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THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1957.

No. 1

WEDNESDAY, FEBRUARY 29, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESS

Mr. J. J. Deutsch, Secretary to the Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956

STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

The Honourable Senators

Aseltine	Gershaw	Pirie
Baird	Golding	Pratt
Barbour	*Haig	Quinn
Beaubien	Hawkins	Reid
Bouffard	Hayden	Roebuck
Burchill	Horner	Smith
Campbell	Isnor	Stambaugh
Connolly (<i>Halifax North</i>)	Lambert	Taylor
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen,	Vien
Euler	Molson	Woodrow—38.
Farris	Paterson	
Fraser	Petten	

50 Members (Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, February 15, 1956.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 29, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators:—Hawkins, *Chairman*; Aseltine, Baird, Barbour, Beaubien, Bouffard, Burchill, Connolly (*Ottawa West*), Crerar, Dupuis, Euler, Gershaw, Golding, Haig, Isnor, Molson, Pirie, Pratt, Reid, Smith, Stambaugh, Taylor, Turgeon, Vien and Woodrow.—25.

In attendance: The official reporters of the Senate.

The Committee proceeded to the consideration of the order of reference of February 15, 1956.

Mr. J. J. Deutsch, Secretary to the Treasury Board, was heard and questioned by members of the Committee.

At 12.40 p.m. the Committee adjourned until Thursday next, March 8, 1956, at 10.30 a.m.

Attest.

JOHN A. HINDS,
Assistant Chief Clerk of Committee.

THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, Wednesday, February 29, 1956.

EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, we will come to order. You will recall that at our last meeting there was a discussion concerning the recommendations that were made to the government for the previous years, 1951, 1952 and 1955, and the suggestion was made that we should make inquiries to find out what had been done about those recommendations. Later a meeting of the Steering Committee was called, at which it was thought advisable to call Mr. Deutsch to give a report to us.

May I say with respect to future meetings, it has been decided that we should meet on Thursdays at 10.30 a.m. We were unable to meet on Thursday of this week because of a meeting of the Banking and Commerce Committee on that day.

We have Mr. Deutsch with us today, and if it is your wish, I would ask him to make his statement in connection with the recommendations that came out of the earlier meeting of the committee.

Senator ISNOR: Mr. Chairman, I understood you were going to give us a report on the recommendations of the Steering Committee as to which department would be under consideration.

The CHAIRMAN: It was decided that we should hold this meeting first, and then have another meeting of the Steering Committee to review what comes out of this meeting. Perhaps I did not make that clear in my explanation.

Senator ISNOR: May I ask if the witness is going to cover the whole field or is he going to outline the estimates as to a particular department.

The CHAIRMAN: I presume he is going to cover the whole field of the recommendations that have come from the committee.

Senator TURGEON: May I suggest, Mr. Chairman, that we permit Mr. Deutsch to make his statement in full, and to reserve our questions until he is finished.

The CHAIRMAN: Is that satisfactory to the committee? Very well, will you proceed, Mr. Deutsch.

Mr. J. J. DEUTSCH, Secretary of the Treasury Board: Mr. Chairman and honourable senators, I believe it is the Chairman's intention that I should review the recommendations that have been made by this committee in its three previous reports. The committee has made recommendations both of a general and specific nature. I would gather, Mr. Chairman, that you want me to speak particularly about the specific recommendations, because those of a general

nature have to do with matters of policy and it would not be appropriate for me to comment on them. However, with respect to the specific recommendations, I would be glad, Mr. Chairman, to tell you what has been done about them.

As I recall it there were specific recommendations in the 1952 report, and the first one that is specific is while the Department of Public Works has the responsibility of providing and maintaining all public buildings and works, many departments of the Government are directly spending more for these purposes than the department charged with that responsibility. I believe there was in the report of last year another reference to this matter. The recommendation was that economy and efficiency would result from bringing all construction under the Public Works Department. Perhaps I should deal with this recommendation first.

Well, Mr. Chairman, this matter has been given careful attention and I think I can say now that it is the policy of the Government to have the Department of Public Works carry out all the public works responsibilities for all the different departments with the exception of the Department of Transport and the Department of National Defence.

In the case of the Department of National Defence the responsibility for carrying out defence construction projects is given to the Minister of Defence Production. That is specifically provided for in the act setting up the Department of Defence Production.

However, in the case of defence production projects there has been co-operation between the Department of Public Works and the Department of Defence Production. In a number of cases the Department of Public Works has carried out projects in agreement with the Minister of Defence Production, so there is a measure of co-operation there, but the statutory responsibility in that case is given to the Minister of Defence Production.

In the case of the Department of Transport, similarly the act which establishes that department provides that certain works shall be carried out by the Minister of Transport, specifically, works having to do with railways and canals; with aids to navigation, with airports, facilities at airports. These are specifically assigned to the Minister of Transport by statute.

Consequently, the policy is that the Department of Public Works should assume responsibility for all public works with the exception of these two departments in which cases there are statutory provisions otherwise.

Since the committee reported in 1952 and 1955, where this matter was discussed in the committee's reports, effort has been made to get on with this job of bringing these activities back under the Department of Public Works. So far the following things have been done: For instance, the responsibility for the Trans-Canada Highway was moved to the Department of Public Works, as well as the responsibility for the Trans-Canada Highway in national parks, which formerly was under the Department of Northern Affairs and National Resources. The Department of Northern Affairs and National Resources is the department that looks after parks, and for a time that department also looked after the highways in national parks. That responsibility has moved over to the Department of Public Works. Also the highways in the parks, aside from the Trans-Canada Highway, which used to be maintained by the Department of Northern Affairs, have been transferred to the Department of Public Works. More recently—I think, within the last year or so—all the major construction activities which were formerly carried on in Northern Affairs have been shifted over to Public Works, with the result that the Public Works Department have absorbed and taken over from Northern Affairs practically the entire architectural and engineering functions of that department; and the staffs have been moved over to the Department of Public Works. Northern Affairs con-

tinues to have a very small responsibility for engineering functions. Minor structures in the parks, small buildings, the maintenance and repair of comfort stations, some residences and things of that sort, they continue to look after for the moment, but their engineering and architectural responsibilities are now of a very minor nature. All the major things have been shifted over to the Department of Public Works.

I should mention next, though this may not be directly relevant: housing, of course, was carried out by the Central Mortgage and Housing Corporation, but when Mr. Winters was made Minister of Public Works, the responsibility for this agency was taken over with him to that department; so this large agency in the field of housing is also responsible to the Minister of Public Works.

Senator ISNOR: Are the engineering branch services charged to the Department of Public Works?

Mr. DEUTSCH: For what? For the housing? Central Mortgage and Housing Corporation, as you know, is a Crown company, and finances itself, but the responsibility for the company is with the Minister of Public Works.

Senator BOUFFARD: It is only a change of responsibility, because the work is done as it was done before, by Central Mortgage.

Mr. DEUTSCH: The actual carrying out of that housing responsibility is done by the Corporation, not by the Department. But the Corporation itself is responsible to the Minister of Public Works.

More recently there has been a shift of some of the important public works responsibilities of Citizenship and Immigration to Public Works. Until recently Citizenship and Immigration carried out its own construction activities in connection with such things as Indian schools, Indian agencies and institutions of all kinds for Indians. Discussions have been taking place with a view to transferring some of that to the Department of Public Works. Recently some of the schools and institutional works' responsibilities have been moved over to this department, and the staff go with it. Discussions are now taking place with regard to the possibility of shifting over the remaining responsibilities.

Senator BOUFFARD: What is there remaining?

Mr. DEUTSCH: There is a program, for instance, of constructing buildings for the Indians. There are some housing structures they do for the Indians, which the Indians take part in themselves. There is a miscellaneous series of structures in connection with the Indian reserves and things of that sort which for the moment they are still carrying out. Consideration is being given to what further things could be shifted. There is a problem here to some extent because in carrying out a number of the miscellaneous buildings in the Indian reserves they use Indians to do part of the work. That of course raises problems, but the whole question of how much of the existing activity of Indian Affairs should be shifted to the Department of Public Works is being considered. As I say, some has already been shifted, particularly the bigger structures, but how much more should be shifted is being discussed at the present time.

Another matter which has been under consideration has to do with the housing of Government employees. In a number of locations where the Government has offices or maintains services it has been necessary to construct residences for Government employees for the simple reason that there are no other residences available. This is true particularly in the north where we have to carry out Government services. In the northern territories there are, of course, in most places no houses so the Government has to provide housing facilities for its employees. Similarly you can find in some remote Customs locations on the border there are no houses, and the Government has to provide these. As

an example I would refer to Kitimat, which is a new community developing in British Columbia. A short time ago there was nothing there at all. We have had to put Government Postal officials in there, an employment office and that sort of thing. We have had to provide housing facilities for these people.

It has been the custom up to recent times for each department to arrange and carry out the construction of the houses concerned, but we have been trying to consolidate that responsibility under the Department of Public Works. We have just begun to do so. For instance, there has been great difficulty in obtaining housing facilities in White Horse in the Yukon and as a result we have had to construct a number of houses for our officials there. We have just arranged that all the houses in White Horse required for public service should become the responsibility of the Department of Public Works, which will manage the whole scheme for all the departments. We felt that this would result in an over-all saving. We thought it would make much more sense if one authority had the responsibility for the whole thing rather than have each department provide its own facilities and maintain them.

The above has been worked out as an example. We are trying to do the same thing at Kitimat, and we are now to have a similar problem at Aklavik. There is again hope to arrange it so that the responsibility shall be the responsibility of the Department of Public Works; that department in turn uses the housing corporation as its agent to carry out its responsibility, because that organization has people specialized in housing.

Senator VIEN: When was that policy determined?

Mr. DEUTSCH: About the houses?

Senator VIEN: Yes.

Mr. DEUTSCH: Oh, during this past year.

Senator VIEN: Is it in application now?

Mr. DEUTSCH: It is in application now in Whitehorse, Kitimat, and it is hoped to extend it to other places: where we have an aggregation of housing, and we have three or four departments in one place. We are hoping to consolidate that responsibility under the Department of Public Works.

Senator VIEN: What was the policy prior to that?

Mr. DEUTSCH: Prior to that the general practice was for each department to look after its own, and we have felt that it would make for greater economy if instead of having each department provide for the maintenance and repair of their own houses we had one department responsible for the whole thing, and that department should be the Department of Public Works. I am citing these as examples of measures being taken to carry out the wish expressed by the committee in the previous recommendation.

Now, another matter I could refer to is the question of structures outside of Canada. With the great expansion of our external affairs services abroad we have had to acquire and rent a great deal of property abroad. The practice there has been for this to be borne by the Department of External Affairs, and they have a property section, and so on, which does this work, architectural services, and so forth. There has been some discussion between the two departments, that is, Public Works and External Affairs, as to the respective responsibilities of the two departments, and that discussion is continuing, but some greater responsibility has already been assumed by Public Works. For instance, there will be constructed an office building in London, England, which will house all our various Government agencies in that centre; that building is being constructed under the responsibility of the Department of Public Works.

Senator EULER: Would you co-operate with the provinces for a similar construction?

Mr. DEUTSCH: Well, that is a matter that could be worked out, if they want to, but after all these are two different governments, and something would have to be arranged between the two governments.

Senator BOUFFARD: What about Paris.

Mr. DEUTSCH: That is being carried out by External Affairs. The practice up to now has been for the properties abroad to be under the responsibility of the Department of External Affairs. There has been discussion between the two departments. One of the problems here is that at the moment the Department of Public Works does not have representatives abroad. The Department of External Affairs in its ordinary every day affairs has to have representatives abroad. Therefore, it is not an easy question, because there is the problem of duplication, and you have to consider carefully whether there is economy in this thing or not.

Senator VIEN: I take it you do not include in what you have just stated embassies and chanceries?

Mr. DEUTSCH: That is what I am talking about: I say embassies, chanceries and diplomatic properties of that kind are taken care of by the Department of External Affairs; they have their own architects and property services to do it.

Senator REID: And it might not be a saving to have the Department of Public Works take over those services?

Mr. DEUTSCH: It might not be.

Senator REID: They might have to set up a new department and send architects abroad; it could be more expensive.

Mr. DEUTSCH: It could be more expensive. This is not an easy question to settle. There has been some discussion about it, but so far the Department of Public Works has not taken responsibility for diplomatic properties.

Senator EULER: How about Trade Commissioners?

Mr. DEUTSCH: No, not Trade Commissioners. As Senator Reid pointed out, one of the difficulties is that the Department of Public Works does not have architects abroad, and to have them could mean a duplication of services.

Senator BOUFFARD: Does External Affairs have somebody who looks after the various buildings in each country, or is there a central office?

Mr. DEUTSCH: They have a central office here in Ottawa, and they have their own architects and property men. In the larger places they will have one man responsible in the embassy for the properties and so on. They have a head office group here responsible for the overall architectural and properties services. I might say that with respect to accommodation abroad the Department of Public Works has not gone beyond London, England, where it has assumed the responsibility for the erection of the new office building being built there.

Senator BOUFFARD: What is the difference between London and Paris? Why, for instance, does Public Works assume the responsibility for London and not for Paris?

Mr. DEUTSCH: Perhaps that question can most easily be answered by saying that London is by far our largest centre abroad. We have in England between 400 and 500 employees. Further, it is the oldest centre; and I think historically the Department of Public Works has been generally responsible in London. Moreover, it was apparent that economies could be achieved there by having Public Works come in. As you know, we have in London more departments than we have elsewhere: For instance, we have Veterans Affairs, Immigration, Customs and a host of other departments.

Senator EULER: What is your relationship, if any, with the new building being erected in New York?

Mr. DEUTSCH: None; that is a private venture, and we will rent space in it. We have no responsibility for the building.

So much for abroad: The position briefly is that the Department of Public Works is generally responsible in London but nowhere else. The Department of External Affairs has its own services for this purpose.

Another question is the matter of renting space.

Senator ISNOR: Before leaving this question concerning London, may I ask if the changeover and what is being done is good from a financial standpoint?

Mr. DEUTSCH: As I have said, it has been historically the case that the Department of Public Works has been generally responsible for London.

Senator ISNOR: I am speaking to the question of dollars and cents.

Mr. DEUTSCH: You referred to the changeover. I am saying that it has been historically so.

Senator SMITH: You mean that Public Works has always had a staff in London?

Mr. DEUTSCH: It has always had the main responsibility for the acquisition of property and the renting of property in London.

Senator BOUFFARD: And building?

Mr. DEUTSCH: And building. I do not know whether they have built anything previous to the present structure that is underway.

Senator BOUFFARD: But there is no change in policy?

Mr. DEUTSCH: No, but the procedure is being improved.

Senator BOUFFARD: It has always been the responsibility of Public Works.

Mr. DEUTSCH: Yes.

Senator PRATT: One gathers the impression from visiting London that the departments are scattered over half the city.

Mr. DEUTSCH: That is true.

Senator PRATT: There seems a lack of control right down the line.

Mr. DEUTSCH: That is right, sir. We have a good many departments and they are scattered all over the city. The purpose of the new building is to put them in one place. As I have said, I do not think Public Works have erected a building in London before, so the question did not arise; but when it did arise, it was the responsibility of Public Works to carry it out.

Not only is the Department of Public Works responsible for providing buildings for government services, but it also looks after leases for government accommodation. We do not have nearly enough buildings to take care of our services, and the responsibility of entering into leases has been placed on the Department of Public Works. However, in the past a number of departments have been making their own leases. During the last year or two, particularly since the committee has reported, we have looked over this thing and are trying to place all the responsibility for leasing with the Department of Public Works. For instance last year the funds for renting the offices occupied by the Unemployment Insurance Commission were provided for from commission's funds; they have now been moved to the Department of Public Works. The policy is to bring that responsibility for all government departments to Public Works.

Senator BOUFFARD: Does that include External Affairs?

Mr. DEUTSCH: As far as Canada is concerned, yes. So, there again we are hoping to bring that department under Public Works. I may say that while there has been considerable change towards that end, there are certain things that have not yet been done that are under discussion. It takes sometime to

work out these matters, because it involves staffs, and it is necessary to make sure that the purposes of the departments will continue to be carried out; it is necessary to come to a suitable understanding with the Department of Public Works to assure that proper services will be provided. While doing this, we are attempting as far as possible to consolidate the engineering and architectural staffs in the Department of Public Works, so as to get the maximum use of those services. That involves the transfer of personnel, and the necessity of seeing to it that an office is not loaded with too much work all at one time.

Senator BAIRD: In what buildings are you going to house the personnel of the Department of Public Works.

Mr. DEUTSCH: So far the Department has been in the Hunter Building. As you may know, Senator, there is a proposal to construct for that department a new headquarters in the Bowesville Road area. I believe that is in the estimates for this year.

Senator EULER: Will the consolidation of these services lead to a reduction in personnel?

Mr. DEUTSCH: We hope so, but you can never be absolutely sure that it will. It depends on the load of work placed upon the Department. We would hope this would result in a reduced staff.

Senator EULER: It should do that.

Senator REID: In the transfers that have taken place already, have they affected any reductions?

Mr. DEUTSCH: I think so.

Senator REID: But have they? One must remember that the government can hire but cannot fire. . .

Mr. DEUTSCH: There is a good deal of turnover in staffs, and it would be difficult for me to give you a figure as to the number of personnel on any specific day. In the first place we have been short of architects and engineers, and we have not been able to employ the number of architects and engineers we wanted to. That is partly one of the reasons why some of these works do not get carried out as fast as they should. This shortage of skilled technical personnel seems to be a general condition. By consolidating a given amount of work in this way we would hope to be able to do the work with less engineers and architects.

Senator REID: That is a pious hope anyway.

Mr. DEUTSCH: Well, that is a matter of opinion. We would certainly expect in that way to have more work done by less people than would otherwise be the case.

There is another matter I should mention, that while the responsibility for carrying out works is being more completely transferred to the Department of Public Works, as the committee had suggested, there is a difference in the estimates which arises from the fact that while some of the responsibility for carrying out the work on specific buildings is given to the Department of Public Works, yet the estimates for the department concerned carry the expense of that building. Therefore, in looking at the estimates you do not get a picture of who carries out the work. The theory behind this arrangement in the estimates is that where a public building is constructed, which is an integral part of a departmental program we normally show the cost of that building in the estimates of that department. For example, the scientific laboratories for the science service of the Department of Agriculture. Those laboratories are shown in the estimates of the Department of Agriculture but the laboratory is actually constructed by the Department of Public Works. That is done so as to give Parliament a better indication of the cost of particular services. However, if a building is being constructed for general purposes, say a general

office building let us say where there may be five or six departments occupying it, the cost of that would be shown in the estimates of the Department of Public Works. In other words, the general facilities of the Government are shown under the Department of Public Works. If there is a specific facility closer related to work that a particular department is carrying out, the estimates of that department carry that expenditure.

Senator SMITH: What about post offices?

Mr. DEUTSCH: The Department of Public Works carries that. The reason behind it is that many post offices serve more than the post office. They have become general offices.

Senator SMITH: Even a lot of them do not, of course.

Mr. DEUTSCH: That is right, but it was thought better to have them shown in one place. Of course, in the case of the post office you can argue why not show the cost of the post office in the Post Office Department. That is not done, however, for the reasons which I have just indicated.

Senator BOUFFARD: You mean to say the Post Office Service does not carry the expense of that building?

Mr. DEUTSCH: No, it does not carry the cost of the building.

Senator BOUFFARD: Is there any compensation as between the two departments?

Mr. DEUTSCH: No.

Senator GOLDING: The post office is not credited with the rental either?

Mr. DEUTSCH: No, it does not receive the rentals with this exception, that post offices with a revenue of \$3,000 or lower the expenses are carried by the post office, but in excess of that amount it is carried by the Department of Public Works.

Senator BOUFFARD: So that when you look at the figures showing the expense of operating the Post Office Department you do not get a true picture.

Mr. DEUTSCH: Not in that sense, senator. The cost of the buildings are not included in the post office except, as I said, with the one exception of offices with revenues less than \$3,000 per year.

Senator SMITH: Would part of the explanation not be that everybody deals with the post office and that it is in the general public interest that one department should assume the liability.

Mr. DEUTSCH: Yes, Senator Smith, there is something in that. Many of the post office buildings are not exclusively post offices. They are occupied by many other offices, and as you know it thus takes on the character of a public building.

Senator BEAUBIEN: In the case of many of these post offices earning \$3,000 or less the Post Office Department pays the rent, does it not? The post office in a small locality is not a public building. For instance, if a small post office is owned by the postmaster the rent is paid to him by the post office?

Mr. DEUTSCH: Yes, that is paid by the post office, in cases where \$3,000 or less is the annual revenue.

I think this just about covers the ground on public works, Mr. Chairman. This process is continuing. It is the policy of the Government to consolidate all these public works activities under the Department of Public Works except as I said in the cases of the Department of Defence Production and the Department of Transport, in which two cases statutory provision provides that the minister in each case is responsible.

Senator BOUFFARD: Who has the responsibility for military camp houses?

Mr. DEUTSCH: They are the responsibility of the Minister of Defence Production, but in practice many of them are constructed by the Central Mortgage and Housing Corporation by agreement between the two ministers, but the responsibility is that of the Minister of Defence Production, by statute.

Senator TURGEON: Evidently, Mr. Chairman, the recommendations of this committee with respect to the transfer of certain responsibilities from various departments to the Department of Public Works has received very serious consideration. The witness mentioned a transfer of staff from I think he said from two other departments to the Department of Public Works. Have you any idea of the number of staff so transferred?

Mr. DEUTSCH: In the case of the Department of Northern Affairs and Natural Resources the actual transfer took place in three stages. In 1953 the bridge design unit was transferred, involving seven positions; in 1954, 25 positions related to the construction of roads and bridges in the national parks were transferred.

Senator REID: In doing that I do not see that there would be any real economy resulting. For instance, if you transfer a complete staff from one department to the other, where does the saving come in? I know engineers are scarce.

Mr. DEUTSCH: I said positions were transferred, senator. These positions were not all filled.

Senator REID: They were not all filled?

Mr. DEUTSCH: No. We have had great difficulty in getting the number of engineers and architects we have required and in most cases our staffs are not complete.

Certainly the hope is that there will be an overall reduction in the needs for architects and engineers as a result of this consolidation. By way of example in 1955-56 23 further positions were transferred in the process of transferring responsibilities for construction from the Department of Northern Affairs and Natural Resources to the Department of Public Works.

Those are examples of the way staffs were transferred and consolidated in the Department of Public Works. As a result of this process we hope that the staff requirements will be less than they would otherwise be.

The CHAIRMAN: Honourable senators, is it your wish now to question Mr. Deutsch on this part of his report, or that he shall continue? He has some more things he wants to report.

Senator BURCHILL: We have been doing it pretty generally, though some of us have tried to observe the law.

The CHAIRMAN: And some did not. What is your wish?

