldenberg.

An Act for the relief of Edith Lillian Astroff Nevitt.

An Act for the relief of Lillian Gladys Cheney Perry.

An Act for the relief of Albert Leonard Johnson.

An Act for the relief of Reva Marcus.

An Act for the relief of Ethel May Luckie Atkinson.

An Act for the relief of Edythe Mary Ross Brown.

An Act for the relief of Joseph Paul George Marcoux.

An Act for the relief of Adjutor St-Jean.

An Act to amend the Income War Tax Act.

An Act to incorporate The Order of Italo-Canadians.

An Act respecting broadcasting.

An Act to amend the War Veterans' Allowance Act.

An Act to amend The Canadian National-Canadian Pacific Act, 1933.

An Act to amend The Customs Act.

An Act to amend the criminal code.

An Act respecting the establishment of a national park in each of the provinces of Nova Scotia and Prince Edward Island.

An Act to amend the Bank of Canada Act.

An Act to amend the Pension Act.

An Act respecting the National Harbours Board.

An Act to amend The Unemployment Relief and Assistance Act, 1936.

An Act to amend The Copyright Amendment Act, 1931.

An Act for granting to His Majesty certain sums of money for the public service of the financial years ending respectively the 31st March, 1936, and the 31st March, 1937.

To these bills the royal assent was pronounced by the Clerk of the Senate in the following words:

In His Majesty's name the deputy of His Excellency the Governor General doth assent to these bills.

Then the Honourable the Speaker of the House of Commons addressed the deputy of His Excellency the Governor General as follows:

May it Please your Excellency:

The Commons of Canada have voted supplies required to enable the government to defray certain expenses of the public service.

In the name of the Commons, I present to Your Excellency the following bill:—

An act for granting to His Majesty certain sums of money for the public service for the financial year ending March 31, 1937.

To which bill I humbly request Your Excellency's assent.

To this bill the Clerk of the Senate, by command of the deputy of His Excellency the Governor General did thereupon say:

In His Majesty's name, the deputy of His Excellency the Governor General thanks his loyal subjects, accepts their benevolence, and assents to this bill.

GOVERNOR GENERAL'S SPEECH

After which the deputy of His Excellency the Governor General was pleased to close the first session of the eighteenth parliament of the Dominion of Canada with the following speech:

Honourable Members of the Senate:

Members of the House of Commons:

In relieving you of your duties, I congratulate you upon the care and attention given the many far-reaching measures submitted for your consideration. Your labours have been arduous and exacting; they have, however, served to complete, almost in its entirety, the extensive program outlined in my speech at the opening of parliament.

The trade agreement concluded on Armistice day, 1935, between Canada and the United States of America, received your early approval, and its provisions have now been in force for some time. Legislation has been passed implementing the undertakings of the agreement and of the settlement of the trade dispute with Japan. Substantial reductions have been made in the rates of duty on implements of production in the agricultural industry, and on machinery in other basic industries, as well as on articles of domestic consumption. The pronounced increase of our trade during recent months is evidence of the beneficial effects of the government's fiscal policies. My ministers are continuing their efforts to expand trade with other countries.

Comprehensive measures have been enacted to effect a nation-wide cooperative effort to overcome conditions created by the long-continued existence of unprecedented unemployment, and to effect a more complete supervision of the expenditure of funds for purposes of relief. The National Employment Commission has been appointed, and has entered upon its duties. Appropriations have been made for projects to provide work, and to assist the provinces in the granting of direct relief. The government has been authorized to enter into agreements to expand industrial employment. Special provision has been made to supply work for single homeless men in relief camps, and the camps will be closed on July the first.

Provision has been made for aiding in the reestablishment of needy fishermen and for expanding the sale of Canadian fisheries products at home and in foreign markets.

The Bank of Canada Act has been revised so as to give to the government effective control of the central bank as well as a predominant interest in its ownership.

Existing legislation respecting the Canadian National Railways has been amended so as to provide for the appointment of a board of directors in a manner which will serve to afford a greater measure of governmental authority and responsibility to parliament.

Radio broadcasting in Canada has been made the subject of inquiry by a special committee of the House of Commons. The committee's recommendations have been embodied in legislation which provides for the carrying on of a national broadcasting service in Canada under a broadcasting corporation having complete control over all forms of broadcasting, whether public or private.

Provision has been made for the reorganization and consolidation of important departments and branches of the public service. The consolidation of certain existing departments into the Department of Mines and Resources and the Department of Transport, and the coordination of the administration of the national harbours, will greatly further the ends of efficiency and economy.

The royal commission appointed to inquire into conditions in the textile industry is continuing its investigation, and a royal commission has been appointed to conduct an investigation respecting the importation and distribution of anthracite coal.

The War Veterans Allowance Act has been amended to provide for special consideration to veterans having attained the age of fifty-five. A Veterans Assistance Commission Act has been passed with a view to securing more general employment of returned soldiers. Amendments have been made to the Pensions Act to simplify procedure and expedite the hearing of claims.

Amendments to the criminal code have been made, including the repeal of section 98, relating to unlawful associations.

Other important measures have been enacted.

The several opinions of the judges of the Supreme Court of Canada touching the validity, in whole or in part, of a number of measures enacted at the sessions of parlia-

ment in 1934 and 1935, have been received within the past few days, and are being carefully studied by my ministers and by the law officers of the crown.

My ministers have given continuous thought to the serious international situation. They have sought to support by all appropriate and practicable means the establishment of a world order based on justice and equity. At the forthcoming meetings of the Assembly of the League of Nations to be held at Geneva at the end of the present month, and in September, the representatives of Canada will seek, in cooperation with other delegates, to further in the most effective way the aims and ideals of the league.

His Majesty the King has graciously consented to unveil, on July the twenty-sixth, the memorial on Vimy Ridge, erected in commemoration of the valour and sacrifice of the Canadian soldiers who fought during the great war. The acceptance by the King of the invitation of His Majesty's Canadian ministers, and by the President of the French Republic of the Canadian government's invitation to be present on this occasion has been deeply appreciated.

Members of the House of Commons:

I thank you for the provision which you have made for the public service.

Honourable Members of the Senate:

Members of the House of Commons:

The many important measures enacted at the present session, the first of the eighteenth parliament of Canada, constitute, I believe, a substantial contribution towards national recovery.

In taking leave of you at this time, I pray that the blessing of Divine Providence may rest upon your labours.

This concluded the first session of the eighteenth parliament.

END OF VOLUME IV