Senator SMITH: Are you coming back to this report and questioning him later on?

The CHAIRMAN: I expect we would; but as he has completed this part of the report, if you would like to question him on this part of it now, you can do so.

Senator REID: I think we should ask questions on it now, before he passes to another section.

Senator ASELTINE: I think that is the best way.

Senator CRERAR: Mr. Chairman, if I can get my oar in; I have been listening very quietly, and there are some questions I would like to ask Mr. Deutsch. Under the heading "Construction or Acquisition" of buildings, the total in the estimates is over \$384 million. Of this amount \$200 million is for defence production, national defence and civil defence. I notice that there is a sum of over \$11 million under "Construction or Acquisition" for the Department

of Agriculture. As I understand it, Parliament votes the Department of Agriculture this estimate, and then it is made available to the Department of Public Works, which constructs the buildings. Am I right in that?

Mr. DEUTSCH: Senator, as regards the usual functions of the Department of Agriculture proper, the buildings are constructed by the Department of Public Works, although the money is voted to the Department of Agriculture.

Senator CRERAR: That is what I am getting at.

Mr. DEUTSCH: However, I should say that as regards the Prairie Farm Rehabilitation Administration and, I believe, the Marshlands Rehabilitation Administration of the Maritime Provinces—

Senator CRERAR: That is expended direct by the Department.

Mr. DEUTSCH: That is expended direct by the Department. I want to make that distinction. It happens that both these services are under the Minister of Agriculture. But such things as the buildings for the Department of Agriculture—

Senator TURGEON: Experimental Farms.

Mr. DEUTSCH: And Experimental Farms—they have got a considerable maintenance staff themselves—labour and so on—to run the farms, and they do some of these minor things themselves. But the main buildings are attended to by the Department of Public Works; and the science service labs also, although you will find the money is voted in the Department of Agriculture.

Senator CRERAR: I notice under Crown Companies an appropriation of \$1,400,000 for buildings. Can you tell us about this? It is under 13.

Mr. DEUTSCH: This is probably companies like Canadian Arsenals Limited.

Senator CRERAR: There is a group of about twenty-two of them altogether.

Mr. DEUTSCH: Crown companies, yes. I think this is under the Defence part—Defence Production.

Senator CRERAR: No; it is Crown companies in my statement. Defence Production is \$7,500,000, and Crown Companies \$1,414,000.

Mr. DEUTSCH: "Crown companies" is a subhead under Defence Production; and this item here is for Canadian Arsenals, which is a Crown company.

Senator ISNOR: I think the evidence as given by the witness certainly shows that the reports as prepared by your Finance Committee have borne fruit. For the last 4 or 5 years we have stressed the importance of bringing certain of this work under the Department of Public Works which was formerly carried out by other departments; and I am glad that has been brought about. I am interested in the figures mentioned by Senator Crerar of \$384 million, the total as shown in column 13. I am wondering, Mr. Deutsch, whether any department or the Government itself has a complete list showing the dates on which those buildings were constructed, the cost, and the present valuations of these buildings as shown in column 13, amounting to \$384 million. That is one question.

Mr. DEUTSCH: Senator, this figure you quote of \$384 million is the amount which it is proposed to spend in the next fiscal year 1956-57 on public buildings. The details for all the civilian departments are shown in the back of the Estimates book. The biggest item in the several departments is Public Works. All the figures for this department and the others will be found in the back of the book.

Senator ISNOR: That is for one year?

Mr. DEUTSCH: Yes.

Senator ISNOR: Now I would like to ask you if you have a record of all lands owned or controlled by the Government, along with the buildings, showing the dates of construction, the locations and the present values?

Mr. DEUTSCH: Yes. There are records of all land owned by the Federal Government and of the buildings thereon. These records are maintained by the department which has administration over the buildings or the lands.

Senator ISNOR: And if I wanted to find out about a particular building which was erected 10 years ago, I could inquire—?

Mr. DEUTSCH: At the department, yes. The departments that have administration and control of the particular buildings and lands have the records pertaining to them. I might say here that we are at present working on a scheme to make a central index of all that.

Senator ISNOR: I am glad to hear it.

Mr. DEUTSCH: At the present time the records for buildings or land owned by the Government are kept by the Department of the Minister who controls the buildings or land, but each department is kept separately. We are presently trying to develop a central index of all these properties, and that index will be located in the Department of Public Works.

Senator ISNOR: Thank you very much.

Senator GOLDING: Mr. Chairman, I do not know whether we are being side-tracked here. I understood that Mr. Deutsch was going to give us some information with respect to the recommendations that were made by the committee. I understood he was going to give a brief outline of how these recommendations were being carried out. However, apparently we are about to examine the estimates. I was wondering if Mr. Deutsch had further information to give us in reference to the recommendations that were made? He has dealt with Public Works but if he has any further information to give us I think he should do it before we start to examine the estimates.

The CHAIRMAN: Mr. Deutsch has given us his statement about what has happened to the recommendations as far as Public Works is concerned, and at the outset I invited honourable senators to ask Mr. Deutsch questions about his statement.

Senator GOLDING: What we are going to do now, as I understand it, is to examine the estimates. I thought we were going to get information as to the carrying out of the recommendations.

Senator BURCHILL: Mr. Deutsch, would it be a fair statement to say that this change of policy which you have outlined this morning with respect to the Department of Public Works has been due primarily to a recommendation of this Finance Committee.

Mr. DEUTSCH: It is awfully difficult always to say where the main inspiration comes from. Undoubtedly the work done by the Senate Committee has contributed to the progress that has been made by the Department of Public Works. However, it would be awkward to say who thought of this change of policy first.

Senator TURGEON: The study made by the committee has been effective?

Mr. DEUTSCH: Yes, the committee's work has been helpful. That is very true. The committee has specifically drawn attention to this matter and it has helped in carrying it out, but I must say other people have also been interested in this and it would be pretty hard to say who is mainly responsible. It is all helpful.

The CHAIRMAN: You have done very well, Mr. Deutsch. I think you have answered that question very skilfully.

Senator PRATT: We are all aware that a certain recommendation came from this committee. Now, it has been pointed out that with regard to two departments it has not been proved practicable to apply this broad overall control or responsibility. It may be true that in the long run this change in policy will result in a smaller overall staff to carry out all this work, and that one may be able to spot a certain dollar economy in the estimates. However, I wonder if Mr. Deutsch can tell us from his experience whether the passing of complete responsibility from some of the departments to Public Works might result in the officials of those departments hiding behind Public Works in the discharge of their own responsibilities? They may say, "It is not our affair now. It is Public Works' responsibility." There is always the danger of putting too much control in one place. Overall control is one thing, and direct management is another. It has been running through my mind whether the placing of more responsibility on Public Works might not tend to take away certain other responsibilities that should be left in the hands of other departmental officials.

Mr. DEUTSCH: Senator Pratt, you have touched on the age-old argument between centralization and decentralization. This has always been a problem. You can argue on both sides. If you centralize too much you lose the sense of responsibility, and so on. On the other hand, if you decentralize too much you have too much duplication. This is a constant problem that you have in any administration. You have got to strike what seems to be a reasonable and sensible solution. You have to weigh the advantages against the disadvantages. One thing that should be said is that where you have centralization of this kind, where you get the advantages of doing away with duplication, the central agency must be one which gives good service. It is a question of the efficiency of the central agency. In other words, there is no use centralizing things if the central agency is not efficient or is subject to great delays or will not try to meet the particular needs of the people concerned, and so on. That could lead to very bad results. If the central agency is not efficient and effective it may be that the disadvantages of decentralization would be better. That is something you have to work out in every case.

Senator PRATT: It is a matter that cannot be hurried.

Mr. DEUTSCH: No. It takes time. Where we have transferred more responsibilities to the Department of Public Works the department has had to absorb them before trying to take on something else. That is why it has taken time. You cannot overnight build up an organization, especially in this field where you have scarcity of architects and engineers, and make them take on tremendously increased responsibilities and carry them out. It has taken time. They have not tried to take over anything that they could not carry out, and they have only undertaken what they have been sure they could.

Senator EULER: According to what Mr. Deutsch has said the estimates of the Department of Public Works seem to make it clear that you have the cost of the erection of public buildings, and so on, and these public buildings are occupied by various departments. For example, a public building in, say, Kitchener, or any other city. And that building is occupied by the Post Office Department, or by the Department of National Revenue for customs purposes, and it might even have income tax in it. Now, the cost of those buildings which were occupied by these various departments is charged up to the Department of Public Works and does not show in the estimates of these other departments, either Post Office Department or National Revenue Department?

Mr. DEUTSCH: That is right, sir; generally that is the case, yes.

Senator EULER: Would it be possible to show, or perhaps to have, in the estimates, just exactly how much of the costs in the estimates of the Department of Public Works are really attributable or chargeable to the Post Office Depart-

ment or the Department of National Revenue, so that we could get a clear picture of what it really costs to run the Post Office Department or the Department of National Revenue? Is that possible, or must it be hidden in the Department of Public Works estimates?

Mr. DEUTSCH: Senator, I think it would be possible to give an estimate; but it would be pretty difficult to purport to give anything like an exact figure, because where you have one building you cannot always divide it.

Senator EULER: Because as it is now the estimates of the Post Office Department do not really show costs that run that department, or the Department of National Revenue?

Mr. DEUTSCH: That is right. You could make some basis of allocation and probably attribute the cost of the two different departments.

Senator EULER: It is quite substantial?

Mr. DEUTSCH: Yes. I think you will notice if you look at the United Kingdom estimates of departments, where they present estimates to their parliament, they show the amount proposed to be voted for the department, and then show another line, "other costs estimated" for carrying out that service. They include in that the cost of buildings, the cost of stationery, the cost of all other things that are provided. They make an estimate. That item is there for information only, it is not voted, it is just an information item to give you an idea what that whole service costs. They do that in the U.K. That is an indication to you that this sort of thing is possible on some basis of estimation; it would only be an estimate though.

Senator ASELTINE: If several departments pay rent, is that voted?

Mr. DEUTSCH: No, the accounts required to pay the rents are voted in the Department of Public Works; it is not voted in the department concerned.

Senator MOLSON: Mr. Chairman, we have heard about the construction of buildings and the leasing of buildings, but what about the maintenance and cleaning of these buildings; are they with the department concerned?

Mr. DEUTSCH: No. The general policy there, Senator Molson, is the same. We are endeavouring to move that responsibility to the Department of Public Works, of the maintenance, upkeep, and so on.

Senator BOUFFARD: Even of the Post Office Department which is not charged?

Mr. DEUTSCH: That is right; except those post offices which are below seizure, but over that, maintenance and upkeep is done by Public Works.

Senator BAIRD: In other words, we do not get a true picture of these departments at all?

Mr. DEUTSCH: You don't, senator, in these cases, you don't get the costs of the buildings, and rent, and so on; it is not shown in the estimates of the department.

Senator EULER: Nor the maintenance?

Mr. DEUTSCH: Nor the maintenance. Now, while we are on the subject, all furniture for Government departments is provided by the Department of Public Works and the cost thereof is shown in a vote for the Department of Public Works.

Senator EULER: So that the only thing you get as to the cost of the Post Office Department or the Department of National Revenue is the amount of the pay of the civil service employees?

Mr. DEUTSCH: The Department of Post Office, Senator Euler—the main expenditures you see in the estimates are as you said, salaries and wages, and the cost of transportation. Those are the two big items. Then there are some other things.

Senator EULER: Can you give an idea of the percentage of cost of running a Post Office Department, if you included the cost of the buildings and maintenance thereof?

Mr. DEUTSCH: I have not that with me, senator.

Senator EULER: Can you make an estimate?

Mr. DEUTSCH: I suppose someone could give an estimate; it would be quite a job.

Senator EULER: It is quite substantial, is it not?

Mr. DEUTSCH: Yes, it is quite substantial, because they have a lot of buildings.

Senator BOUFFARD: What about the taxation they pay to the provinces and municipalities?

Mr. DEUTSCH: Now, the taxation on the buildings, we don't pay taxes, strictly speaking, we pay grants in lieu of taxes, and those grants in lieu of taxes are carried in the Department of Finance estimates.

Senator EULER: You pay local improvements taxes, don't you?

Mr. DEUTSCH: Yes, senator, and we also pay grants in lieu of taxes, on a certain formula. You are familiar with that. Those grants in lieu of taxes on public buildings are carried in the Department of Finance estimates.

Senator BOUFFARD: So that they do not appear anywhere as part of the expense?

Mr. DEUTSCH: Not in that department.

Senator TURGEON: Gathering from what Mr. Deutsch said previously, so far as any change made (I am thinking of Senator Pratt's question on centralization) on the recommendation of this committee, or any other recommendation elsewhere, the estimates for expenditures pertaining to departments are contained in the estimates of the various departments and have not been transferred to the Public Works Department. The Post Office Department that we are talking of has been under the Department of Public Works for a very long period of time, long before this committee was ever set up, so any change that has come as a result of the recommendation of this committee in the last few years does not affect any decentralization or centralization, because the estimates are applied for and are made applicable to the various departments whose actual constructive work is later carried on by the Department of Public Works?

Mr. DEUTSCH: That is right, senator.

Senator TURGEON: I interpret you rightly there?

Mr. DEUTSCH: Yes, sir.

Senator EULER: I suppose if the Post Office Department actually showed what it cost to run it we might find another increase in postage rates?

Senator ASELTINE: Don't mention it.

Senator SMITH: I believe Mr. Deutsch posed that all the works done by the Department of Transport were being done by statute, and that when anything else is being done by a department, such as Public Works, it has to be done at the request of the Department of Transport?

Mr. DEUTSCH: I will see if I have the act...

Senator SMITH: I am not concerned with the wording of the act, but that is a fact, is it not?

Mr. DEUTSCH: The Transport Act provides that the minister shall be responsible for the construction of railways and canals; it also says that the minister shall direct the construction, maintenance and repair of all railways and canals, and all other work pertaining or incident thereto.

In the aeronautic section of the Act, it is the duty of the minister to construct and maintain all government airdromes and air stations, including all plants, machinery and buildings necessary for the efficient equipment and upkeep.

Senator SMITH: And navigation aids?

Mr. DEUTSCH: There is another section on that: All lighthouses, light ships, floats, lights, lanterns and other signals, beacons, radio aids, anchors, etc., shall be under the direct control and management of the minister.

Senator SMITH: I had that phase in mind when I asked the question. It seems to me there are certain buildings required by the Department of Transport which would more naturally fall to the responsibility of the Public Works. To give you an example of what I have in mind, the Department of Public Works builds a wharf at a point on the coast, and in the same year the Department of Transport builds a lighthouse plus a house for someone to live in. The two departments are working adjacent to each other: While the Department of Public Works are doing some dredging in the same harbour, the engineers of the Department of Transport are supervising the building of a house and a lighthouse. It seems to me there could be some shifting of responsibility in those circumstances.

Mr. DEUTSCH: Yes. Senator, I should say that in such a case as you are talking about the two departments do make agreements with each other as to who should do what work, and sometimes the Department of Public Works does the work on behalf of Transport.

Senator SMITH: I have not known them to do it in such cases as I am talking about.

Mr. DEUTSCH: There may be cases where it has not been done, but it is open to them to do so, and I know cases where they have done it. Perhaps it should be done more than it is.

Senator SMITH: It seems to me to be in the interests of economy to see to it that while engineers are employed in a certain area for one department, that they could at the same time supervise certain other nearby operations taking place at the same time.

Mr. DEUTSCH: As I say, it is certainly open to them to agree to transfer the responsibility to the Department of Public Works. Of course any formal transfer to the Department of Public Works would require a change in the Act.

Senator SMITH: I understand that. A few moments ago you made some reference to the fact that there was house building by the government at Kitimat.

Mr. DEUTSCH: Yes.

Senator SMITH: Does that mean that the government policy is that, for instance, if some newsprint company decided to build a plant in the hinterland, the government would provide houses for its post office employees in that rather remote area? My understanding is that has not been the policy in the past with regard to paper mills and new mining developments. Why should it be the case in Kitimat? My second question is, what is going to happen to those houses when the town is established?

Mr. DEUTSCH: I will take your last question first. It is not the policy of the government to provide houses for its employees where housing is available; the only place they are provided is where housing is not available. We have to provide a staff in such places, and if there is no housing there for them we can't expect them to camp in the open.

Senator SMITH: But the company should provide housing in those circumstances.

Mr. DEUTSCH: The next question is whether in remote areas the government should supply services to a community. It is normal to supply such services as post office, unemployment insurance office, customs and so on. Just because a community is new is no reason why the government should withhold services from it. The question is, when does the community arrive at the stage when services should be provided? It happens that Kitimat is a very big community, and it would not be in keeping with the policy of the government to withhold from it such services as post office, unemployment insurance and customs. In order to supply the services that we would supply to any other Canadian community, it is necessary to provide housing.

Senator SMITH: I was wondering whether the company concerned in that instance had been asked if it considered it part of its responsibility to provide temporary quarters for government employees as it provided quarters for its own personnel.

Mr. DEUTSCH: Certainly, it provides temporary accommodation for its own employees, but the question is, is it proper for the community to expect to get the services received by other communities. We examine the possibility of getting houses without having to build them; if anything is available for rent from the company, we would take it.

Senator SMITH: That is my point.

Mr. DEUTSCH: The company just held up its hands, and said that they were not able to meet their own housing needs. Briefly, I think it is the general policy of the government to avoid getting into business of house building for its employees, but we do so where there is no alternative.

Senator SMITH: Now, what is the answer to my last question as to what will ultimately happen to these houses?

Mr. DEUTSCH: I hope that when the time comes that adequate housing is available, we will try to get rid of the houses. That will depend on market conditions, of course, because we do not want to give them away.

Senator SMITH: In the meantime are these employees paying rent?

Mr. DEUTSCH: Yes.

The CHAIRMAN: Gentlemen, are you satisfied to let Mr. Deutsch go ahead with a statement he has in connection with the other recommendations?

Senator CRERAR: May I just say that when Mr. Deutsch was here last year he explained that the Treasury Board was attempting to set up with the departments a committee to examine estimates before they were finally approved by the Treasury Board. Would Mr. Deutsch now tell us what success has attended that effort?

Mr. DEUTSCH: Senator Crerar, this is another large subject which gets us into a different topic. Do you want me to pursue that at this point?

Senator CRERAR: You could leave it to later if you wish.

The CHAIRMAN: It might be the wish of the committee that we hear Mr. Deutsch on another day also, and I think he is prepared to speak on this other recommendation.

Senator CRERAR: I take it we are on the estimates, then?

The CHAIRMAN: No, on the recommendations that were made, and I would like to keep Mr. Deutsch to that, because he is prepared to discuss that subject now.

Senator CRERAR: May I ask this question, Mr. Chairman? A few years ago, I am not sure whether the committee dealt with it last year or not, there was a recommendation that all Governmental departments be required to budget for their postage and that the franking privilege be done away with except for members of Parliament during sessions.

The CHAIRMAN: That is what I am asking the witness to continue with, recommendations that were given to the Government.

Senator CRERAR: Am I out of order then?

The CHAIRMAN: I have already suggested our witness can go on with his statement.

Mr. DEUTSCH: One other specific recommendation that was contained in the committee's report was as follows. This was in the report of 1952.

That the policy regarding Governmental publications required revision and that a salutary effect might result from requiring departments to budget for postage charges.

This is what you referred to, Senator Crerar.

Perhaps if I may take this last one first. This matter of charging for postage is something which is governed by statute. The existing post office statute provides that mailable matter addressed to or sent by the Governor General or sent to or by any department of the Government of Canada at Ottawa is free of Canada postage under such regulations as are made in that respect by the Governor-in-Council. Now, this is a statutory provision and until that is changed or altered it is the law of the land. This has not been changed so the situation continues as it was.

Senator CRERAR: That is of course a matter which is outside of your particular province, but I think we should have somebody here to answer the question of whether or not any consideration has been given to that recommendation. I mention that particularly, because if you will look at the estimates before us, in column No. 9 the total estimate cost of publication of departmental reports and other material totals \$7,115,405, which is a substantial increase over last year. The point I am making is that there are many departments of Government that proliferate and think they are enhancing their own importance if they get out a lot of publications and send them free through the mails. That is of course a complete anomaly because the carriage of these publications has to be paid for by the post office. The railway companies and the airmail lines do not carry Government publications free, and the point I have been making and I reiterate now is that if these departments were compelled to budget for their postage it would cut down perhaps by 50 per cent expense of these publications which has led, for one thing, to the building up of an immense printing bureau so that the Government can keep up with all this material.

The CHAIRMAN: Senator Crerar, Mr. Deutsch has answered what happened to the recommendation.

Senator CRERAR: Nothing happened to it.

The CHAIRMAN: Nothing happened to it, and I suggest it is hardly fair for him to pursue that recommendation.

Senator CRERAR: Mr. Chairman, let there be no misunderstanding. I recognize that as well as anyone in this committee, but I am saying we should have someone here who can give us some information.

The CHAIRMAN: There are minutes being taken of the proceedings here other than the stenographic report and that may well be a matter to discuss in the Steering Committee when it next meets, and you are a member of that committee.

Mr. DEUTSCH: As long as this matter is on the statute books it is the law of the land.

Senator BURCHILL: You are not in a position even to tell us whether the Government considered it or not, that is not your job.

Mr. DEUTSCH: No, Senator Burchill, it is not for me to comment on that.

Senator CONNOLLY: Any change would involve an amendment to the Post Office Act.

Mr. DEUTSCH: Yes.

Senator CONNOLLY: Perhaps this committee could consider if such an amendment is desirable.

Senator BEAUBIEN: If the postage were payable on these publications an estimate of the amount would have to be included in the estimates.

Mr. DEUTSCH: Yes.

Senator BEAUBIEN: It would not make much difference on the whole.

Mr. DEUTSCH: If I might go on, Mr. Chairman.

The CHAIRMAN: Yes, continue.

Mr. DEUTSCH: The committee recommended that the policy regarding Governmental publications required revision. Well, I might say here Mr. Chairman that the whole procedure regarding the control of Governmental publications has been reviewed and revised since this recommendation came out. A review at that time was taking place while the committee was in session, and after this report came out a complete revision was made of the procedures and controls over Governmental publications. Perhaps I might describe to the committee what procedures and controls are now exercised over this activity. The regulations that have been issued since this report came out provided quite extensive controls. This is an extensive and detailed subject and I do not want to bore the committee, so perhaps I can summarize the main points of them in order to give the committee an idea of the procedures and controls.

Senator BURCHILL: I think if you were to tell us that it resulted in a reduction of costs it would be as interesting as anything.

Mr. DEUTSCH: Well, senator, the point of the whole thing is to achieve economy and efficiency.

Senator BURCHILL: But did it though?

Mr. DEUTSCH: Did it? Well I do not suppose the Treasury Board would have made the regulations if they did not have that effect. That was the intention.

Senator BURCHILL: That does not answer the question, though.

Mr. DEUTSCH: My own feeling is that these regulations are designed to produce economy. Now, when you say show me some figures, you have always got the problem of what would have been the case had they not been there and that I cannot answer, because one thing is certain, Government activities are not static, and that is one thing that one learns is this business. Things are always changing, new things are being added and other activities dropped and they are never the same, so you cannot get a situation where you compare one static condition with another and see what is happening, because in the meantime functions and responsibilities have changed.

Senator BURCHILL: You give a pretty good answer.

Mr. DEUTSCH: And I am afraid that if you ask me for some figures it would be pretty hard to prove the figures and to conclude that some economy resulted. The conditions have changed and all you can say is that without these regulations the expense would have been bigger than they actually are. This is the procedure now laid down. First, the regulations provide that each department whose responsibilities involve the dissemination of information,—educational, promotional, research and otherwise,—shall establish a committee in the department, chaired by a senior official, to review all proposals for publication in that department, before any such publication may be undertaken.

Senator REID: That is for new publications?

Mr. DEUTSCH: That is for new publications. In other words this has the effect of course of having independent judgment in the particular department on the necessity or the desirability of having the publication, aside from the person or branch that has produced it. In other words, the branch or person that produces the material does not make the final decision as to whether it shall be published or not.

Senator EULER: You refer now to new publications?

Mr. DEUTSCH: Yes.

Senator EULER: Does that action also include the revision or reconsideration of publications which have been issued in the past?

Mr. DEUTSCH: If there is to be a reprint, or something of the kind, this question would also have to be reviewed.

Senator CONNOLLY: I think Senator Euler is thinking about continuing publications. May a series be reviewed at any time as to whether it shall be continued as such?

Mr. DEUTSCH: Yes. That is also taken up in another way. I will come to that in a minute. The main point is that any new departmental publication or the reprint of a departmental publication must be reviewed by a committee in the department, chaired by a senior official, so that there shall be an independent review, apart from the people who produced it.

The committees I have been talking about are within each department; but there has also been established an interdepartmental committee which reviews all publications after printing. In other words, any publication that has been issued has to go before this committee, which will look at it and make comments about its format, the expense of its production, the number of copies issued, the way the contents are presented, and so forth, with a view to achieving economy. This review, as I have said, takes place after the material is printed. You may ask why is it not done before printing. The problem, of course, is that you have got a great bottleneck here. If everything which emanates from any department had to be reviewed before it was printed, you would have tremendous delays and difficulties. The idea of having this committee is that when the publication is printed it is reviewed, and if any developments are observed which seem undesirable, the committee will make recommendations to the department and to the Treasury Board regarding this particular matter, with a view to stopping it in the future.

Senator REID: Do they check up on duplications?

Mr. DEUTSCH: Yes; and because they get all documents they are in a position to say whether duplication has taken place, and if anything goes wrong in this respect they make recommendations to correct the situation, and the recommendations, as I have said, go to the Treasury Board as well as to the Department.

In addition to this type of control, any printing project which will cost more than \$5,000 must be specifically approved by the Treasury Board before it can be proceeded with. That applies in every department.

Senator CONNOLLY: In any one year?

Mr. DEUTSCH: In any one year.

Senator ISNOR: Just for the printing; and for the expense of sending it out?

Mr. DEUTSCH: Any costs associated with the printing of it.

Senator ISNOR: Including transportation?

Mr. DEUTSCH: If it is mailed from Ottawa, under the Post office regulations it is transmitted free.

Senator WALL: And the \$5,000 relates to one single job.

Senator ISNOR: How long has that been in effect?

Mr. DEUTSCH: Since 1951.

Senator BOUFFARD: That is, before the committee's recommendation?

Mr. DEUTSCH: Yes, that particular part was in.

Senator TURGEON: When was the supervisory committee first established?

Mr. DEUTSCH: That came in in 1953, after the committee's report.

Senator WALL: Late in the year?

Mr. DEUTSCH: Late in the year.

Senator CRERAR: So far, Mr. Deutsch, it has not produced much in the way of results?

Mr. DEUTSCH: Well, we are not finished yet.

Senator SMITH: Mr. Deutsch, has some examination been given to the checking of mailing lists of the various departments?

Mr. DEUTSCH: Yes. This is a very lengthy business that I am trying to summarize for the committee. These are the main regulations that now exist for the control of these things.

This general regulation applies to all publications;

No illustrations, photographs, drawings and multi-coloured printing are to be used in government publications except when (1) such aids clearly serve a functional value and are essential to a clear understanding of the text matter.

In other words, the general effect of the regulation is to do away with fancy printing unless this is essential to the publication. You may say, when is it essential? For instance, in material like tourist literature, commercial literature, trade literature, all of which must be presented in an attractive way. Therefore, there is this expense. Generally speaking, however, the regulation provides that no illustrations, photographs, drawings and multi-colour printing are to be used in government publications except when such things clearly serve a functional value and are essential for a clear understanding of the text matter. As I say, there are exceptions, and the ones that come ready to hand are things like tourist literature and promotional literature, which clearly have to have pictures.

Senator BOUFFARD: What about the monthly C.B.C. publication? Is that paid for by the C.B.C.?

Mr. DEUTSCH: The C.B.C. is a Crown company and does not come under these regulations.

Senator BOUFFARD: They pay for it then themselves?

Mr. DEUTSCH: Yes.

Senator BOUFFARD: Do they pay for the postage?

Mr. DEUTSCH: I think they do. The C.B.C. is a Crown company and these regulations do not apply to Crown companies. These fancy or costly aspects of publications are not to be undertaken except in these circumstances, and there

is a general regulation to that effect which applies to all Government publications. There are also regulations as to the size of publications. There is always a problem in publications in that they come in all shapes and sizes, which adds to the cost and so forth. The regulations provide for a standard size so as to minimize the cost of machinery, and so on, used in publications. They also deal with the content of the publications. The Queen's Printer is to scrutinize closely any requests for use of cover stock, for instance, on publications containing less than thirty-two pages. In other words, not every publication is to have a hard cover on it. That is costly. There must be a good reason for it, and it must be over a certain size, and so on.

Then there is the question of distribution of documents. First of all, the departments are to screen mailing lists at least once every two years, using a standard questionnaire for that purpose, and refraining from enclosing return envelopes. A report that such screening has been carried out is to be made to the Government's publication committee. In other words, every department is required to screen its mailing list at least every two years on a form that is laid down, and a failure to receive a reply to a form is taken as a request to discontinue the item.

Hon. Senator ASELTINE: Does that apply to the reports of the Divorce Committee?

Mr. DEUTSCH: Yes.

Senator ASELTINE: I thought so because I did not reply and I do not get those reports any more.

Senator SMITH: Mr. Deutsch, are you in a position to know whether all the Government departments are actually screening their mailing lists and making a report to the Government's publication committee?

Mr. DEUTSCH: Yes. Requests can be sent out in many different ways. We have laid down a standard form on which the mailing lists are to be checked. The departments must use that form, and failure to get a reply is to be taken as a request not to renew the item.

Senator SMITH: It may be of interest to know I am getting one publication addressed to "D. Smith, Esq., President, Kiwanis Club". I was president of that club twenty years ago. I am also getting the same publication addressed to "Dr. Donald Smith" and I am also getting it addressed now as "Honourable Senator Smith".

Mr. DEUTSCH: What publication is it?

Senator SMITH: It is a Government departmental publication. I can check on it.

Mr. DEUTSCH: Is it a report of a department?

Senator SMITH: No, it is a publication that comes out monthly.

Mr. DEUTSCH: I would be interested in knowing what it is.

Senator SMITH: I will check on it and let you know which one it is.

Mr. DEUTSCH: In the Treasury Board we check up periodically on the departments to ascertain whether they have screened their mailing lists in accordance with this regulation, and if we find any cases where that is not done we like to check up on it. Just to summarize briefly the matter of initiation of documents: in the first place any single publication costing over \$5,000 has to have the specific approval of the Treasury Board. That is the first control. Secondly, anything that is proposed to be published in a department has to be reviewed by an independent body in that department before its publication is authorized. This means that the person producing the document or the branch producing it has not got the final say. Thirdly, all

publications of all departments are reviewed by an interdepartmental committee, and that committee is requested to make recommendations to the department concerned and to the Treasury Board concerning anything which it considers results in duplication or in unnecessary expenditure. The terms of reference of that interdepartmental committee provide for the review of publications subsequent to their issue, including those printed or processed within the various departments, from the point of view of performance, possible development of material in content, use of obsolete mailing lists, quantities, sale price and distribution. The committee has to review the documents from these points of view.

Senator BAIRD: What about publications of the Department of Public Health?

Mr. DEUTSCH: Everything comes before this committee. A report is to be made to the Treasury Board and to the Minister directly concerned in any publication which has involved unnecessary expenditure. The interdepartmental committee is to keep under review and to report to the Treasury Board on the progress being made in putting into effect the recommendations contained in the report of the committee as approved by the Treasury Board. In other words, it is to keep under check to what extent the Treasury Board regulations are being observed. They report to the Treasury Board on that, and they make recommendations to the Treasury Board as to what is considered necessary to keep the publication and distribution practices of departments on an economic basis. This interdepartmental committee is under the chairmanship of Dr. Wm. Kaye Lamb. The regulations contain certain specific requirements as to the contents of the publications, particularly as to the costly features such as pictures, illustrations and multi-colour printing and things of that sort. These things are not to be done except when they are essential to carrying out particular functions. When a publication has been issued the question of distribution arises. How is it to be distributed? There is a detailed series of regulations provided by the Treasury Board which have to be observed. These regulations are lengthy and I do not want to bore the committee with them, but I might bring out their highlights. The first provision is that: "Except as provided in subsection (c) of this section, all government publications, other than press releases and speeches..." which are ephemeral things—"...shall be listed in daily checklists, monthly, annual and special catalogues, such listings to carry appropriate notes indicating whether they are processed or printed, for sale, available for free distribution generally, in Canada only or abroad only, the source of supply, as departments concerned may direct." In other words, all publications have to be put on a daily check list, except for items like speeches and press releases. There is one exception to this:

In order to avoid unwarranted demands or unnecessary distribution of a Government publication intended for a specific purpose, the issuing department may direct the Queen's Printer to omit such publication from the catalogue and daily check lists.

There are certain publications intended for a specific purpose, and they do not want to create the idea that these are widely available. It is not a question of their being confidential, or anything of that sort, but they are intended for a specific purpose, and they do not want to have them spread around too much because the cost would be too great. One thing I might mention is tourist literature, for instance. The purpose of tourist literature is for distribution to tourists from abroad to encourage them to come to Canada, and these things are very costly because they are done very attractively, as you know, and they don't want them to have a wide distribution in Canada, because the main purpose is to encourage tourists to come from abroad, and we do not want to print many thousands of copies unnecessarily.

Now, the next thing about distribution is important. First of all, these things have to be on a daily check list. Sales:

The Queen's Printer will have general responsibility for the sale of all Government publications, and other departments may sell Government publications only by agreement with him.

In other words, there is a centralized control of all Government publications, and any department may not sell publications on their own except by agreement with the Queen's Printer. So that there is a common policy followed, and a consistent policy followed, throughout the Government. The only exception to this is maps and charts, which are dealt with by the Department of Mines and Technical Surveys. The Queen's Printer carries about 50 per cent in his vote of the cost of all these Government publications. In turn, the Queen's Printer receives the full sale price of the publication. All the selling revenue is collected in one place, in the Queen's Printer.

Senator ISNOR: How is it balanced?

Mr. DEUTSCH: Turned over to revenue.

Senator ISNOR: How is it balanced?

Mr. DEUTSCH: Oh, how is it balanced?

Senator EULER: Does he make any money?

Mr. DEUTSCH: Well, of course the Queen's Printer is making a profit now.

Senator CONNOLLY (*Ottawa West*): Could you say where those figures are available?

Mr. DEUTSCH: In the estimates. You will see the Queen's Printer's section after the vote. Now, the Queen's Printer prints a lot of things he does not sell. He prints the many forms for Government use, and many documents for use inside the Government, and therefore his total costs cannot be assessed in sales activities.

Senator CONNOLLY (*Ottawa West*): But on the 50 per cent cost he makes a profit?

Mr. DEUTSCH: On the sales price.

Senator EULER: On what he sells he makes a profit?

Mr. DEUTSCH: Yes. Proceeds from the sales of all publications made by the departments at prices fixed by the Queen's Printer. I said before that no department may fix a sales price except by agreement with the Queen's Printer.

Senator ISNOR: Just so that it may be made clear, because I think there is some question about this, the Queen's Printer subsidizes 50 per cent of the cost of a publication?

Mr. DEUTSCH: That is right, and he sells it at a price which he thinks is a reasonable price, and he takes 100 per cent of the sales.

Senator SMITH: Where do we find that in the estimates with regard to the Queen's Printer?

Mr. DEUTSCH: You will see it on page 448 of the estimates under the heading, "Public Printing and Stationery", and under the sub-headings of "Expenditure" and "Revenue". The proceeds from the sales of Government publications are put into the Queen's Printer, and they are reported here in one lump sum. There is a specific regulation as to what documents may be

distributed free, and to whom, and the free distribution is confined to that, except for maps and charts which are handled by the Department of Mines and Technical Surveys:

The Queen's Printer shall send without charge copies of each Government publication currently listed in the daily check lists, as follows.

This is automatic, free distribution:

(a) Five copies to the Library of Parliament; (b) two copies to the National Library; (c) one copy each, in English or in French or both, as desired, to the full depository libraries in Canada established by signed agreement with the Queen's Printer and to libraries in other countries as per lists established and revised each year by the Department of External Affairs.

That is the only automatic, free distribution; that is, these institutions which I have listed here automatically get free copies of all the Queen's Printer's publications.

Senator EULER: Do they not go to senators?

Mr. DEUTSCH: I will come to that in a moment.

One copy of the same current Government publications shall be sent on application, without charge, to persons and institutions as follows, provided that requests are made within ten days following the receipt of Checklists:

Here we get back to this Checklist. The Checklist is automatically distributed. All newly published documents must be published on these Checklists, and if a request is received within ten days of the issuance of a Checklist the following may receive one free copy:

(a) Senators and Members of the Parliament of Canada; (b) Ministers of the Government of Canada and their Parliamentary Assistants; (c) Central Library of each Provincial Legislature in Canada; (d) Public Libraries in Canada; (e) University, Law Faculty and college Libraries in Canada; (f) Departmental Libraries of the Government of Canada; (g) Members of Provincial Governments of Canada; (h) Diplomatic Representatives of foreign countries and Trade Commissioners for Canada; (j) The Press Gallery, Ottawa; (k) Daily newspapers and a list of selected weeklies; (l) educational, social or political organizations of international character, libraries or other public institutions in other countries or any official in such countries as may be recommended by the Department of External Affairs.

Senator EULER: Do you mean to say that these publications are not sent unless they are applied for within ten days? I may say that I am getting them every day, and I have never applied for them.

Mr. DEUTSCH: There are some exceptions. If you apply on the check list within ten days you can get the publication.

Senator EULER: And if I don't do that, will I not get it? As I say, I am getting them and I did not apply for them.

Mr. DEUTSCH: In the case of periodicals, which come out say monthly, if you at any time have applied for them you will continue to receive them.

Senator EULER: I have not applied for many, but I get a great many.

Mr. DEUTSCH:

Upon request from the institution concerned, the Minister in charge of the Department of Public Printing and Stationery may authorize

the free distribution of a reasonable number of additional copies of government publications to University, Law Faculty and College Libraries in Canada.

When urgently required in the performance of their duties, Ministers, Parliamentary Assistants, Deputy Ministers, Heads of Commissions, Board, or of administrative services of the Government may obtain free of charge from the Queen's Printer or from any Department, one copy of any saleable government publication; further copies to be requisitioned in the usual way.

Further:

Newly appointed Ministers and newly elected Members of Parliament may obtain free of charge on written request, if available from stock, one copy of all parliamentary papers issued during the previous Parliament and any intervening sessions in the case of Ministers, and, in the case of Members, parliamentary papers issued during the previous session; also current legal documents not available from the Parliamentary Distribution Office.

For all purposes these regulations apply to the free distribution of Annual Reports of Departments, except that the responsibility for distribution to Senators and Members of Parliament shall remain with Departments unless otherwise arranged.

In other words, these regulations apply to the distribution of all governmental annual reports, except in the cases of senators and members of parliament, in which cases the distribution is made by the department.

Senator EULER: That is how we get them without making application.

Mr. DEUTSCH: Yes. The exception is as to senators and members of parliament, but otherwise the regulations apply.

Senator CONNOLLY: Is it not so that some such reports we get only on request? For example, one often finds in his box information to the effect that the report of the Department of Public Works is available, and if you require it you can apply at the distribution office for it.

Mr. DEUTSCH: That is right.

Senator CONNOLLY: In other words, they do not all come automatically.

Mr. DEUTSCH: No. These regulations apply to the free distribution of annual reports of departments. The department may have its own rule as to distribution of its annual report.

The regulations further say: "Nothing herein contained is intended to restrict the practice by departments, of sending government publications, fully paid for by them, free of charge, as answers to enquiries . . ." In other words, if it is necessary to give away a pamphlet in order to supply information in response to a request, that is done; they may also hand out free publications in exchange for publications of a like manner received from other governments or institutions. Some departments issue various types of material, mostly of a research or scientific nature, and it has an exchange arrangement for similar information with other governments or institutions.

Documents may be issued free for promotional purposes, as a part of an authorized administrative program. Of course such publications as deal with trade and tourist promotions are intended to be for free distribution.

The CHAIRMAN: Excuse me, Mr. Deutsch, but I note that while we still have a quorum, our numbers are becoming depleted. There are one or two general subjects that I would expect you to speak on, but perhaps you already

are finding this meeting somewhat tiring. Perhaps it would be advisable to adjourn at this time and discuss the remaining topics at a later meeting.

Senator CONNOLLY: Before we adjourn, may I ask Mr. Deutsch one question. With respect to the \$5,000 ceiling or floor, or whatever you call it, do you think that is a proper figure or should it be lower?

Mr. DEUTSCH: It is a question of detail, Mr. Senator; we cannot bog down the machinery by bringing in too much detail. The cut-off point was made at \$5,000 to enable us to take a good look at the expensive items. In other words, we cannot bother ministers to look at too much detail, and for that reason we cut it off at \$5,000. It should be pointed out that this is not the only control; in other words, before publishing a document which costs more than \$5,000, it has to be approved specifically or it will not go forward; but I should also say that the total expenditures of publications by a department have to be approved by the Treasury Board.

Senator CONNOLLY: In other words, there is a double check.

Mr. DEUTSCH: There is a double check, first on items over \$5,000 and secondly on the total cost of publications.

The CHAIRMAN: Mr. Deutsch, may I on behalf of the committee say how grateful we are to you for the great detail you have given us today. We will look forward to discussing the remaining matters at a later meeting.

The committee adjourned.

1956

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1957.

No. 2

THURSDAY, MARCH 8, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESS

Mr. J. J. Deutsch, Secretary to the Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956

STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

The Honourable Senators

Aseltine	Gershaw	Pirie
Baird	Golding	Pratt
Barbour	*Haig	Quinn
Beaubien	Hawkins	Reid
Bouffard	Hayden	Roebuck
Burchill	Horner	Smith
Campbell	Isnor	Stambaugh
Connolly (<i>Halifax North</i>)	Lambert	Taylor
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Euler	Molson	Woodrow—38.
Farris	Paterson	
Fraser	Petten	

50 Members (Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, February 15, 1956.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, March 8, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators: Hawkins, *Chairman*; Baird, Barbour, Beaubien, Burchill, Connolly (*Ottawa West*), Crerar, Gershaw, Golding, Isnor, Molson, Reid, Smith, Stambaugh and Turgeon—15.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

Mr. J. J. Deutsch, Secretary to the Treasury Board, was again heard and questioned by members of the Committee.

At 12.25 p.m. the Committee adjourned until Thursday next, March 15, 1956, at 10.30 a.m.

ATTEST.

JOHN A. HINDS,
Assistant Chief Clerk of Committees.

THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, March 8, 1956.

EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, we will come to order.

We have with us as our witness this morning Mr. Deutsch who you will remember at the close of the last meeting was dealing with regulations concerning Government publications. I will ask Mr. Deutsch to continue with that statement. Mr. Deutsch is Secretary of the Treasury Board. He was with us on previous occasions when this committee met and he is now going to continue the statement he made at the meeting which was held a week ago.

Mr. J. J. DEUTSCH, Secretary of the Treasury Board: Mr. Chairman, honourable senators. At the close of the last meeting I was completing my description of the regulations which exist concerning the distribution of Government documents. Before I go on to complete my statement, Mr. Chairman, might I just briefly review the main features of these regulations. In the first place all proposed expenditures on Government publications must be approved by the Treasury Board before the estimates are submitted to Parliament, so there is an overall control in the sense of an overall financial supervision exercised in connection with Government publications. When the estimates are approved by Parliament the department is thus authorized to spend that much money on printing and distribution of publications. In addition to this overall financial control, there are more detailed and specific controls exercised throughout the year.

In the first place the preparation and publication of any document, excepting military training manuals which costs more than \$5,000 has to have specific approval of the Treasury Board even though the money is provided in an overall amount in the estimates. That is to say, particular projects that cost more than that figure have to be specifically approved. Further than that, the regulations provide that in each department there must be established a committee whose duty it is to review all proposals for publications. There you have a review of the need for a particular publication independent of the person or branch which may have prepared it. If it is approved, and is found to be in accordance with the vote in the estimates it goes to the Queen's Printer for printing and publishing. When a document is prepared for publication it has to be prepared in accordance with certain regulations. The regulations provide that it shall be printed on standard sized paper, and that the cost of the covers should be kept to a minimum, and also that the type of printing employed and the kind of illustrations used must be kept down to specified requirements. Normally, it is not allowed to print illustrations or photographs or anything of that sort, or to use multi-coloured printing, except in certain stated exceptions, namely, literature that

has to do with promotion, tourist literature, trade promotion literature all of which obviously has to be presented in an attractive form, and so those are excepted from the general regulations concerning illustrations, colour and so forth. After the document or publication is printed it has to be reviewed by an interdepartmental committee under the chairmanship of Dr. Lamb, National Librarian. He has a committee which reviews all Government publications to see to what extent they are not in accordance with the regulations. If they are found not to be in accordance with the regulations the committee is to report to the Treasury Board and steps will then be taken to correct the situation. Thus, there is a post review as well.

Then, Mr. Chairman, we come to the stage of distribution. There is in existence a detailed set of regulations governing the method of distribution. The free distribution list is prescribed. There is a certain free list beyond which no automatic distribution by the Queen's Printer can be made. Beyond that free list, documents generally are to be distributed on a request basis using for this purpose a daily check list which is sent out and people wanting the document or documents must so indicate. The mailing lists maintained by departments also have to be reviewed, according to these regulations, once every two years. Part of the procedure in reviewing these mailing lists consists in the sending out of requests in a prescribed form and if no answer is received the name is to be struck off the mailing list. We try to check up on departments to see that they are observing these regulations and that they are checking over their mailing lists once every two years. However, this is quite a big task and our staff is inadequate to go around each individual department and check up from day to day or from week to week or even from month to month. Once in a while in going around the departments we find that some particular part of a mailing list has not been reviewed, and when we find that we do something about it. Once in a while something will slip in that should not be there, but when we find out we usually try to correct the situation immediately.

That, Mr. Chairman, pretty well describes in brief the sort of system we have in force covering the distribution of documents. Much of this procedure has developed in recent years especially following the Senate Committee of 1952 inquiry into this question. We wanted to make sure that the sort of things that were in the minds of the committee then were looked after and the result is that now we have a complete set of regulations governing this whole business.

The CHAIRMAN: If any honourable senators have any questions to ask Mr. Deutsch we will have them now, and following the question period Mr. Deutsch will attempt to answer a query that was submitted to him through the Steering Committee in connection with the increase in the Civil Service caused by the adoption of the five day week.

Senator REID: Did your committee review the publications that were being published before the recommendations were made by this committee? In other words, have all publications printed prior to 1952 been reviewed?

Mr. DEUTSCH: Yes. We had, I think it was two or three years ago, an ad hoc committee established that went over all the publications of all the departments and tried, before putting in new regulations covering future publications, to ensure that what was already being done was in accordance with these regulations. As a result of that review, one of the things that was brought about, certainly, was a much greater uniformity in the methods of preparing documents and, so to speak, the scale on which documents would be prepared. At one time there was quite an amount of variation between the amounts of colour and illustrations that were used, some of the illustrations being pretty costly. Different departments had different practices. We wanted

to bring them down to an actual minimum of economy, and to ensure that expensive operations, such as the use of colour on photographs and that sort of thing, should not be done unless necessary. One of the purposes of this review was to try to eliminate the unnecessary features of all these things and to bring them down to some common standard such as we have now prescribed in these regulations. Also the departments were requested to review the need for these various publications, and whether the numbers that were printed were reasonably related to the need for them. These things, as I have said, were reviewed by an ad hoc committee before these regulations were adopted, with a view to getting the existing situation in line with the regulations that were coming out.

Senator BARBOUR: Would you say that the review of the different departments has resulted in a saving?

Mr. DEUTSCH: Oh yes, undoubtedly, sir.

Senator BARBOUR: Of any large amount?

Mr. DEUTSCH: Well, it is difficult to make a financial assessment, because you are not dealing with a static situation. In other words, if you had a situation where these same documents were prepared before and after, and in the same volume, of course you could compare the two things. But the fact is that these things are changing all the time. We feel, however, that had this action not been taken we would have been spending more money.

Senator TURGEON: How long ago is it since this ad hoc committee of which you speak was set up?

Mr. DEUTSCH: This was before my time, its report was made in October, 1952.

Senator GOLDING: You have an increase this year over last year of about \$222,000.

Mr. DEUTSCH: That is right, but the main increase there is on trade promotion.

Senator GOLDING: Could you tell us offhand what was spent for this purpose? It may be that you have not that information, but, say, in 1952?

Mr. DEUTSCH: Spent on publications?

Senator GOLDING: Yes.

Mr. DEUTSCH: I am not sure if I have that here.

Senator CRERAR: Trade and Commerce: that would be trade promotion, would it not?

Mr. DEUTSCH: Yes.

Senator CRERAR: Well, in these estimates the amount under Trade and Commerce is \$351,000, against \$409,000; so that is down.

Mr. DEUTSCH: Well, not only in Trade and Commerce, but in External Affairs, and in some degree in Immigration.

Senator CRERAR: External Affairs is up \$12,000.

Mr. DEUTSCH: Wait till I get the latest figures. Which figure are you referring to? Printing and Publishing? The estimate last year was \$1,212,000, and this year it is \$1,228,000. Are those the figures you are referring to, Senator Crerar? It depends on what you are talking about. Are we talking about printing and publishing? There is another item,—advertising, etc.

Senator GOLDING: The one I was referring to was "Publication of Departmental Reports and Other Material".

Senator CONNOLLY: Column 9.

Mr. DEUTSCH: I was not referring to that. Item 9? I see. "Publication of Departmental Reports and Other Material", yes. You say that External Affairs is up \$12,000?

Senator CRERAR: Yes.

Mr. DEUTSCH: Right. As I recall it, that is due largely to the cost of a publication called "Canada from Sea to Sea", which is a promotional publication. About \$40,000 is spent on this publication, which is distributed abroad.

Senator REID: Does the Bureau of Statistics publish documents for Crown corporations such as Central Housing, or are they on their own?

Mr. DEUTSCH: The Bureau of Statistics? I don't think so, senator.

Senator REID: So that to get a complete picture of all the publications you would have to get the figures for Crown corporations too?

Mr. DEUTSCH: Yes. The expenditures of the Crown corporations on publications are not included in these statistics. One of the main items in the figures this year in the "Publication of Departmental Reports and Other Material" is a rather heavy item in External Affairs, a promotional document, "Canada from Sea to Sea", which is used for distribution abroad, for general promotional purposes.

Senator CRERAR: I notice in item 9, under Citizenship and Immigration, a very substantial increase,—\$78,000.

Mr. DEUTSCH: Yes. There is an increase under Citizenship and Immigration on the publication of documents required in connection with immigrants,—those documents used for promotional work abroad and for giving to immigrants when they arrive in this country—informational documents of all kinds, including text books, I think. Roughly two types of documents are prepared here. One is a set of documents used abroad for promotional work on immigration. There is another set of documents which is used to inform immigrants when they arrive here about Canadian conditions, Canadian problems, Canadian institutions, and so on. There is an increase in the cost of both these types of documents. In other words, it is a promotional matter.

Senator CRERAR: If we get away for a moment from details, and look at the general picture, would it not be a fair criticism, Mr. Deutsch, to say that all the elaborate machinery you have set up to control expenditures on publications does not appear to be effective? Am I possibly wrong on that?

Mr. DEUTSCH: Certainly there would be no point in having all these regulations if they did not produce any results. In terms of showing that a certain financial saving has been made, the difficulty is that the situation is not static. In other words, you have not got the same duties to carry out from year to year. They keep changing. I do know that if these regulations were not in existence we would have spent more money than we are now spending.

Senator CRERAR: I agree. That is probably true. But let me put it this way: if next year the Minister of Finance said to every department, You have got to cut your expenditures under Item 9, "Publication of Departmental Reports and Other Material". "That is all you are going to get." What would happen?

Mr. DEUTSCH: We would publish less.

Senator CRERAR: Would the public interest suffer?

Mr. DEUTSCH: It is hardly my duty to answer that question.

Senator CRERAR: I should not have asked you it.

Mr. DEUTSCH: The problem that arises is this. We are talking about a financial saving. Take a case like this. It is decided it would be a desirable thing from the point of view of Canadian policy that we should publish a document called "Canada from Sea to Sea". It had not been published the year before, let us say, or we were still using existing copies the year before. Then

it is decided that because copies have run out we should reprint this document. This is a document used for promotional work abroad in connection with trade, immigration and so forth to get people abroad interested in Canada from the point of view of trade, investment and immigration.

Senator REID: Do any of these booklets get into Russia?

Mr. DEUTSCH: I cannot answer that, sir. Let us say it is decided to go ahead and it costs \$50,000 or \$100,000. That is going to affect the estimates which in that particular year may go up. At the same time economies may be carried out elsewhere. So you have not got a static situation. You cannot compare one year with the next. All we can say is that if it were not for these regulations and requirements the cost undoubtedly would have been greater.

Senator MOLSON: Mr. Chairman, if we are still on the subject of publications I would like to ask some questions of a more general nature. I will wait if you wish.

The CHAIRMAN: Very well. There will be this next matter of increasing costs in relation to the 40-hour week, and then I thought we would have a general discussion. I would like to finish this one and get on as quickly as possible and complete the things that had been submitted to Mr. Deutsch to be dealt with today.

Senator SMITH: Mr. Deutsch, you made a mention about any item over \$5,000 having to be approved. Were you referring only to printing?

Mr. DEUTSCH: I was referring to the costs of printing, in connection with any one document. If that cost is over \$5,000 it has to have specific approval of Treasury Board.

Senator BURCHILL: Along the lines of what Mr. Deutsch said about not being a static situation, who among us are to say that the publications put out by the National Research Council are not necessary?

Mr. DEUTSCH: The total figure for publications includes all the publications put out by the National Research Council. Again coming back to this question of a static situation, there is not much use in spending a lot of money on research if the results are not made available. If a department says, "We have done a lot of research. The results are now available and we would like to publish them." Are we going to say "Don't publish them." or "Cut down the publication"? In many cases the value of the research is that it becomes available to somebody who can use it. To make it available it has to be written out and published. A good deal of this material under Item 9 concerns publications by the National Research Council: If results have been increasing because of increased research, then we have to publish the results. That is why I say the situation is not static. It should also be brought out that under this item is included all the training manuals produced by the Department of National Defence. They are very considerable. I refer to the training manuals for the Forces. We all know that the kind of defence we now have is increasingly technical and increasingly complicated, and that the documentation that goes with it is also increasingly complicated. Again the situation is not static. All the cataloguing of the Department of National Defence is also included in this figure. Again you have an increasing complexity of military equipment and so on, and it results in an increasing complexity in catalogues and things of that sort. You cannot simply say that from one year to the next there seems to be no reduction. It all depends on the requirements you have to meet. If more research is done then more research publications will be put out, and so on.

Senator ISNOR: I was going to ask a question in regard to annual reports. Before doing so I would like to say I feel that the question of advertising, which I put under Item 9, is not out of line with the general trend

of business. Mr. Deutch is quick at figures. I wonder if he could tell us what the percentage is of the cost of advertising in relation to our total expenditure.

Mr. DEUTSCH: In the Federal Government, sir?

Senator ISNOR: Yes.

Mr. DEUTSCH: There is an item here called "Exhibits, Advertising, Films, Broadcasting and Displays". That is all in the nature of advertising.

Senator ISNOR: For your last figure in column 9 the total is \$7 million and your total expenditure is about \$4½ billion. What percentage is that?

Mr. DEUTSCH: It is less than half a per cent.

Senator ISNOR: When you think of that and compare it to the amount of money spent by the average business firm it is not out of line at all. We are allowed to spend 4 to 5 per cent on advertising and still the Income Tax people say that that is not out of line. So I think they are doing a pretty good job so far as publications are concerned. Mr. Deutch, I was going to ask who is responsible for the change in regard to the size of the annual reports? They used to be quite uniform up until a year or so ago, and we used to be able to put them in our bookcases with some degree of uniformity and style and we could pick out the ones we wanted without any trouble. Now we get one five or six inches wide, and another eleven inches wide, and so on. Who is responsible for that change?

Mr. DEUTSCH: I am surprised to hear that. There is a requirement in the regulations that the sizes must not exceed certain limits, and they should be the standard size; the *Hansard* size is the usual regulation.

Senator ISNOR: Yes, the *Hansard* size.

Mr. DEUTSCH: Now, there are some departments that do not print their reports, and they are multilithed to save money, and sometimes they are a different size.

Senator ISNOR: I am speaking of printed annual reports. That is the average size.

Mr. DEUTSCH: Are there some that are not of that size?

Senator ISNOR: I suggest that you look over some of the departmental reports.

Mr. DEUTSCH: Of course, we do not have anything to do with the Crown corporations.

Senator ISNOR: No, but take the Department of National Health and Welfare, for instance; I am not sure of that particular department, however.

Mr. DEUTSCH: Is it printed?

Senator ISNOR: Printed.

Mr. DEUTSCH: Sometimes they multilith. Well, I would like to see them.

Senator ISNOR: I think you should; it throws the whole thing out of gear.

Mr. DEUTSCH: That is one thing we have been trying to avoid. I am rather surprised to know that. I would be delighted to see them.

Senator GOLDING: The Department of National Health and Welfare, for instance, is expanding, and would you not expect it to take in more territory and give more service? Another thing, you will find over in the house there is always automatically more detailed information being given.

The CHAIRMAN: But that has to do with volume rather than size.

Senator GERSHAW: With regard to the Senate and House of Commons *Hansards*, every day we get two or three copies of *Hansard*, and then at the end of the term we get a file of all the *Hansards* of the old term, and then

six or seven months later we get wellbound volumes, six or seven volumes. I would like to ask if all that is necessary, or if any particular use is made of so many *Hansards* being supplied to all the members.

Mr. DEUTSCH: I am rather loathe to comment on what the House of Commons and the Senate requires in this respect. We usually try to provide what the House of Commons and the Senate want to have, and I suppose if the House of Commons and the Senate would like to alter this requirement, I am sure this could be done, but we usually leave that to the authorities in the House and the Senate.

The CHAIRMAN: That does not come under your jurisdiction?

Mr. DEUTSCH: No.

Senator CRERAR: I have a question I should like to put to Mr. Deutsch. Taking individual departments—the Department of Northern Affairs as an illustration, as its designation indicates that deals with that area of Canada which is outside the provinces. Now, we have \$330,000 under “Publications”, and so forth, which is up \$15,000 from last year. From memory, could you tell us just what publicity is put out by that department?

Mr. DEUTSCH: One of the big items in the Department of Northern Affairs has to do with national parks. The department administers the national parks of Canada, and there is a great deal of material published concerning the national parks, as you know, senator.

Senator CRERAR: Could it be unnecessary? I speak with some knowledge of that because I had that department for ten years.

Mr. DEUTSCH: Well, these have been published for a long time. But much of the publications in the Department of Northern Affairs have to do with material in connection with the national parks, and also the Tourist Bureau is in this department.

Senator CRERAR: Is the Tourist Bureau in that department?

Mr. DEUTSCH: In the Department of Northern Affairs.

Senator CRERAR: Under Mr. Dolan?

Mr. DEUTSCH: Under Mr. Dolan, and he publishes a lot of material for the Tourist Bureau.

Senator CRERAR: Take the Department of National Health and Welfare. It has a pretty healthy budget. Now, the National Health League of Canada gets a grant from the Government for a monthly publication on health. Is it necessary? Perhaps I should not ask you that question, though.

Mr. DEUTSCH: Senator, I would suggest that it would be more appropriate if that question were addressed to the Department of National Health and Welfare. They have a program of publications to disseminate information concerning health, and that is part of their program, to make available to the Canadian public information concerning health; that is part of their function. I think it is provided for in the statute establishing the department that it should be one of their duties to disseminate information concerning national health—that is the act; and they proceed to do so by preparing various documents, books, material, pamphlets, and so forth, on matters affecting public health, which they then make available to people concerned with health matters—to the general public, and to the provincial governments, and so forth. You know about books like “Canadian Mother and Child”, and subjects like that, and it is one of their functions according to the act establishing the department, to prepare such material and to disseminate it.

Senator CONNOLLY (Ottawa West): And it is good.

Senator REID: Regarding the limit of \$5,000, that they can publish under \$5,000, I was interested, and would like to know, how many publications and what is the total of the items they would publish under \$5,000?

Mr. DEUTSCH: Under \$5,000?

Senator REID: Under \$5,000, under which there seems to be no control of the committee you spoke of.

Mr. DEUTSCH: Well, senator, the control that applies to publications under \$5,000 comes under the general control resulting from the fact that the total amount to be spent on publications has to be approved by Treasury Board. In other words, we exercise a general control. We then go further than that with the bigger items. We have a specific control as well. So it would not be correct to say that there is no control under \$5,000. The only trouble here is that although you could reduce that figure, of course, and look at more items, there is a limit to which you can physically go in dealing with the details.

Senator REID: What would be the totals under \$5,000?

Mr. DEUTSCH: I am afraid I haven't got that here. We could make an attempt to obtain this information, but we would have to go through the estimates.

Senator REID: Because it leaves quite a latitude. What about leaflets, for example?

Mr. DEUTSCH: Yes, leaflets would be all under \$5,000. We would get literally hundreds and perhaps thousands of cases, and it is just physically impossible to occupy the time of busy ministers going over these things, and therefore they control them in a lump fashion; in other words, they control the total amount of money made available for publications, and then go further and deal specifically with things over \$5,000. There is a control, but it is a lump control on small things.

Senator REID: The other question I have to ask has to do with duplication of information from the Bureau and various departments. For instance, one can go to the Department of Fisheries and get a bulletin issued by them, or the annual report of that Department, only to find that the same information is put out by the Bureau. The same is true of Agriculture and perhaps other departments. It seems to me there is room for real economy there. Why would you not take a publication from the Department of Fisheries or the Department of Agriculture, without requiring that it be also carried by the Bureau? I am leaving that suggestion with you and the committee.

Mr. DEUTSCH: Senator, the purpose of this inter-departmental committee, as I said earlier, is among other things to watch for duplication of the same material and try to make recommendations for its elimination.

Senator REID: There is a lot of it going on.

Mr. DEUTSCH: I do not want to suggest for a moment that the work is all completed. This is a tremendous task, and it will take a considerable amount of time. One of our purposes in this committee is to see that as progressively as we can we cut out any duplication that exists. Of course, in looking at such a situation we want to make sure that there is no duplication of the same information before we interfere with it. Therefore, one would have to look at each document to see whether in fact there is duplication, and if there is, then it should be eliminated. We are working at that job through the committee.

Senator CONNOLLY: Following up what Senator Reid has said, may I say that the questions asked by him would be brought to the attention of the inter-departmental committee when the report of this meeting is made, and they will take note of the suggestions he has offered.

May I now ask a few questions not necessarily related to what Senator Reid has asked? When the printing is arranged for the various departments, as shown under Item 9 of this summary, is all that printing contracted for or done by the Department of Printing and Stationery?

Mr. DEUTSCH: Yes, it is all done through the Department of Printing and Stationery; that is to say, they either do it themselves or they may contract it out.

Senator CONNOLLY: When they do contract it out, do they call for tenders, or do they allot it according to tender?

Mr. DEUTSCH: They are required to call tenders.

Senator CONNOLLY: And the tenders are called for in a good businesslike way, I suppose, are they?

Mr. DEUTSCH: Yes, they are supposed to be. And if they are above a certain amount, they have to be approved by the Treasury Board. The regulations require that all purchasing contracts go to tender, unless there is a very good reason why they should not, namely when there is some immediate urgency about it, or where there is only one possible source of supply, or something of that sort. But there has to be good reason if tenders are not called; the normal procedure is to call tenders.

Senator CONNOLLY: This is a question on another matter: In addition to the \$7 million odd of the printing that is done, do some or most of the departments have their own duplicating equipment for putting out material of various kinds within the department or outside it?

Mr. DEUTSCH: Yes, some of the departments have some duplicating equipment, though it is of the nature of mimeographing machines and things of that kind. However, we have been trying to centralize this operation. There was a time when departments had something in the nature of printing equipment.

Senator CONNOLLY: Is there not some such equipment now?

Mr. DEUTSCH: In the last several years we have been trying to reorganize this operation towards a centralization of printing under the printing bureau, and taking the departments out of the printing field, so that we can get the benefit of economy by doing these things in one place. That is underway now.

Senator BEAUBIEN: And have you had some success in that respect?

Mr. DEUTSCH: Yes, a good deal of success in that.

Senator CONNOLLY: That kind of machinery is very expensive, is it not?

Mr. DEUTSCH: Yes, generally speaking.

Senator CONNOLLY: And is there much of it purchased?

Mr. DEUTSCH: There was considerable of it purchased in connection with the removal of the printing bureau.

Senator CONNOLLY: That is for the printing bureau?

Mr. DEUTSCH: For the printing bureau. But for the use of departments, we watch that very carefully; we don't allow any department to purchase anything in the nature of a press or what might be called printing machinery.

Senator CONNOLLY: But they do buy and use duplicating machines.

Mr. DEUTSCH: Yes, a number of departments have mimeograph machines and duplicating machines of that kind. Even there, we have created duplicating pools which are operated by the Queen's Printer, rather than having the duplicating equipment spread around three or four departments.

Senator CONNOLLY: The cost to the department of buying and using its own equipment is not, I suppose, included in this item of \$7 million?

Mr. DEUTSCH: No.

Senator CONNOLLY: That would be something in addition to that figure.

Mr. DEUTSCH: It would not necessarily be included in that item.

Senator CONNOLLY: Have you any figure as to what the annual cost might be?

Mr. DEUTSCH: I haven't a figure. This item would not include such matters as the salaries of the people who are employed to operate duplicating machines.

Senator BAIRD: They would not be permanent, would they?

Mr. DEUTSCH: Yes. I am thinking particularly of the Department of Agriculture, where they put out to the public day to day and week to week information as to markets and the movements of products and things of that nature. These are matters that have to be dealt with promptly, and there is no time to search out a printer and wait for weeks and perhaps months to issue a publication. For that reason a good deal of this mimeographing work is done in the Department of Agriculture.

Senator CONNOLLY: Of course that department would be the only practical place where that kind of work would be done.

Mr. DEUTSCH: This sort of work, yes. If there is a delay in publishing it, the information is useless.

Senator CONNOLLY: Would it be possible to get some figures to show the value of the equipment that has been purchased over the past few years for the various departments?

Mr. DEUTSCH: You refer to duplicating equipment?

Senator CONNOLLY: Yes.

Mr. DEUTSCH: Yes, we could make an analysis of it if you wish.

Senator ISNOR: May I ask Senator Connolly if he is asking about one department only?

Senator CONNOLLY: No, my question touched on all departments.

Mr. DEUTSCH: I should add in connection with duplicating equipment in departments, that some work has to do with the internal operations of the department. For instance, when it is necessary to distribute a memorandum, obviously the typists do not sit down and type out a hundred copies; rather, such a memorandum is mimeographed for distribution. Suppose, for instance, that a department wants to issue a notice concerning a personnel regulation inside the department, or some administrative ruling that they wish to make known to everybody in the department, then that would be mimeographed and sent around in that form. Much of this equipment is used for purposes of that type.

Senator CONNOLLY: There is photographic equipment which is used as well. Could that be included in the figure that we will get?

Mr. DEUTSCH: Yes. Some of this duplicating equipment may be of the photographic type.

Senator CONNOLLY: I have just one other question: In the \$7 million for publications under column 9, I think the committee well understands that in the case of the almost \$2,300,000 out of that amount for National Defence, a good deal of that, or perhaps most of that is not for promotional printing. There is, no doubt, some in connection with recruiting campaigns. Likewise in the amount that is allocated to National Research Council, which I notice is up \$160,000 this year; that also is for the printing of pamphlets dealing with the results of research that you have referred to. Now I would think also that a good many of the items in the estimates for the various departments cover the printing of necessary material for the running of the department and has not anything of a character that generally has been described as promotional. Now, is there any way of segregating, let us say what belongs to the category of promotion from what belongs to the necessary printing for the department itself?

Mr. DEUTSCH: Mr. Chairman, I think an approach could be made to that, but a problem of definition arises there, of course. It is perfectly true that

a very large part of this item for National Defence has to do with matters like the printing of catalogues of their equipment, specifications of equipment, training manuals and so forth. There would probably also be some recruiting material.

Senator CONNOLLY: Service orders, for example, is a big item.

Mr. DEUTSCH: That is right. Offhand I cannot say how much is in there for what you might describe as promotional literature. There is also included the cost of publication in connection with the Defence Department's current affairs program. The Department of National Defence runs what is called a current affairs program for the troops. Small pamphlets or booklets are published dealing with Canadian and international problems which are used to inform the troops, and classes and discussion groups study these pamphlets.

Senator CONNOLLY: The cost of printing textbooks for educational work would not be included?

Mr. DEUTSCH: No. The main promotional literature has to do with trade promotion, immigration, the dissemination of information abroad concerning Canada. Also, if you want to call it promotional, there are pamphlets printed on health subjects. Tourist information comes under promotional literature.

Senator REID: Mr. Chairman, under column 9 I notice an item in the amount of \$2,296,125 which is described as total Defence Production, National Defence and Civil Defence. A few lines above that there is an item in the amount of \$2,200,625 for National Defence. What would be included in the first figure that is not included in the other?

Mr. DEUTSCH: Senator Reid, national defence for 1956-57 is \$2,200,625. That is for the Department of National Defence proper. A few lines below that you will see a figure for National Defence, Defence Production and Civil Defence. That is just a total of these three departments. The main item that is not included in National Defence has to do with civil defence. There is an item of \$93,000 for Civil Defence.

Senator REID: That explains it.

Senator MOLSON: Mr. Chairman, a question I would like to ask deals with matters that were discussed previously. I wonder if I might ask one or two questions before we go on to another subject.

The CHAIRMAN: Before doing that I would like to have a short statement from the witness outlining the increased cost of Civil Service due to the adoption of the five day week. Following that we can have a general discussion having to do with some other fields we might go into in connection with the estimates.

Senator ISNOR: Is Senator Molson not wanting to ask a question along the line the rest of us have been asking?

Senator MOLSON: No, Mr. Chairman, it deals more generally with the estimates.

The CHAIRMAN: We will come later to a more general discussion, but first I would like to ask Mr. Deutsch to make his statement on the increased cost of the Civil Service due to the five-day week.

Mr. DEUTSCH: I believe Mr. Chairman, you want me to indicate the effect of the institution of the five-day week on the staff of the Government. We have made an attempt to estimate the increase in staff resulting from the introduction of the five-day week in the civilian departments. We have not been able to get the information on National Defence. For the civilian departments the institution of the five-day week has caused us to add roughly 2,400 people to the civilian staffs of the departments.

Senator BEAUBIEN: That would include all departments except the Department of National Defence?

Mr. DEUTSCH: Yes. I do not know the exact cost of these additions, but I would say it would lay between \$5 million and \$6 million a year anyway.

Senator ISNOR: "Anyway"—what do you mean by that?

Mr. DEUTSCH: I am taking a rough average of the cost per man in the public service which is around \$3,000. But this may be slightly below the average because many who were hired are prevailing rate employees.

Senator BEAUBIEN: Are all the civilian departments today on a five day week?

Mr. DEUTSCH: No sir. About 85 per cent are I would say.

The rule is, as you know, senator, that the five-day week was not brought in all at once, but progressively, as the particular locations generally went on the five-day week. In other words, the Government followed the prevailing practice. If the prevailing practice in the particular place was a five-day week the Government applied it also to its own employees. There are still a number of places where it is not the prevailing practice, and in such places it is not in effect as far as Government employees are concerned. Also there are certain exclusions at the present time: for instance, firefighters, watchmen, and hospital employees except in British Columbia.

Senator CONNOLLY (*Ottawa West*): And the Secretary of the Treasury.

Mr. DEUTSCH: I might say, most of the senior civil servants. So it is not universal, and the numbers involved whom we have to add are roughly of the order of 2,400 people. These increases have to do primarily with people required because we have to give in many places a five-and-a-half or six-day service: For instance, in Customs and Excise, at border points, even if there is a five-day week we have to have people on the job six days. Almost the whole of this increase has to do with situations of that kind. Frankly, where it was not necessary to provide a five-and-a-half or six-day service, we have not normally accepted the five-day week as a reason for an increase in staff. In other words we have had to be shown that the increase of staff was needed because we had to provide five-and-a-half or six-day service; but otherwise we have not accepted the proposition that, where a five-and-a-half or six-day operation is not necessary, because a five-day week is put into effect we must add to the staff. This increase relates primarily to additional staff required because we have five-and-a-half or six-day operations.

An hon. SENATOR: How much has the institution of the five-day week cost?

Mr. DEUTSCH: I would say, between \$5 million and \$6 million.

Senator WALL: How do you defend from the point of view of justice the fact that in some places you give a five-day week and in other places, with essentially the same service, you do not?

Mr. DEUTSCH: It has been based on the fact that the Government follows the prevailing practice. Of course the same question arises in connection with any other employment: People in a particular locality where the five-day week is not in effect are employed at the same work longer than people in other localities who work on the five-day week. There is no difference as far as the Government is concerned: It follows, as I have said, the prevailing practice. If the prevailing practice is a five-day week, we follow it; if it is not, we treat our employees according to the practice prevailing in that area. From a philosophic point of view, of course, one can argue both ways. But the fact is that in one place people who are not employed by the Government work five-and-a-half days, while people in other towns, in exactly the same class of employment, are working five days a week.

Senator BAIRD: In other words, one can expect an increase on that 2,400 figure as time goes on?

Mr. DEUTSCH: I suppose, as more and more locations go on the five-day week, we shall follow the prevailing practice. There is another point in this connection, where the prevailing practice is five-and-a-half or six days a week the community tends to operate on that basis, and people who come downtown to transact their ordinary business at any time over that period expect to be able to do business with the Government on the same basis. So there is some logic in the practice.

Senator CONNOLLY (*Ottawa West*): Of course you cannot do any business with the railroads on that basis.

Senator WALL: Are people operating on the five-and-a-half day week paid rates commensurate with that period of employment as compared with others doing the same kind of work for only five days? Supposing I am working a five-day week in one community, and am moved to another place where I am expected to work five-and-a-half days at the same type of occupation: do I get more pay for working the additional half day?

Mr. DEUTSCH: No. But I should say that the very large proportion of Government employees are on the five-day week. There is a small group which is not, but the policy has been to move to the five-day week as soon as the prevailing practice will justify it. I might say that we have had representations to make the five-day week universal, and I believe my minister, Mr. Harris, stated in the house the other day that he is giving consideration to that request.

The CHAIRMAN: That is a matter of policy.

Mr. DEUTSCH: That is a matter of policy, of course.

Senator ISNOR: Mr. Deutsch, I do not question your figure of 2,400, but it appears to be very, very small. I base my statement on the large number of employees in the Post Office Department. Now could you tell what proportion of those 2,400 employees are in the Post Office?

Mr. DEUTSCH: Oh, about 1,300.

Senator ISNOR: If I remember, that is the same figure that you gave last year—1,300.

Mr. DEUTSCH: Of that 2,400, about half are in the Post Office.

Senator ISNOR: You are speaking of permanent employees?

Mr. DEUTSCH: Yes.

Senator ISNOR: The great bulk of these workers are not permanent employees but are, rather, what is known as casual employees; and when you refer to British Columbia, that includes practically all the civilian casual employees?

Mr. DEUTSCH: This figure of 2,400 would not include casuals.

Senator ISNOR: Could you give an estimate—

Mr. DEUTSCH: Of the increase in casual employment resulting from the five-day week?

Senator ISNOR: Yes.

Mr. DEUTSCH: I have not that here. It would be quite a job to work that out. There would undoubtedly be some increase in casual employment resulting from the five-day week.

Senator ISNOR: Just some, or double that figure?

Mr. DEUTSCH: I don't think it would be anything like double. There would be some, particularly I think in the Post Office and some other places. But I have not got the figure of what the increase in casual employment is.

Senator ISNOR: I am inclined to think that, when that figure is compiled, you will find that it represents three, four or five times as many employees, all over Canada. In British Columbia the workers in the dockyard have been put on a five-day week. The employees in Halifax dockyard are still working five-and-a-half days, if I remember rightly, and they have asked to be placed on the same basis as British Columbia. It is because I am thinking of the number of employees in the dockyard alone that I say there must be four or five times the number of casual civilian employees as compared to permanents.

Mr. DEUTSCH: Yes. Well, senator, as I said before, this figure of 2,400 has to do primarily with the additional staff required because we have to give service for five-and-a-half or six days per week. Now, we have not generally accepted requests for increases where the 5½ or 6-day service is not required. Therefore, we have generally assumed that the same volume of work could be done for all practical purposes in the 5 days as well as in the 5½ days. This is one of the great arguments that has been made about the 5-day week, that you can get as much work out of 5 days as out of 5½ days because people can work at a more concentrated pace and organize themselves better and put in more effort. That is open to argument and I am not commenting on that. It may be that in a place like a dockyard, which is an industrial operation, they may be able to do as much in 5 days as 5½. Whether that is true or not I don't know.

Senator GOLDING: It just can't be done.

Mr. DEUTSCH: It may not be possible in an industrial operation of that kind. I do not know. What the result would be as to putting them on a 5-day week in terms of not getting the work done as fast, I just have no information.

Senator ISNOR: I am not going to raise the question as to whether they can or cannot, but I do contend you have not as yet answered the question put to you by the Steering Committee with respect to the result of adopting a 5-day week. To get a complete answer you must not only take into consideration the 2,400 extra permanent employees, but you must give at least an estimate of the overall picture.

Mr. DEUTSCH: The overall picture would take into account the additional casuals that have to be employed. I have not got that figure.

Senator ISNOR: Can you get it?

Mr. DEUTSCH: I can try to. I may have to give you an estimate. We will do that. Usually in our statistics on numbers of employees, casuals are not included because some of them work for a week or a month or three months, and so on. You are adding together things which are really not properly added together.

Senator ISNOR: I think you are complicating it. All you need do is to take your monthly payroll from any big institution and multiply accordingly.

Mr. DEUTSCH: Yes, we can convert them into man years; but if you are talking about the number of casuals you have an unreliable figure.

Senator CRERAR: Mr. Deutsch, the 5-day week for all clerical workers is in effect in Ottawa, is it not?

Mr. DEUTSCH: Yes.

Senator CRERAR: How many hours a day during those 5 days do the civil servants work?

Mr. DEUTSCH: Thirty-seven and one-half.

Senator CRERAR: Is that exclusive of coffee breaks in the mornings and afternoons?

Mr. DEUTSCH: There is no provision for coffee breaks.

Senator CRERAR: Is it a customary practice?

Mr. DEUTSCH: Employees in some departments do, and in other departments they do not. There is no such things in the rules to say an employee can have ten minutes off for a coffee break.

Senator CRERAR: But it is winked at.

Mr. DEUTSCH: I suppose some have coffee in their office and some run downstairs to get it. I mean there is no general rule. Some of the departments may have their own rules about this. I believe some do.

Senator BAIRD: Are the departments allowed to do as they like? Is there no general supervision over the employees at all? I think this coffee break is a very serious matter throughout the whole Civil Service. Some of the employees must take off 40 minutes a day for coffee breaks. I have seen some of them. I have kept a close watch on it.

Mr. DEUTSCH: This matter of coffee breaks and tea breaks is something that has—

Senator BAIRD: Crept in.

Mr. DEUTSCH: —crept in, yes, to some extent. Some departments have their own rules about it, having the theory that "Well, we might as well make it regular." They lay down specific rules for coffee breaks, saying "You may take so many minutes off at such and such a time so that we can get this whole thing over with." They feel it is more efficient to supervise it rather than let people go out at all hours of the day for coffee. People do leave their rooms to do various things, and some of the departments have tried to make it orderly by saying "We will have a few minutes off for coffee and everybody can take a break and go back to work together."

Senator MOLSON: The same problem is found in industry.

Mr. DEUTSCH: Yes. The Government is not unique in this. It is a general problem and it is hard for the Government to escape it. Many industries have rules about it. They recognize the coffee break and provide certain regulations for it.

Senator CRERAR: Without offering criticism, which I am of course very loathe to do, would it be a fair statement to say that coffee and tea breaks reduce the working week by an hour and a half.

Mr. DEUTSCH: I could not make any comment on that. I do not know.

The CHAIRMAN: As a matter of fact, Senator Crerar, I do not think you should ask Mr. Deutsch that question. It is getting a little beyond the line. There is nothing new about coffee breaks. I have been in the timber industry for fifty years. It is about as tough an occupation as any with respect to disciplining and driving men, and for most of those years the employees have taken what they call a "mug up" period lasting fifteen minutes twice a day. The mills actually stop production. I think we have pursued this as far as we should.

Mr. DEUTSCH: The general rule is that the departments are required in their administrative function to see that no abuses exist.

Senator BURCHILL: I think our chairman, Senator Hawkins was thinking of a 12-hour day.

The CHAIRMAN: It has come down to an 8-hour day now and the mill employées still take these breaks.

Mr. DEUTSCH: It is the duty of the departments to see that no abuses exist, and they have tried to work out what seems to be sensible rules and regulations about it.

Senator ISNOR: How is the 37½-hour week made up?

Mr. DEUTSCH: The employees are not all on the same hours.

Senator ISNOR: Could you give us one example?

Mr. DEUTSCH: The usual working day is from 8.30 to 5.15. However, there is a staggering of hours in Ottawa, so that not all the departments start at the same time and end at the same time. This staggering of hours is done in order to spread out the load on the transportation system in Ottawa.

Senator REID: From half past eight to half past twelve is four hours. I presume they would have an hour off for lunch?

Mr. DEUTSCH: An hour and a quarter. The lunch hours are not all uniform either.

Senator REID: It comes close to eight hours a day. Thirty-seven and a half hours is hard to figure out.

Mr. DEUTSCH: Seven and a half hour day. There is an hour and a quarter for lunch, which is usual, but that is not uniform. The departments are given some flexibility in arranging these hours, but they must total 37½; however, there is flexibility in arranging starting times, and lunch hour periods, and quitting time. The purpose of this flexibility is to avoid jamming up the transportation system; otherwise there would be a worse jam than ever at five o'clock; therefore, it is staggered, and we have not uniform starting and quitting hours.

Senator CERAR: What salary does a Grade 2 stenographer get, or a Grade 2 clerk get?

Mr. DEUTSCH: The maximum is \$2700 for a clerk 2B.

Senator STAMBAUGH: Coming back to this 40-hour week, you stated that 2,400 additional employees were taken on when the 40-hour week was established?

Mr. DEUTSCH: Those were permanent employees.

Senator STAMBAUGH: About what percentage do they amount to?

Mr. DEUTSCH: Of the total?

Senator STAMBAUGH: Yes.

Mr. DEUTSCH: Oh, it is between one and two per cent, I would say.

The CHAIRMAN: Now, senators, I think Mr. Deutsch has given us a very clear explanation of the problems placed before him in connection with the recommendation of the committee to the Government. There are several other questions that I know members want to ask, and the time is getting along. I notice that quorums are hard to keep after twelve o'clock, and I would like to give members an opportunity now to ask general questions in connection with administration. I stopped Senator Molson twice, and now I should like to give him a chance to ask questions.

Senator MOLSON: Thank you, Mr. Chairman. I would like to go back to last week's meeting of this committee and ask one or two questions about the estimates in general. One of the items that emerged then was that no rentals were charged to some departments, or many departments, for the use of buildings or for the construction of buildings which had been charged to the Department of Public Works. Now, in these estimates I would like to ask Mr. Deutsch how much would the Department of Public Works be relieved if proper charges were made to the various departments for these items?

Mr. DEUTSCH: Shall I answer you know, senator?

The CHAIRMAN: Possibly there will be a few questions, and it might be better to give an indication of what the questions are, and then Senator Molson

can continue with his questions. So I am afraid we will have to ask you to come back another day, Mr. Deutsch. I do not think it is fair at this late hour to pursue the matter too far.

Mr. DEUTSCH: Perhaps I may be able to answer Senator Molson's question right away; in fact, perhaps I could answer him even a little more broadly. The Department of Public Works not only provides buildings for the usual Government departments, but also maintains them, cleans them, pays the light, heat, and all that; and I have figures here that indicate some of the cost in connection therewith. For instance, in Ottawa there is an item in the Public Works estimates for the maintenance and operation of public buildings and grounds—that is not construction, but only the keeping and maintaining, cleaning and heating them, etc., and paying the rent; in Ottawa it is \$14,456,000.

The CHAIRMAN: That is in the city alone?

Mr. DEUTSCH: The city of Ottawa alone.

Senator CONNOLLY (*Ottawa West*): And in what estimates are they?

Mr. DEUTSCH: Ottawa.

Senator CONNOLLY (*Ottawa West*): Entirely?

Mr. DEUTSCH: Yes. In buildings other than Ottawa, it is \$23,885,000. The two added together are about \$38 million.

Senator BURCHILL: That is not construction at all?

Mr. DEUTSCH: No, maintenance, upkeep, rent, and so on.

Senator MOLSON: That brings up my second question, Mr. Chairman. Some of these buildings are used exclusively by one department?

Mr. DEUTSCH: Yes.

Senator MOLSON: Are there many such buildings?

Mr. DEUTSCH: I would say, senator, yes, there are quite a large number that are occupied exclusively by one department.

Senator MOLSON: One of the largest users, I suppose, is the post office?

Mr. DEUTSCH: The post office, yes.

Senator MOLSON: What would be the net position of the Post Office if its estimates were loaded with a reasonable charge for the maintenance, upkeep, cleaning, heating, of these buildings?

Mr. DEUTSCH: I would have to get that, senator. I am sorry I haven't that with me, the particular allocation to the Post Office. It is quite a calculation to make. There are literally thousands. We could attempt to make such a calculation for you, if you like.

Senator MOLSON: There is another item in the estimates for 1955-56 of nearly \$7 million, and that concerns the grants to municipalities in lieu of taxes. Now, presumably there would be taxes on these same buildings?

Mr. DEUTSCH: Right, sir.

Senator MOLSON: So that there is almost another \$7 million to add to the previous figures in that respect, is that correct?

Mr. DEUTSCH: That is right, senator. The Government now pays grants in lieu of taxes on public buildings. The amount required for that is voted in the estimates of the Department of Finance, and that is in respect of all Government buildings; it is not allocated into different departments.

Senator CONNOLLY (*Ottawa West*): If I may interrupt, because it is along the line of Senator Molson's questioning. The answer that you have just given to Senator Molson covers buildings that are owned by the Government and upon which the Department of Finance provides for tax payments in its estimates?

Mr. DEUTSCH: That is right.

Senator CONNOLLY (*Ottawa West*): But in addition to that, with respect to the buildings that the Government rents, taxes are also paid?

Mr. DEUTSCH: Yes, but there the Government does not pay them directly, it is included in the rents.

Senator MOLSON: Then, Mr. Chairman, might I ask Mr. Deutsch what other hidden charges may there be in these estimates? We have reached a figure of \$44 million roughly, so far. What other charges are there hidden in the estimates that might under normal accounting procedures be charged to the individual departments concerned?

Mr. DEUTSCH: Senator, there is a long list of them.

Senator MOLSON: I thought so.

Senator CONNOLLY (*Ottawa West*): Have you the list?

Mr. DEUTSCH: I have the list here.

Senator CONNOLLY (*Ottawa West*): You have the list?

Mr. DEUTSCH: I will not say it is completely exhaustive at this point, but certainly it covers the ground, generally. To take a very broad view of the subject, there are many services that are general services to all departments. Now, the question is how far do you want to go? I might even mention a thing like the Civil Service Commission, which serves all Government departments, and it is there for that purpose; it does not serve itself, it does not serve the public, it serves all Government departments, and it costs \$2.6 million. You might say the same about the Auditor General; he serves all Government departments; the expenses of his office are \$700,000. Then there is the Comptroller of the Treasury, who does the accounting work for all government departments. The cost for that service, \$15 million, is carried in the Department of Finance. The telephone service in the city of Ottawa, at a cost of \$1,100,000 is also carried in the Department of Finance, and the services are not charged to individual departments.

Senator CONNOLLY: What about telegrams?

Mr. DEUTSCH: Telegrams are charged to individual departments.

Then there is the contribution to the Superannuation Fund on behalf of all government employees, which is paid by an item in the estimates of the Finance Department, a cost of \$31 million. That as I say is on behalf of employees in all departments of government.

The government has certain employees which come under the Unemployment Insurance Fund; the contribution of \$1 million made to that fund, is charged to the Department of Finance; similarly, the contribution made to the Death Benefit Fund on behalf of all employees is charged to the Department of Finance. That amounts to \$275,000.

This next item may not be particularly relevant here; it is an item of \$531,000 having to do with the maintenance and improvement of grounds adjoining all government buildings in the city of Ottawa, which is charged to the Federal District Commission.

Senator BEAUBIEN: That comes under the act.

Mr. DEUTSCH: Yes. In other words, instead of every government department doing its share to maintain the grounds around certain government buildings, or even leaving it to the Department of Public Works, which maintains the building itself, this item is charged to the Federal District Commission, which in any case is concerned with maintenance of the park facilities around Ottawa.

The furniture and supplies to all government departments is handled by the Department of Public Works, but the cost is charged to the Department of Public Works, and not to the individual department. That is an item of \$2,128,000 covering all government departments.

The Bureau of Translations is a translating service for all government departments, and its cost—an item of \$1,162,000—is charged to the Secretary of State department.

Senator GERSHAW: Mr. Chairman, is that not all an effort to have the expenditure handled by the department best able to do so and have it operated from one place; and further, does it not result in a saving to the taxpayer by way of concentrating similar work in one department?

Mr. DEUTSCH: Yes, Senator, for these centralized services, it is precisely for the reason that it is more economical that we do it that way. That does not mean, however, Senator, that even though it is paid for and handled centrally, that we could not still make an estimate of what is allocated to the individual department, from a statistical standpoint. For instance, in the United Kingdom, an estimate is made by way of information on the various amounts that are allocated to several departments. I might refer to a sample having to do with the post office in the U.K., and the breakdown which follows the total estimate. It is as follows:

Total expenditure in connection with this service is estimated as follows:

Gross Estimate	£ 280,599,980
Estimated amounts included in other estimates in connection with this service	
Exchequer and Audit Department	25,419
Government Actuary	50
Government Chemist	7,080
Royal Mint	2,500
Home Office	10,000
Department of Registers of Scotland	120
Board of Trade	125
Ministry of Works—Buildings, Maintenance, furniture	4,452,000
Rates	2,068,550
Stationery and Printing	4,100
Printing, paper, books	1,603,325
Office supplies	180,575
Central Office of Information	28,450
Surveys	21,000
Ministry of Transport	300
Civil Aviation	1,200
Ministry of Pensions	170
Customs and Excise	200
Inland Revenue	14,040

While these items are not actually voted for each department, they are simply put in for information.

Senator MOLSON: May I say, Mr. Deutsch, that in addition to what you have said there is always the hardy perennial the Post Office Department, which has many expenditures for which it perhaps does not receive credit. I notice, for instance, in the estimates of last year roughly \$5½ million is charged to that department. I suppose that is postage outside the city of Ottawa.

Mr. DEUTSCH: That is correct.

Senator MOLSON: I should like to ask one further question. From what has just emerged, it would seem that some departments are charged with certain items, while other departments are not; in other words, they do not all receive the same treatment with respect to items shown in the estimates. It would seem to me not to be a wrong observation to make, that perhaps the principle of accounting for these items may leave something to be desired. Therefore, if this committee is to deal with a volume of estimates such as these and inquire into them, it would be considerably easier to do so if all charges were debited to the various departments on a unit cost basis. In that way there would be some basis for comparison. I should like to ask Mr. Deutsch if he does not feel that perhaps the accounting principles involved could be improved upon. I do not think, may I say, that that is a question of policy, but rather a practical question.

Mr. DEUTSCH: Senator, if you want to find in the estimates book an indication of the overall cost of any service, you will not find it because part of that cost in many instances is borne centrally. Now, if parliament wants to see information which will enable it to judge of the correctness of the overall cost of a particular service, it would be necessary to make a separate estimate of this kind. That becomes a question of what parliament wishes to see. It is quite true that the existing estimates do not give an accurate accounting picture of costs. If it is desired to see what the overall cost is, then that could be improved. But it is not a matter for me to decide; it is for Parliament to decide what it wishes to see.

Senator GERSHAW: Would that be an expensive proposition?

Mr. DEUTSCH: No. It is a matter of estimating. It would take some time of course to make these estimates, discussions would have to take place and so on, but I cannot say it is an expensive proposition.

Senator GOLDING: But it will all cost money?

Mr. DEUTSCH: Yes. We would have to figure out how we are allocating these costs. We would have to sit down and work this thing out, and that all takes time and effort, but I cannot say it would cost an enormous amount.

Senator CONNOLLY: Mr. Chairman, I think that the point raised by Senator Molson is a very important one. Probably the committee is very much interested in accounting methods and methods of estimating too. This may not be the kind of suggestion we could consider or act upon, but I wonder, in view of the fact that Senator Molson has raised the point if we could not give some consideration to having the Auditor General come before the committee to go into it. I do not think it is a question for Mr. Deutsch but rather one for the Auditor General, who is an official of Parliament.

Senator TURGEON: The Auditor General has appeared before our committee on previous occasions.

Senator CONNOLLY: He would be able to help a great deal on this point, I am sure.

The CHAIRMAN: Mr. Deutsch has been on his feet for almost two hours this morning, and it must have been tiring for him. Before we adjourn I would like to know what is the wish of the committee as to pursuing this query a little further and having Mr. Deutsch come back another day. He has a pretty good idea now as to what is in the minds of the committee.

Senator TURGEON: We could of course do that when we are considering the report to be made. At that time we could give consideration to the question of whether we should recommend a change.

The CHAIRMAN: But if we have the information it may be decided not to include it in the report.

Is it the wish of the committee that we have Mr. Deutsch back at our next sitting?

Senator ISNOR: I would like to see Mr. Deutsch come back for at least one more meeting. I have in mind an item which Mr. Deutsch mentioned this morning, Superannuation, for which \$31 million is in the estimates. I would like to pursue that a little further, first as to the total amount, and as to whether this amount is invested and whether it could be invested to greater advantage from the point of view of the national interest. Yes, Mr. Chairman, I would like to see Mr. Deutsch back at a further meeting.

Senator CRERAR: Mr. Chairman, I have one observation to make, and this is an old friend of mine. It covers the cost of administration of the Annuities Act, vote 181 in the estimates. The estimated expenditure this year is set down as \$1,071,447, which is up nearly \$21,000 over last year. That is a totally unnecessary activity of Government now. I would like Mr. Deutsch to bring information to the committee, which is readily available in his department showing the amounts that have been paid in over the years to keep the annuities fund in the Labour Department ahead. It is five or six years since we had a look at this. I would very much like to get that information up to date.

The CHAIRMAN: Do you not think it would be better to have the Labour Department come before us on that?

Senator CRERAR: We could, but I am asking Mr. Deutsch to supply us with the information which he can very well do from the Treasury Board, information as to various contributions made in the various years to keep the annuities fund ahead, and what the total amount is today.

The CHAIRMAN: Is it the considered wish of the committee that we have Mr. Deutsch back at the next meeting?

Some SENATORS: Agreed.

Senator SMITH: Mr. Chairman, I am wondering whether all the figures that Mr. Deutsch referred to, such as \$31 million, \$1 million and \$6 million will be on the record.

The CHAIRMAN: They will be on the record.

Senator STAMBAUGH: Mr. Chairman, there is a point I would like to be made clear about. Mr. Deutsch told us that the Department of Public Works is taking care of the maintenance of all Government buildings. Does he include the buildings of the Department of National Defence, like the Army Building?

Mr. DEUTSCH: No, I should have mentioned that the Department of National Defence in most cases looks after its own buildings.

The committee adjourned.

1956

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1957

No. 3

THURSDAY, MARCH 15, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESSES

Mr. J. J. Deutsch, Secretary to the Treasury Board.

Mr. H. D. Clark, Pension Adviser, Treasury Board.

STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

The Honourable Senators

Aseltine	Gershaw	Pirie
Baird	Golding	Pratt
Barbour	*Haig	Quinn
Beaubien	Hawkins	Reid
Bouffard	Hayden	Roebuck
Burchill	Horner	Smith
Campbell	Isnor	Stambaugh
Connolly (<i>Halifax North</i>)	Lambert	Taylor
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Euler	Molson	Woodrow—38.
Farris	Paterson	
Fraser	Petten	

50 Members (Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, February 15, 1956.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, March 15, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Hawkins—*Chairman*, Aseltine, Baird, Barbour, Beaubien, Bouffard, Burchill, Crerar, Dupuis, Euler, Gershaw, Golding, Haig, Horner, Isnor, Molson, Pratt, Reid, Smith, Stambaugh, Turgeon and Woodrow.—22.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

The following were heard:—

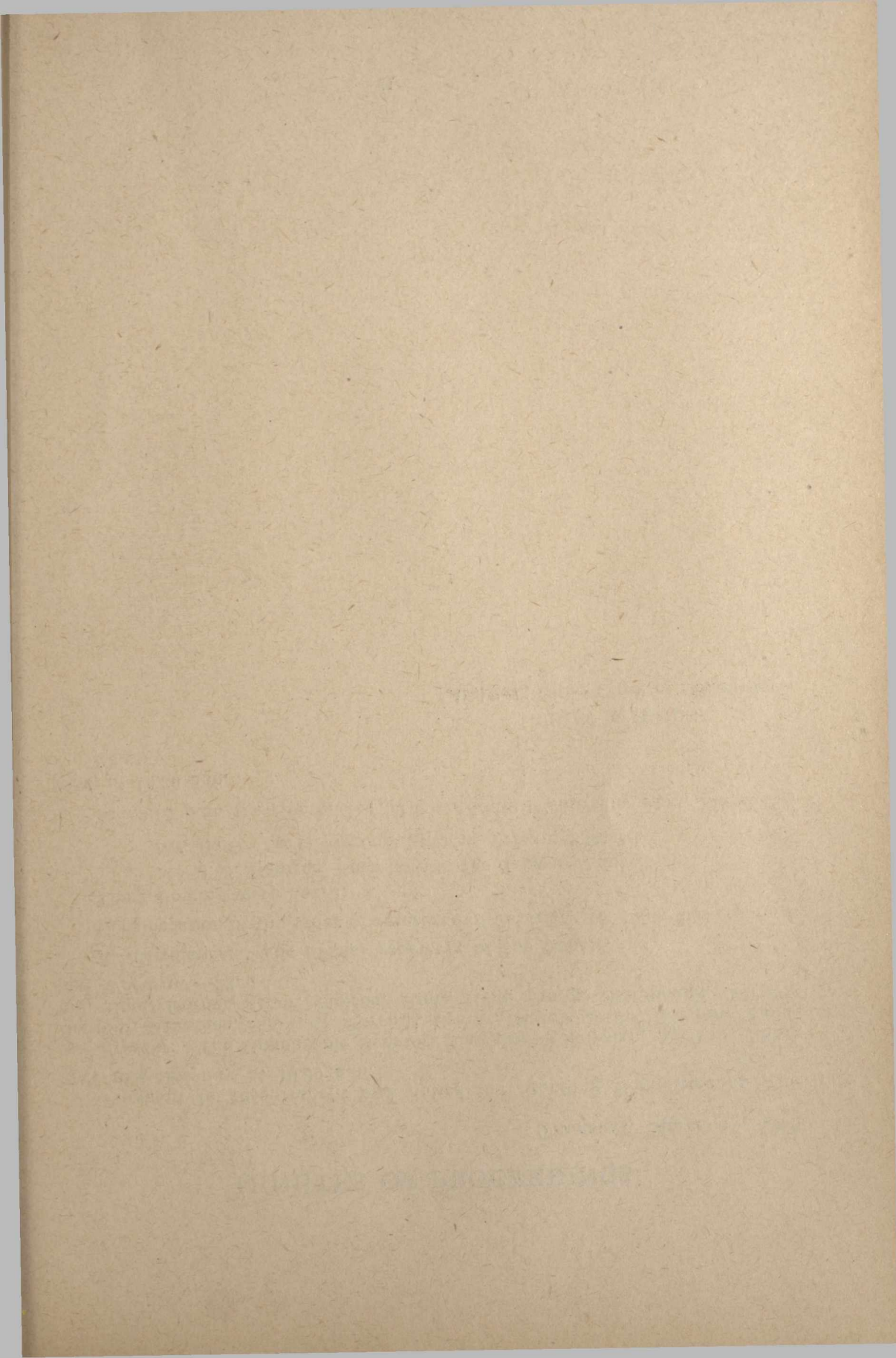
Mr. J. J. Deutsch, Secretary to the Treasury Board.

Mr. H. D. Clark, Pension Adviser, Treasury Board.

At 12.15 p.m. the Committee adjourned until Thursday next, March 22, 1956, at 10.30 a.m.

Attest.

JOHN A. HINDS,
Assistant Chief Clerk of Committees.



THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, THURSDAY, March 15, 1956.

EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator Hawkins in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum: I will ask you to come to order, please. You will recall that the Steering Committee asked us to have supplied to this committee the statistical information and reports that were submitted to the Dominion-Provincial Conference last October. Here is a copy of the documents in four volumes. I have directed to have copies supplied to each member of the Steering Committee; the balance, some fifteen, are here, and Mr. Deutsch tells me he thinks he can get a few more. There are about forty members of the committee. The title of the volumes is: "Comparative Statistics of the Public Finance, Federal, Provincial and Municipal Governments of Canada. Vol. I, Revenue and Expenditure; Vol. II, Direct and Indirect Debt; Vol. III, Assets Offsetting Direct and Indirect Debt; Vol. IV, Public Investment."

Senator CRERAR: As the Chairman has said, this is the data that was supplied at the Federal-Provincial Conference last October. It will be recalled that last year we could not get the final figure for expenditures and revenues of all governments in Canada, because the officials were busy preparing this data for the Conference. Now it is here, up to 1955, and it is very interesting information. It is no good unless you are prepared to take it and do days and days of hard work on it, and master it. Otherwise, it is just a waste of time. I have just glanced at it this morning, and it is interesting to observe that the expenditures of all governments in Canada were about 600 million dollars more than their total revenues for the year.

The CHAIRMAN: Let us not get into a discussion on this. What is your wish? Mr. Deutsch feels he can cover enough to satisfy each member, and if he does that there will be no need for any discussion at this time. Honourable senators, you will recall that when we adjourned last Thursday Mr. Deutsch had submitted himself to general questioning from the committee. There were some questions he was asked then that he is prepared to answer now. I propose to ask him to proceed to give those answers and then the meeting will be open for a general discussion.

Mr. DEUTSCH: Mr. Chairman and honourable senators, I was asked at the last meeting to get certain additional information and in the past week I have tried to compile that information. I shall take them one by one. One question I was asked was this: what was the cost of the buildings and space provided to the Post Office? I think Senator Molson was interested in that question. I explained previously that the public buildings, particularly for the Post Office, were provided by the Department of Public Works, and that the cost of providing those buildings is not shown in the expenditures of the Post Office. Well, we have had a look at this and we find that the

Post Office Department had an estimate prepared for the year 1954-55. That is the latest we have information on but it will give you a good indication. It was estimated that the cost of the space provided by the Department of Public Works to the Post Office was about \$13 million a year.

Senator HORNER: \$13 million a year?

Mr. DEUTSCH: Yes. In other words, if the Post Office had to pay itself for the space it was using it would cost approximately \$13 million a year.

Senator EULER: Would that result in a surplus or a deficit?

Mr. DEUTSCH: To come to that result we have to make one or two other adjustments. We have to take into account that the Post Office renders free service under the franking privilege, from which it gets no revenue. The loss of revenue resulting from the free service under the franking privilege is about \$5 million. Thus you would have to take that into account. We can see what that comes to. In the same year of 1954-55 there was a surplus of about \$8 million in the Post Office; expenditures of \$123.5 million; revenue, \$131.3.

Senator CRERAR: That followed the increase in postage a few years ago?

Mr. DEUTSCH: Yes, I guess that includes it. We have in the accounts as shown in the blue books a surplus of approximately \$8 million. If we charge the cost of the rent to the \$13 million there will be a deficit of approximately \$5 million.

Senator GOLDING: Not if you take into account the Post Office franking privileges.

Mr. DEUTSCH: If you credit them for the franking privileges you come out about even.

Senator EULER: You have calculated the loss on the franking privilege. Have you also considered Post Office losses by way of free transportation and postage carrying facilities on newspapers and periodicals?

Mr. DEUTSCH: No, I haven't taken that into consideration.

Senator EULER: Would that not be fair?

Mr. DEUTSCH: Well, we have not gone into the question of the relative costs of the different kinds of mail it provides.

Senator EULER: We were told when the Post Office increase took place last year it was to make up for that special carrying rate for these special periodicals and newspapers.

Mr. DEUTSCH: We have not gone into this question of the relative costs of carrying different kinds of mail, such as newspapers against letters, and so forth. The Post Office require, of course, under the law and regulations, to make certain charges for letters, newspapers, and so forth, and they do so.

Senator SMITH: It is not free?

Mr. DEUTSCH: It is not free from charges. The question is whether the charges are adequate.

Senator BURCHILL: What about transportation charges? The Post Office is charged so much, what about the railways?

Mr. DEUTSCH: The same thing. They make contracts with the TCA and railways.

Senator BURCHILL: Are both those charges supposed to be adequate?

Mr. DEUTSCH: I understand they are, yes. I might say, senator, that if you want to get into the detailed operations of the Post Office it would be much more useful, I suggest, for the senators to speak to the Post Office authorities, rather than to me, because I am not an expert in the Post Office operations, and

it would be much better to get it from the horse's mouth, so to speak, than from me. I am not competent to judge or comment on their detailed operations.

Senator EULER: You knew what the franking privilege was costing.

Mr. DEUTSCH: Yes, well, it is my business in the Treasury Board to be concerned with the financial operations of the thing.

Senator WOODROW: Does the \$13 million include depreciation of buildings?

Mr. DEUTSCH: It is made up in this way: Space is rented from private lessors; in other words, some of the space the Post Office uses is rented space which the Public Works department rents and pays for. Now, the figure for the rental space, included in the \$13 million, is the actual cost of the rent; in other words, the cost of renting the buildings is included in this figure. That, of course, is the commercial rent, and the commercial rent presumably covers all costs, depreciation, interest, taxes, and everything else. Now, for the space occupied in a public building, that is not rented, but is one owned by the Government, the estimate is based on what the commercial rents would be, including heating, lighting, cleaning, and so on.

Senator WOODROW: Wages?

Mr. DEUTSCH: Yes. In other words, this \$13 million is supposed to be an economic rent, including the cost of all facilities that go with the building. This is an estimate, of course.

Senator STAMBAUGH: That is only the space occupied by the Post Office, not the whole building?

Mr. DEUTSCH: No, sir, just the space occupied by the Post Office, that is right.

Senator STAMBAUGH: Because the reason I ask that is this: I know Post Office buildings have, for instance, customs offices, R.C.M.P., and agricultural agencies, and so on, which occupy space in the Post Office buildings.

Mr. DEUTSCH: Yes, this figure is only for space occupied by the Post Office.

Senator BOUFFARD: Mr. Deutsch, is there any arrangement in existence between the government and the Post Office Department by which that department enjoys free transportation to the extent of certain subsidies extended to the railways? I understand that as the railways were being built up they received certain subsidies, and they have had to reimburse the government and pay interest of 3 per cent on those subsidies; and that instead of paying the government directly, the railways render free service to the government to the extent of the amount due for the subsidies. Does the Post Office share in that arrangement?

Mr. DEUTSCH: Senator, I am not in a position to answer that question at the moment. You see, I am not an expert on the running of the Post Office. I would suggest that if you require the details of their contracts with the transportation companies and the basis on which they make them, your purposes would be better served by getting the people here who actually make those contracts. I would have to give you the information second hand.

Senator BOUFFARD: We were told not long ago that the Canadian Pacific Railway gave free transportation to the government to the extent of \$100,000 a year on account of subsidies. I would like to know if this has any connection with the Post Office.

Mr. DEUTSCH: I am not sure that I understand you, Senator, but if you are referring to the privileges extended to Post Office officials, such as inspectors, supervisors and so on, in connection with their official duties, I understand they have certain free transportation privileges.

Senator BOUFFARD: No, what I have in mind is free transportation for mails.

Mr. DEUTSCH: I do not have information on that here.

Senator CRERAR: I think that applies to railway mail clerks who sort mail on railway cars.

Mr. DEUTSCH: They get free transportation, and I understand the inspectors in their official work get free transportation.

Senator BOUFFARD: That is not what I am referring to.

Mr. DEUTSCH: I do not have with me details as to Post Office contracts.

To summarize again what I have said, to take the more recent figures on the Post Office, the forecast for the coming year, 1956-57, shows a revenue of \$140.5 million, with expenditures of \$132 million. That will show a surplus as far as it appears in the Blue Books of approximately \$8 million, but it does not take into account the cost of rent for buildings which is around \$13 million, and the free franking privilege which reduces the Post Office revenue by about \$5 million. If you make adjustments for these things, it comes out about even.

A question was asked about the effect of the five-day week on the number of casuals. I believe that question came from Senator Isnor. I gave the other day an estimate of the number of permanent and full-time employees that were added as a result of the five-day week. Our information indicated that there were about 2,400, of which a little more than half were in the Post Office. We made a quick survey of the increase in casual employees. It is hard to separate these figures because the casuals that we employ have to do with a highly fluctuating amount of work and are engaged to take care of short-term peaks. It is hard to separate out the short-term peaks from the effect of the five-day week especially when the work of the department is changed in the course of the year.

For practically all departments, we are told, the increase in the number of casuals as a result of the five day week has been very small. The biggest increase in the number of casuals employed would be in the Post Office Department where the increase in the number of casuals is about the same as the increase in the number of permanents—about the same percentage increase.

Senator ISNOR: What percentage was that?

Mr. DEUTSCH: In the case of the Post Office the increase has been approximately 7 per cent in the full-time regular staff as a result of the five day week, and they feel about the same proportion increase in the number of casuals. As I said, this is the most significant change in the number of casuals employed. In the other departments the increase has been very small and it cannot be separated out. Take, for instance, the Unemployment Insurance Commission where there are quite a large number of casuals employed to take care of peak loads. Last year the act was changed, as you know. As a result, the nature of the work changed and we cannot say how many casuals have been employed due to the change in the act and how many are due to the five day week.

As a matter of interest, for the civilian departments as a whole, the estimates for this year show a slight reduction in the total number of casuals to be employed as compared with the previous year. Converting this into man hours equivalent the estimates provide this year for about 3,400 casuals in the Government services, in the civilian departments. Last year it provided for some 3,600. You will thus see that there has been a slight reduction over all, but that is due to other factors rather than to the five day week, I would think, because casuals are employed to take care of peak short-term loads,

and of course these peak periods depend somewhat on the nature of legislation, somewhat on changes in the work of the department and so on. It is really very difficult to compare the results from year to year but as a matter of interest the number of casuals provided for in this year's estimates show a slightly lower number than last year.

Senator CRERAR: Might I ask if any of the casuals who were employed last year have been transferred into the permanent class. Were any employees transferred from the casual category to the permanent category because of the nature of the work or other reasons?

Mr. DEUTSCH: That is right, Senator Crerar. That is another reason why the comparison does not mean too much. Sometimes when it is discovered that a position is one of a full-time nature it will then be converted to a full-time position. As I said, it is hard to separate these things out.

Senator GOLDING: That figure of 3,400 casuals that you mentioned a moment ago, would it include those who were taken on the permanent staff?

Mr. DEUTSCH: It might in some cases.

Senator GOLDING: Supposing that there was casual work to be done and then it was found out that the work was of a permanent nature, the casual employee would be transferred to the permanent category. Would that not reduce the number of casuals?

Mr. DEUTSCH: Some might be of that type. Sometimes we find that some of the casual positions concern duties of a continuing nature. In those cases we convert them into full-time positions.

Senator CRERAR: Is not the real test the total number of government servants, casual and otherwise, at the end of the one fiscal year as compared with the previous fiscal year?

Mr. DEUTSCH: Yes.

Senator CRERAR: That is the real test.

Mr. DEUTSCH: Yes. Is that satisfactory? I am sorry I cannot give any more precise information on this. It is a very difficult thing to spell out.

Senator ISNOR: Then I have to be satisfied with the answer. I do not say it in any unkind way, but I say that the answer is not particularly—

Mr. DEUTSCH: Enlightening.

Senator ISNOR: Enlightening. I am going to allow it to stand, as far as I am concerned, for the time being. I am going to make some inquiries outside so as to bring them, perhaps, back to this committee before it presents its report. I have in mind the change-over from Simpson's and Eaton's and other large organizations, from their former six days to five days, and the increase that was necessary in the permanent staff to bring about the results from the inauguration of the five-day system. I feel that it will be a little bit different story than was presented to us at this meeting; and again, I say I am not questioning the figures except that it does not seem to me to be reasonable that there are only 2,400 additional employees in the government, in view of the size of the staff employed.

Mr. DEUTSCH: You feel that this figure is too small?

Senator ISNOR: Altogether too small. That is, taking into consideration the amount of work that is necessary to be done in the year's operations.

Mr. DEUTSCH: All I can say, senator, is that any additions to the staff have to be approved by Treasury Board, and if any additions were required we would know about them, otherwise they could not be there; and I have told you that this is the total of the figures that we have approved for increases for the five-day week.

Senator ISNOR: Yes. But I always come back to this matter of productivity, and I think the honourable senators around this table are all experienced enough in business to know that you must have a certain amount of work done to give a certain result. I think that is what we have in mind when we are questioning the effects of this five-day week as compared to the six-day.

Senator REID: In so far as the Bureau of Statistics is concerned, I am thinking of people in my district who were hired to go out and ask questions of various people. That would not come before Treasury Board. Some one in the City of Vancouver just picked these people out; that is, they are casual labour. You would not have any record of that, would you? So there must be a lot of casual labour, as Senator Isnor has said, that has not been revealed.

Mr. DEUTSCH: It depends what question you are asking. I have not attempted to discuss all casual labour employed. I was asked how much of the increase was due to the five-day week, and I say it is extremely difficult to separate out, especially where the nature of the department's work changes. I said, for instance, that the U.I.C. employ a lot of casual labour. Last year the Act was changed and the nature of the work changed, and what is the effect of the change in the Act and what is the effect of other things is awfully difficult to separate out. With respect to the amount of casual labour that is employed overall, that is controlled by the Treasury Board in so far as the amount of money available for that purpose is controlled. Some casual labour is employed on a sort of contract basis for short periods, and in those cases the control is the amount of money available for the purpose. An example of what is happening in the case of casual labour hired on that kind of contract work: this year we are going to have a census right across the country; that will involve the employment of a great many people for short periods. That is a matter of policy which it has been decided we should do. In a year that you have a census you will be employing a lot of these people. Another year, when you do not have a census, you will not be employing them. So the changes from year to year have to be related to the policy that is involved. It is not simply a matter of taking the figure for one year and comparing it with next year and seeing the change that has taken place. We have to ask the question, what policy decisions have been taken? It is not sufficient to take two statistics and compare them, and say, "This has happened." If we have a census, for instance, we will have a lot of short-term employment. If we decide not to take a census, we won't have it.

Senator EULER: Is not a census a matter of law, not a matter of policy?

Mr. DEUTSCH: In this case the government was required to take a census in the three prairie provinces by law.

Senator EULER: By law.

Mr. DEUTSCH: And it was decided that, since they had to take a census in the three Prairie provinces, it might as well be extended across the country. That is how this arose. So we have always to look at policy decisions and the requirements of the law before we can usefully compare statistics of one year with the next.

Senator CRERAR: I think the important thing is the total number of employees the government has. A year ago Mr. Deutsch gave us information showing the total, broken down into categories, of the total number of employees the government had on February 28, and, if my memory serves me right, it was 183,000. That included revenue postmasters who are not paid directly but are paid indirectly by commissions, and which, of course, affect the revenue the country receives. Now, what I would like to see is the comparative figure for February 28, say, this year, and I do not think that is too difficult a figure to get.

Mr. DEUTSCH: No. We can get that for you.

Senator CRERAR: If we had that figure then we could get the total increase in the overall government service during the year we have come through; and I would suggest that Mr. Deutsch furnish the committee with that information. We have it for previous years, in the previous reports of the Finance Committee, and it is an easy matter to make a comparison and see how this thing has been moving. As a matter of fact it has been moving up like that. (Senator Crerar extended his arm to indicate an upward trend). The other thing is, what the total cost of the service is. I notice in this year's estimates, on the sheet at the back, that there is a very substantial increase in the amount for civil servants' salaries. That indicates one of two things: either that the five-day week has brought about an increase in the service with a corresponding increase in remuneration, or that there has been a substantial addition to the overall number of Civil Servants which accounts for the increase in the estimates. If Mr. Deutsch could supply that information I think it would be very useful for the committee.

Mr. DEUTSCH: With regard to the number of employees in the Government service there is published a monthly bulletin by the Dominion Bureau of Statistics which gives the total number of Government employees from month to month. I have one of these bulletins in my hand. The latest I have available is for November 1955. The publication is always a few months late because it takes time to get the figures together. It indicates the total number of employees in the Government Service. However I should point out that these figures do not include the revenue postmasters, who are not civil servants, strictly speaking. They operate on a commission. In other words, they are like small businessmen. They get commissions from the Post Office. They are not civil servants and we do not include them here. We could get the figures and add them in. The figure for November 1955, not including revenue postmasters, is 168,600. That compares with the previous November, 1954, of 166,800.

Senator BAIRD: That is your extra 2,400 coming in now?

Mr. DEUTSCH: That is partly the explanation for that increase.

Senator EULER: When did the 5-day week come in?

Mr. DEUTSCH: It has been coming in very gradually along the last five years.

Senator EULER: So it would be a fair comparison if you compared November of that year to November of the preceding year?

Mr. DEUTSCH: Yes. Some of it will be due to the 5-day week and some of it will be due to other things. The biggest increase would not be attributable to the 5-day week. That took place earlier. There is an increase there of roughly 1,800 employees. I would say that the great majority of that increase was not due to the 5-day week, which was introduced prior to 1954.

Senator REID: I think many of us have been wondering just what it would mean with respect to an increase in the number of employees if all departments moved from a 5½ day week to a 5-day week. It might well be that the Government service would show up far better than we think. For instance, I can visualize such things as customs houses doing the same work in five days as in five and a half. I think it would be worth our time to study this. The Government service itself might show up better than some of us think.

Mr. DEUTSCH: As I have said before, the attitude of the Treasury Board is this. They were prepared to approve increases for the 5-day week where it could be shown that the increase was necessary to provide 5½ or 6-day service.

Senator REID: That is the point.

Mr. DEUTSCH: Where it was not necessary to provide 5½ or 6-day service the Treasury Board was generally reluctant to allow any increase and as far as I know it generally refused increases on that ground. They said: "You must arrange your work so you can do it in 5 days where you formerly did it in 5½ days." Most departments that were not required to provide 5½ or 6-day service were not required as having a case for increasing the number of their employees on account of the 5-day week.

Senator EULER: That might be what accounts for what it seems like a small increase of 2,400?

Mr. DEUTSCH: One of the arguments that has been made for the 5-day week for both Government and industry is that the employees would accomplish just as much in the 5 days as in the 5½ days. As far as the Government was concerned we took that argument pretty much on its face value, and we did not accept proposals for an increase unless it could be shown that the increase was necessary to provide a 5½ or 6-day service; in other words, where people did have to come in on Saturday mornings because the public required certain service. When that was shown to be necessary the increases were granted.

Senator EULER: Did you in some cases perhaps cut down the service? Take, for example, the railways. They used to keep downtown ticket offices open on Saturdays in my town. Now those offices are entirely closed on Saturdays. You cannot get any service there at all.

Senator HAIG: The same thing is true in Ottawa here.

Senator EULER: Yes. That is because of the 5-day week. Has that happened perhaps in the Government service?

Mr. DEUTSCH: Perhaps it has. There may be certain offices that used to be open on Saturday mornings that are not open now.

Senator ASELTINE: You cannot get any information at all on Saturday mornings from any Government department.

Mr. DEUTSCH: The Government offices in Toronto, Ottawa and Montreal are closed on Saturdays, as are offices in private industries. On the other hand, there are certain kinds of services which have to be kept open, such as custom houses, immigration and some postal service. It is for those functions that extra staff has been provided to give a 5½ or 6-day service. In those cases additional staff just had to be brought in.

Senator BAIRD: Is there any case where employees are paid overtime if they come back on Saturday mornings?

Mr. DEUTSCH: There may be some cases, but generally speaking that is not the policy. There may be some cases where employees are paid overtime due to the difficulty in recruiting extra staff. However, if people have to work overtime consistently we say that there will have to be more staff. We do not expect to employ staff overtime on a constant basis.

Senator SMITH: I would like to get something clear in my mind with regard to this figure of 2,400. As I understand it this figure of 2,400 includes only permanent civil servants and not temporary civil servants or casuals. Are casuals in the same category or under the same definition as temporary employees in the Government service?

Mr. DEUTSCH: This business of "temporary" is no longer used. It is an old system which has been abolished. The 2,400 figure I gave you stands for the additional full-time employees that have been taken on. It does not include the estimate of additional casuals required. We made a survey and we were informed by the departments that the numbers of additional casuals who have had to be employed because of the 5-day week are relatively small. The biggest increase is in the Post Office where the increase in the number of

casuals has been about the same as the increase in the number of permanent employees. In the rest of the Government service we cannot see that the 5-day week has resulted in any large increase in casuals. I cannot even make an estimate there because, as I explained before, there have been so many changes in the work of departments that affect casual employment. It has been very difficult to separate what is due to a 5-day week or a 5½ day week.

Senator BARBOUR: It is not a large figure; it is only a small figure?

Mr. DEUTSCH: Yes, it is only a small figure. In the Post Office there appears to be about the same proportion of increase in casual as there was full time. I would also emphasize that the 2,400 was for civilian departments, and does not include National Defence, and as you know there are about 50,000 civilian employees employed in National Defence.

Senator SMITH: There is another point which was referred to earlier. I know Mr. Deutsch has said that he is not an expert on Post Office operation, but it has been my understanding that the only newspapers which are provided free service are weekly newspapers, and they are provided with free service within a radius of about forty miles—although I am not sure that is the correct mileage. Am I right in my understanding of that? I understand that newspapers in general get the wholesale rate on their newspapers, and there is not really any thought of giving daily newspapers any free service. I was wondering whether the impression of the public might be that the wealthy daily newspapers were getting free service, but I do not think that is so, is it?

Mr. DEUTSCH: It is not my impression. I was not aware there was free service given. It is a question whether the charge made is considered to be equal to the cost. That I do not want to comment on because I have not the information here.

Senator HAIG: I have grave doubts about that.

Mr. DEUTSCH: I am not an expert on that.

Senator HAIG: They went into it fully, and couldn't make it stick.

Senator EULER: You made a rather striking statement, Mr. Deutsch. You said that in the Department of National Defence there are 50,000 civilian employees.

Mr. DEUTSCH: Yes, roughly speaking.

Senator EULER: I think that is about the size of the entire army. Does that mean one civilian employee for every soldier we have?

Mr. DEUTSCH: The ceiling on the armed forces is about 125,000.

Senator EULER: But we have not that many?

Mr. DEUTSCH: Just about.

Senator EULER: Have we?

Mr. DEUTSCH: Yes; that is for the three services, not only the army.

Senator EULER: About two-and-a-half soldiers are required for one civilian employee?

Mr. DEUTSCH: That is about it.

Senator HAIG: That includes the Navy and the Air Force?

Mr. DEUTSCH: That includes the Navy and the Air Force—the three services.

Senator HAIG: How many in the Army?

Mr. DEUTSCH: Soldiers in the Army?

Senator HAIG: Yes.

Mr. DEUTSCH: About 48,000.

Senator HAIG: How many civilians are working for the Army?

Mr. DEUTSCH: I have the figure here—"National Defence, Army", is shown as 19,000.

Senator EULER: 20,000 civilian employees for about 50,000 soldiers?

Mr. DEUTSCH: That is right.

Senator EULER: About two-and-a-half soldiers required to one civilian employee?

Mr. DEUTSCH: That is right.

Senator BAIRD: That includes stenographers, and so on?

Mr. DEUTSCH: Yes, stenographers. The reason is, I think, for that many civilians, is that we have discovered or estimated that it is cheaper quite often to have the work done by civilians than to have it done by men in uniform.

Senator BEAUBIEN: In other words, you do not have to put them in uniform?

Mr. DEUTSCH: There is a lot of work in the armed forces, clerical, stenographic, maintenance, and that type of work, which we could have either done by a man in uniform or by a civilian. It does not have to be a soldier, and we find a civilian is much cheaper; that is why we have these civilians.

Senator HAIG: In other words, the civilian is easier to boss around than the soldier. Is that the real answer?

Mr. DEUTSCH: I don't know about that, senator. We know it is cheaper, anyway.

Senator HAIG: They will take orders, and the soldier won't.

Senator SMITH: Have you any information, Mr. Deutsch, as to our comparative position in this regard with the United States, say, and Great Britain?

Mr. DEUTSCH: Yes, but I think the policy will be pretty much the same. They also have the same problem of trying to get the work done at the least cost; and where we can get the work done by civilians the cost is less in money, and therefore we encourage the use of civilians.

Senator REID: Another thought is this, that to maintain three forces you have to have civilians, because if those civilians were in uniform in the army, for instance, you would have no army to speak of.

Mr. DEUTSCH: Depends how big it is, senator; but the thought is that the military personnel should be employed as much as possible on military tasks, and it is not necessary to have uniformed people doing clerical work, or doing stenographic work, or maintenance work, and things of that sort, when the civilian can do it just as well and cost less. That is why we have so many civilians.

Senator ISNOR: I think it is only fair to enlarge on that thought. Take the naval branch of the Department of National Defence, for instance. The work of the electricians, engineers, and so on, is all specialized, and you would not expect the Government, or the country, to train men to do that particular work, because there are a large number employed as civilian casual help. I have in mind particularly the two coasts, that is, the west coast and the east coast. The dockyards employ around 3,000 men. Well, that is out of proportion to the naval personnel, but they certainly require them. The same thing applies to the Army. They have the engineers, and the Signal Corps, and the linemen and electricians. That is all a specialized type of work. I am sure that no one around this table would think that the country should train men for 365 days a year for a particular work of that kind, because it is cheaper to have civilians do the work when required. In the same way, contracts are let out for repairs to a ship, and the employees of the shipyards

and the dockyards are engaged to carry on the work. I think that should be clearly understood to appreciate why there is such a large number of civilian employees engaged in connection with the three services.

Mr. DEUTSCH: You are quite right, senator. The Navy has about 10,000 civilians, many of whom are working in the dockyards in Halifax and Esquimalt. All the dockyard workers in Halifax and Esquimalt are civilians, and in this 10,000 figure are included these dockyard workers. As you say, it is cheaper to use them than to train men in uniform to do the work.

Senator EULER: I think that is very sound, but the proportion still seems large to me.

Mr. DEUTSCH: Well, that indicates, senator, that they have tried to get as much work done by civilians as possible.

Senator EULER: I agree with all that, but I say the proportion seems large.

Mr. DEUTSCH: I think I have given all the information that we can get, Senator Isnor.

Senator ISNOR: Thank you.

Mr. DEUTSCH: There was another question asked. Senator Isnor asked what was the total amount of the superannuation fund, and whether this amount is invested, and whether it could be invested to greater advantage from the point of view of the national interest. Now, the total amount of the superannuation fund, that is, for the Public Service, at the end of March 1955, which is the last fiscal year closed, was \$733.5 million. The latest figure I have is February 29, 1956, approximately \$795,100,000. This fund of course arises from the contribution made for superannuation purposes by civil servants on their salaries, in the case of men 6 per cent, and in the case of women 5 per cent; the government matches those contributions with an equal amount; that money accumulates in the fund, and has now reached \$795,100,000.

Senator EULER: How is it invested?

Mr. DEUTSCH: It is invested, Senator, in this sense that the government pays interest at the rate of 4 per cent per year on the fund.

Senator EULER: That adds to the size of the fund?

Mr. DEUTSCH: That adds to the size of the fund. The fund is not physically invested in securities. In other words, there is not a fund with securities in it. It is a liability on the books of the government, on the liability side of the balance sheet, and the government pays at a rate equivalent to 4 per cent a year on it. In that sense it is invested.

Senator CRERAR: And that is credited to the funds at a certain period.

Mr. DEUTSCH: Once a quarter.

Senator HAIG: Has it ever been examined by an actuary?

Mr. DEUTSCH: Yes, we had an actuarial examination of the fund, and a report was tabled in 1952. It showed at that time that the fund was short some \$364 million of the actuarial requirements.

Senator HAIG: That is what I understood.

Mr. DEUTSCH: And the government has been making up the deficiency in the actuarial requirement by appropriation. The deficiency is now \$189 million, which is shown as a deferred charge on the balance sheet, and we pay interest on it.

Senator EULER: The government has made it all up?

Mr. DEUTSCH: It has made it up to \$189 million.

Senator PRATT: When the contributions are paid into the government, into what account are they put?

Mr. DEUTSCH: They go into the Consolidated Revenue Fund.

Senator PRATT: A credit is set up, and interest is paid on that fund.

Mr. DEUTSCH: Yes. In other words, what the government has done is to borrow money and use it for its own purpose, and to set up a liability on the balance sheet equal to the amount of the fund.

Senator EULER: They do that instead of issuing bonds.

Mr. DEUTSCH: Instead of issuing bonds. They could have done it two ways: A physical fund could have been set up which contained government bonds, and those bonds would carry interest; or, they could simply put it on the liability side of the balance sheet and pay interest on that charge.

Senator PRATT: That would seem to be the simpler way.

Mr. DEUTSCH: The simpler way, yes.

Senator ISNOR: I asked the question, Mr. Chairman, in order to get the answer, on which I could base a suggestion. I understand the fund to be in the amount of \$795,100,000. Therefore, some \$400 million of it is the employees' money.

Mr. DEUTSCH: No; I don't think you can quite divide it in half. There is a shortage in the fund—and in saying so I do not suggest there are actually so many dollars missing, but that an actuarial calculation showed that to meet all liabilities in the future there should be another \$364 million which had not been put in by contributions.

Senator EULER: But the government has made up the whole shortage.

Mr. DEUTSCH: It has undertaken to make up the whole shortage, and already it has made it up to a point where there remains a balance of about \$189 million. But even on that sum, which is shown as a deferred charge on the balance sheet, interest is paid; therefore, we have in fact accepted the whole liability and we continue to pay interest on it.

Senator BARBOUR: That is, the interest is paid by the government.

Mr. DEUTSCH: Yes. But I do not think we can just divide the sum in half.

Senator ISNOR: That is immaterial to my suggestion. As I said, I asked the question in order to have the basis for a suggestion, on which, Mr. Deutsch, I should like to have your comment. With that amount of money available, just set up in a fund there on which the government is paying 4 per cent each year, would it be feasible to invest it so as to encourage national housing; in other words, to use the funds for the building of houses somewhat similar to the function of Central Mortgage and Housing Corporation? Have I made my self clear?

Mr. DEUTSCH: Yes. In other words, instead of simply showing it as a liability in the books, you ask us why we do not set up an actual fund?

Senator ISNOR: Yes.

Mr. DEUTSCH: And that fund could purchase mortgages or bonds?

Senator ISNOR: For that particular purpose. Because the employees are interested in this fund, it could be the basis of assistance in encouraging them to own their own homes.

Mr. DEUTSCH: I suppose, Senator, if the government wished to do that, it requires a policy decision to do it. The only point is, if you are thinking that such a change would provide more money for investment, I do not think that would be the result. If we did that, we would not necessarily have more money available for investment. What happens is that the government uses this money for its own purpose, and to follow out your suggestion we would have to take the money from somewhere else; in that way, we would not add anything to the investment capital. This is in fact a government fund, although we do not have any bonds in the fund.

Senator BURCHILL: You are paying more interest than if you had the money in bonds.

Mr. DEUTSCH: That is true; we do not pay 4 per cent interest on our bonds now. The question of whether we should take that money and invest it in housing is a matter of policy.

Senator WOODROW: Does it not go further than that? It extends to a matter of yield. You are getting 4 per cent on trust funds, and if you put that into housing it might carry a cost of 2 per cent or more for administration; I do not think you can do better than 4 per cent on trustee funds.

Mr. DEUTSCH: No, I do not think so; and if you invest in securities you would have management costs and so on.

Senator WOODROW: One further question: Are there any trustees appointed for this fund? After all, a good bulk of it is money invested on behalf of the employees.

Mr. DEUTSCH: No, the government does all that, Senator. The provisions with respect to this fund are spelled out in an act of Parliament; that is to say, the nature of the contributions, the benefits to be derived are all provided by statute, and the whole management of the fund is carried out by the government.

Senator WOODROW: The employees, then have no direct representation in the management of the fund, no trustee?

Mr. DEUTSCH: No.

Senator EULER: Let me ask another question in connection with the shortage.

Mr. DEUTSCH: Actually it is an actuarial deficiency.

Senator EULER: All right, but we will continue to call it a shortage, and the Government has made it up. My question is this: If adequate rates had been paid actuarially, and no such deficit—if you want to call it—arose, how much of that would have been paid by the employees? Can you tell us that?

Mr. DEUTSCH: About half of it.

Senator EULER: It would have been about how much in dollars?

Mr. DEUTSCH: We were short about \$364 million. But let me make an explanation on this. The implication is that if the rates had been adequate we would not have had this deficiency. I should explain that. The deficiency has mainly arisen due to the fact that with the passage of time and the rise in price levels and wages, the amount of annuity that is paid out at the end of an employee's service is much higher than was anticipated when the contributions were made at the beginning of his service. The superannuation paid out to the individual is based on the average salary of the highest ten years. For example, in the case of a man who has been in Government service for 35 or 40 years, the salary level in existence when he came in say 40 years ago was very much lower than it is today, and the contributions made by him in the early years were on the basis of a much lower level of salary; but when the benefits are paid out, they are based on a much higher level of salary.

Senator EULER: What is going to happen in the future if that same tendency continues?

Mr. DEUTSCH: We will have the same situation.

Senator BEAUBIEN: But civil servants are now contributing on the higher salary level.

Mr. DEUTSCH: Yes they are. There is one thing we have done as far as the future is concerned. Now, when we change salary levels in the public service we make a contribution to this fund to compensate for that factor. We did not do that in the past.

Senator GOLDING: After that actuarial examination was made you found that shortage. I understand that the Government has now made up all of the shortage or will make it up.

Mr. DEUTSCH: Half of it is made up now and the remainder will be paid in later on.

Senator GOLDING: Have the assessments on Civil Servants been increased?

Mr. DEUTSCH: Yes, from 5 per cent to 6 per cent. There has been some adjustment in the rates.

Senator GOLDING: On an actuarial basis, does that 6 per cent contribution from civil servants meet their 50 per cent of the cost?

Senator HAIG: Before you answer that, Mr. Deutsch, I will draw your attention to the fact that the longevity of the average annuitant is increasing. That element enters into the picture too.

Mr. DEUTSCH: Yes, that is another feature that has to be taken into consideration. The average length of life is rising, and that has an effect on this fund too.

The CHAIRMAN: So, in other words there is no such a thing as a sound actuarial basis—it is only a good guess?

Senator REID: Finance Bills in previous sessions over the past ten years showed contributions from the Government to the Superannuation Fund. At the time I wondered why this was required, but I never was able to get a satisfactory answer as to why these millions were contributed to build up that fund. Could you explain? This has always puzzled me: if the amounts that are being paid into this fund by civil servants are equal to or less than the payments out of the fund to annuitants why were these millions of dollars required to build up the fund. Of course I know that actuaries have it all figured out on paper, but the collections are meeting the payments in practice. I received some figures from the Department of Finance and they show that the amounts that are collected from civil servants are somewhat less than the amounts paid out by the Government at least they always balance.

Mr. DEUTSCH: The reason for these figures, Senator Reid is this: This figure that I have quoted, \$795 million, is the basis on which the interest on the fund is calculated. That is about the significance of it. The employee pays in to the fund his share, 6 per cent of his salary, and the Government matches that.

Senator WOODROW: Is there a maximum to the employees' payments?

Mr. DEUTSCH: No, it is 6 per cent.

Senator WOODROW: On his salary?

Mr. DEUTSCH: Yes. Answering Senator Reid's question. These two figures are added together and the Government pays interest on the total at the rate of 4 per cent. That is the significance of this figure, so that the interest can be calculated. There is no fund in the sense that you can say "here is a fund \$795 million"; it is a liability in the books.

Senator REID: Can you give the answer I asked for?

Mr. DEUTSCH: The reason we make these calculations is in order to arrive at the interest which we credit to this fund every year.

Senator REID: I still do not understand yet why millions are required when the payments out are equal to the collections.

Mr. DEUTSCH: As a matter of fact, Senator Reid, the collections are in excess of the payments.

Senator REID: Payments into the fund have always in past years run ahead of the outpayments. In 1954-55 for instance, the receipts in the fund

were nearly \$99 million—that is the Government's contribution, the employees' contributions and the interest. The outpayments were \$22 million in annuities and the difference between these two figures increases the liability. The Government actually collected a lot more money that it paid out, and this figure is the liability, and the interest is calculated on that. That is how it arises.

Senator BARBOUR: Have you last year's figures?

Senator BURCHILL: Senator Reid is questioning the actuarial report.

Senator REID: I am questioning the actuarial statement. Can you make it clear to me, if the receipts are greater than the payments out why are we called upon to pay into the fund \$89 million? Why does the Government have to bolster the fund at all?

Mr. DEUTSCH: I see what you are getting at. Well, that is a matter of when you want to discharge that liability. You could postpone discharging it. In other words, payment of the deficiency of \$364 million could be postponed, because you may not have to meet the liability for about 50 years.

Senator REID: It is a lot of hocus-pocus to me.

Mr. DEUTSCH: No it is not. It is a question of when you want to meet the liability. The figures are calculated by the actuaries as against the time when you want to pay out all the benefits that the civil servants are entitled to and so much money has to be paid out over the years in future. That is what it is based on; and they figure the amount you have to pay out is equivalent to that figure. They estimate the total amount you take in and the total amount you have to pay out, and they figure out that you need a certain sum of money to meet that liability. But that liability does not have to be met, say, for thirty or forty years, because the people will not be retiring until then. In the meantime, it is quite true, you do not need the money and you can decide "whether we should pay that now or whether we should pay it thirty or forty years from now". The government has decided, "Let us make the fund sound right now". A man who comes in down at the bottom, at a salary of \$2,500 or \$3,000, may be retiring at \$10,000.

Senator BOUFFARD: And there is a new liability assumed by the government.

Mr. DEUTSCH: The actuaries calculate how much the government has to pay to meet the benefits when the employees retire. That is what this sum is.

Senator BAIRD: It is a provision?

Mr. DEUTSCH: It is a provision to meet that liability, taking into account all the receipts, interest and everything else. That liability may not become due for thirty years, and in the meantime, as I have said, you will not need it, but the government has said, "Let us make it sound right now, not wait twenty or thirty years".

Senator REID: In the ten years I spoke of, did the government have to draw anything from the actuarial fund? When your receipts were greater in the ten years, nothing had to be drawn from the fund?

Mr. DEUTSCH: The excess goes to meet liabilities, in twenty or thirty years from now. You can say, "Let us forget twenty or thirty years from now", but any sound business man would not do that; he would say, "What are my liabilities? I will provide for them now, and when the time comes I can meet them." You can say, "Let us forget about future liabilities; we do not need the money right now," but twenty or thirty years from now it will have to be met.

Senator CRERAR: Suppose we wiped the slate clean today and started anew, is the present basis of 6 per cent from the employees and 6 per cent from the government actuarially sound for the future?

Mr. DEUTSCH: And the 4 per cent interest.

Senator CRERAR: Suppose we were starting afresh.

Mr. DEUTSCH: Taking the present level of salaries?

Senator CRERAR: The present 6 per cent of contributions by the government and employee, and 4 per cent interest: is it actuarially sound?

Mr. CLARK: The last actuarial survey was made on the predecessor to the present act which came into force in 1954, and that survey showed that if you were starting from now, slightly over a total of 12 per cent would be required in the case of a man, and slightly under 10 in the case of a woman. Following on that recommendation, men are charged half of the 12, or six, and women half of the 10, or five; and if you had normal salary progression that would be adequate. But if you have any general salary increase, such as we had a year or so ago, then there is an additional liability set up which the six for men and the five for women will not cover, and under the present Act the government is required to make a special contribution at the time of any general salary increase, related to the additional liability.

Mr. DEUTSCH: In other words, the present scheme is actuarially sound if you start off from scratch, but it is not sound if you have a general salary change. The reason for that is, as I said before, that the benefits are paid out on the best ten years' average, where the contributions are made on a different salary basis; but the provisions of the present Act are that when you have a change in salary levels the government puts a lump sum contribution into the fund to take care of that. If it continues to do that, the thing should be sound.

Senator CRERAR: If salaries are increased, why should not the actuarial basis of contributions be changed?

Mr. DEUTSCH: It could, but that is a question of policy.

Senator GOLDING: As a matter of fact, the government has made up all the deficiency?

Mr. DEUTSCH: Yes.

Senator GOLDING: And according to this, that is what they will have to do in the future.

Mr. DEUTSCH: That is right. In other words, whenever there is a general salary revision, a deficiency will arise in the fund, and the present Act of Parliament provides that when such a thing is done the government shall make a lump sum contribution to the fund to make up the deficiency.

Senator BEAUBIEN: Under the Superannuation Act the employee and the government each pays 6 per cent?

Mr. DEUTSCH: Yes. That is, the man. And the woman pays 5 per cent.

Senator BEAUBIEN: And the excess the government will match, dollar for dollar?

Mr. DEUTSCH: That is right.

Senator BEAUBIEN: And if the fund becomes deficient on account of increases in salaries, then the men who get the increases in salaries pay 6 per cent of their increases?

Mr. DEUTSCH: Yes. Their contribution is on 6 per cent of the increased salary.

Senator ASELTINE: Why could you not have a sliding scale and do away with that?

Mr. DEUTSCH: You could if you wanted to.

Senator HAIG: It is not in the law.

Mr. DEUTSCH: It is a matter of policy. It is not in the present law.

Senator ASELTINE: You would have to amend the law accordingly?

Mr. DEUTSCH: Yes.

Senator REID: The 6 per cent does not cover it?

Mr. DEUTSCH: No.

Senator REID: It is something they get from the people of the country that they do not pay for. Let us be frank about it.

Mr. DEUTSCH: Even if the employee pays 6 per cent of his increased salary, it is only 6 per cent of his salary from that time; nevertheless, he gets benefits for which he did not pay the extra 6 per cent. That is where the deficiency arises.

Senator TURGEON: Am I right to assume that there is bound to be a deficiency which, under the law, must be paid by the government?

Mr. DEUTSCH: The way the law stands is that if the deficiency arises because of a general salary increase, the government is bound to make it up.

Senator BAIRD: In other words, the government is subsidizing the fund.

Senator CRERAR: That is not a question we can very well ask Mr. Deutsch.

Mr. DEUTSCH: I am just explaining what the position is.

The CHAIRMAN: Does that answer your question, Senator Isnor?

Senator ISNOR: Thanks very much. What amount was paid in last year by the employees?

Mr. DEUTSCH: By the employees, last year, there was paid in 32 million dollars.

Senator ISNOR: Then the Government has \$32 million belonging to the employees for last year alone?

Mr. DEUTSCH: The Government always matches one year in arrears.

Senator ISNOR: I am just dealing with the dollars paid in by the employees. I want to leave a thought with you and the Treasury Board. Coming back to the \$32 million paid in by the employees, notwithstanding what our ex-banker senator said about it costing 2 per cent to finance loans, I wish to point out it was necessary for the Government to recently raise the mortgage rate from $5\frac{1}{4}$ to $5\frac{1}{2}$ per cent. Now, I am going to suggest that the association representing the employees might consider investing their \$32 million in national housing ventures as it would give them $1\frac{1}{2}$ per cent clear.

Mr. DEUTSCH: That is something, of course, which is a policy matter. This suggestion would have to be made to the Government and the employees concerned.

Senator ISNOR: They will read about it.

Mr. DEUTSCH: I do not wish to comment on that.

Senator SMITH: I think it might be valuable to compare what we are doing in the Government service with what the larger industries are doing. Is it not a fact that most industries have a scheme whereby the firm and the employee each contributes one-half towards a pension fund? Then the employees, at the end of their time of work, collect on the basis of what both have paid in.

Mr. DEUTSCH: Yes.

Senator SMITH: Is there any difference between what we are doing for Government employees and what the larger industries are doing for their employees?

Mr. DEUTSCH: Not in substance, no. I might say that these deficiencies in pension funds are not unique to the Government. I think almost every business

has the same difficulty for pretty well the same reasons. Salary levels and wage levels have gone up and the benefits are sometimes paid out on the basis of current salary levels although contributions were made on other levels. That is a problem faced by anybody running a pension fund.

Senator BARBOUR: And the span of life has increased?

Mr. DEUTSCH: Yes. You will find in the financial statements of many firms the entry "Special Contribution to Pension Fund". It is taken off income.

Senator EULER: Perhaps I am not in order but what we have been discussing reminds me of another point. I refer to the country annuity business that is being carried on through, I believe, the Department of Labour. I know that years ago the fund was found actuarially inadequate and the rates were very much increased. I would like to know whether from time to time an actuarial examination is made as to whether the rates are sufficient to enable the Government to carry on and whether at the present time they pay the cost of maintenance and make a profit. I would like to know just what the situation is.

Mr. DEUTSCH: Senator Crerar asked a question about the annuity scheme which is operated by the Labour Department. That department has a branch which operates an annuity scheme, and the public may buy annuities at certain rates and the branch will pay out annuities in the future at age 65. I also think Senator Crerar asked the amount paid to the annuity fund by the Government throughout the year in order to keep the fund solvent, and he also asked what the total amount of the fund is at the present time. On March 31, 1955, it was \$864,500,000. That was the size of the fund. The total contribution made by the Government to this fund to keep it sound is \$30 million.

Senator CRERAR: Over what period of years?

Mr. DEUTSCH: That goes back to 1938.

Senator CRERAR: Were there any payments before that time?

Mr. DEUTSCH: No.

Senator HAIG: The Government has made some since 1938.

Mr. DEUTSCH: Yes. The total paid is \$30 million. The reason the fund was short was that the mortality tables were out of date. I believe they used the mortality tables of 1908 right up to 1938, and of course the span of life in 1908 was something different to what it is today. They paid the annuities on the basis of the mortality tables at that time, and of course when the time came to pay out the annuities the people lived a lot longer than those tables provided for.

Senator BURCHILL: When was the scheme put into effect?

Mr. DEUTSCH: In 1908. In other words, they took the same table as they had at that date. They put the fund into effect and the annuities were purchased on the basis of the mortality tables of that time, and when the time came to pay the money out the people lived a lot longer than had been predicted in 1908. That increased the liability to the Government. In order to make that up over the years they have had to contribute some \$30 million. Every year we contribute to the fund the amount of the liabilities coming due in that year. In other words, when these old contracts mature from year to year we have to pay in an amount to make them actuarially sound. Last year we paid in \$371,000.

Senator EULER: I think it was laid down that the amount of an annuity could not exceed \$5,000. This amount has been decreased, but I am informed that a person who had the right to make a contract for \$5,000 could make

one for only \$2,000 but that he had the right at any time in the future—right up to now and in perpetuity if he lived that long—of getting the additional \$3,000 at the old rate. Is that the fact?

Mr. DEUTSCH: That is right.

Senator EULER: That would mean that periodically the Government would have to make an addition to that fund.

Mr. DEUTSCH: That is right.

Senator EULER: Are you carrying that big amount in the same way as you do the Civil Service Fund; that is, by merely giving credit on your books?

Mr. DEUTSCH: That is right. It is handled in the same way as the Superannuation Fund. It is a liability on the balance sheet and we use the money for Government purposes. Every year we put into the fund what is necessary to make actuarially sound the policies which mature in that year. Last year we put in \$371,000 for that purpose.

The CHAIRMAN: Is the situation now that it is actuarially sound?

Mr. DEUTSCH: Yes.

The CHAIRMAN: And the recurrent payments are due—

Mr. DEUTSCH: To the past period. We now have a periodical actuarial assessment made of this fund, and the last one we had made just recently the actuary reported that in his opinion it was actuarially sound.

Senator GERSHAW: What about administrative costs?

Mr. DEUTSCH: Administration costs are over and above that. As to the administration costs, the estimates for this year provide \$1,071,000 for administration, that is paid by the Government.

Senator CRERAR: That is not included in the contributions made by the Government?

Mr. DEUTSCH: No, that is an annual administration charge.

Senator MOLSON: Where is that shown?

Mr. DEUTSCH: It is a statutory item, sir, and it is done automatically. The act provides for this. You will find administration charges, though, in the Department of Labour estimates.

Now, the interest rate which Senator Haig asked about on annuities now purchased is $3\frac{1}{2}$ per cent. That is not the whole story, because until 1948 the interest was 4 per cent. In 1948 it was reduced to 3 per cent. In 1952 it was raised to $3\frac{1}{2}$ per cent. That is the history. Now, the fund, \$708 million is at 4 per cent.

Senator HAIG: Who makes up the loss? Does the Government pay the 4 per cent straight out?

Mr. DEUTSCH: Straight out, yes.

Senator BURCHILL: Can you give us any information as to whether there is an increase in the sale of annuities? As the years go on does the business increase?

Mr. DEUTSCH: In the last few years?

Senator BURCHILL: Yes.

Mr. DEUTSCH: The annual sale in 1954-55—that really represents money coming in—was \$68 million odd. Now, the contracts issued in that year 1954-55 were 6,242. Contracts in the previous year were 5,305. It was very high in 1948, then it dropped, and then it has been coming up again. In other words, the sales have increased in recent years. Now, the policy is to adjust the interest according to the interest which the Government is able to borrow at, and that changes from time to time.

Senator BAIRD: Do I understand that one can take out an annuity of \$1,200, with the option at a later date of increasing it to \$5,000?

Mr. DEUTSCH: No, not now; that used to be the case.

Senator EULER: Are the sales of Government annuities done on a commission basis?

Mr. DEUTSCH: Yes, people selling them—if you are approached by a salesman he gets a commission, and that is included in the administration cost—in that \$1,071,000, and the commission is \$330,000.

Senator HAIG: What was it in 1932?

Mr. DEUTSCH: Oh, I haven't got that here.

Senator HAIG: It was a lot more.

Mr. DEUTSCH: I haven't that far back here in my statistics.

Senator BEAUBIEN: How do the rates compare with annuities which are sold by insurance companies?

Mr. DEUTSCH: Well, I think I can give that information.

Senator BEAUBIEN: Is the rate lower for a Government annuity than for an annuity which the insurance companies offer?

Mr. DEUTSCH: I understand that there is one company that sells at generally comparable rates, but generally speaking other companies are somewhat higher.

Senator ISNOR: I would like to know that company.

Senator CRERAR: Well, it might be expected, because the Government pays the total cost of administration, and this year it amounted to \$1,071,000, Mr. Deutsch told us.

Senator MOLSON: And they spend \$110,000 in publicity to get that business, apparently.

Senator EULER: The reason companies do business in annuities is that almost everybody wants to have a larger annuity than \$1,200, and that is all they can get from the Government, whereas insurance companies can provide annuities at higher amounts, is that not so?

Senator CRERAR: Have you any explanation for this amount of \$95,000, Mr. Deutsch?

Mr. DEUTSCH: As to some of it, we employ actuaries to assess the fund, and so on; that is part of it. That completes that question, I think.

One or two other questions were asked. I believe someone asked the cost of Government publications under \$5,000. I have not been able to compile that yet because it is a very lengthy compilation, and we have to go through and count up all the items over the \$5,000 items we have already proved, and that is a pretty lengthy compilation.

The CHAIRMAN: You might try to get that later?

Mr. DEUTSCH: Yes.

Senator REID: There was a laxity of control, I believe.

Mr. DEUTSCH: We do control the total amount of money, and in addition to that we control the individual items over \$5,000, so it is not correct to say that there is no control, because we do fix the total amount they spend on publications, as well as individual items over \$5,000.

The CHAIRMAN: Senator Connolly is not here, but he asked how much is spent on duplicating equipment.

Mr. DEUTSCH: Yes, there was a question about the money spent by the department in the purchase of duplicating equipment. The calculation is that in 1954-55 they spent \$132,923; that is for the purchase of duplicating equipment used by individual departments.

The CHAIRMAN: I think that answers that question. It is obvious now that we will have to have Mr. Deutsch back to ask him additional questions; but if there is any point on which any senator would like information, he might ask the questions now and they could be answered at our next meeting.

Senator MOLSON: Could I ask a general question of Mr. Deutsch concerning purchasing by the government? Is there any method by which the price paid for similar articles in two very distant places, for example, are the same in each case? In other words, what control is there over that particular phase of purchasing? I do not think it is centralized.

Mr. DEUTSCH: Our general practice in purchasing is to ask for tenders and to take the lowest tender.

The CHAIRMAN: Does each department act on its own in that respect?

Mr. DEUTSCH: Except for furniture, stationery and supplies, and office machinery, each department purchases on its own. I should make a general exception with respect to the purchasing for the Defence Department, which is done by the Department of Defence Production.

Senator EULER: May I ask a question with respect to the Department of Public Works? When a new building, such as a post office is being put up and tenders are called, is the contract always given to the lowest bidder?

Mr. DEUTSCH: The requirement is that the contract must be given to the lowest tender, unless the Treasury Board approves otherwise.

Senator EULER: I was wondering whether a practice which existed some years ago still obtains: at one time when tenders were received from local and outside contractors, and the outside tenderer was lower, the contract was given to the local tender at the same price as quoted by the outside contractor. I wondered if that nefarious practice still was carried on. I know it has happened in the past.

Mr. DEUTSCH: Our general practice is to give the contract to the lowest tender, but sometimes exceptions are made for reasons which are considered adequate.

Senator EULER: There might even be political reasons.

Mr. DEUTSCH: I can't go into that. Sometimes the lowest tenderer states certain reservations or qualifications in his bid, which makes it inadvisable to give the contract to him.

Senator EULER: I am not referring to that.

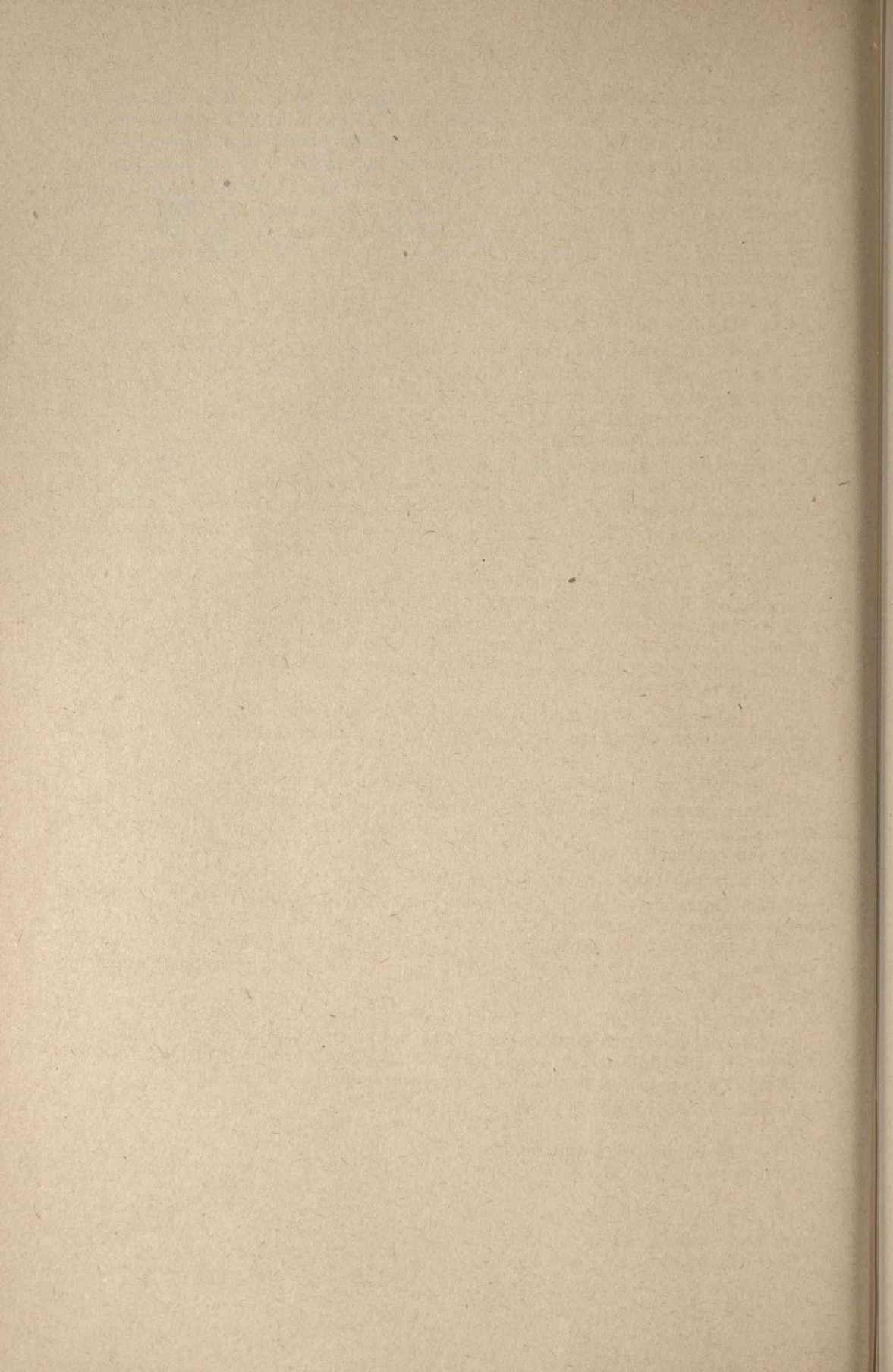
Mr. DEUTSCH: Regulations provide that contracts must go to the lowest tender unless it is an exception granted for reasons.

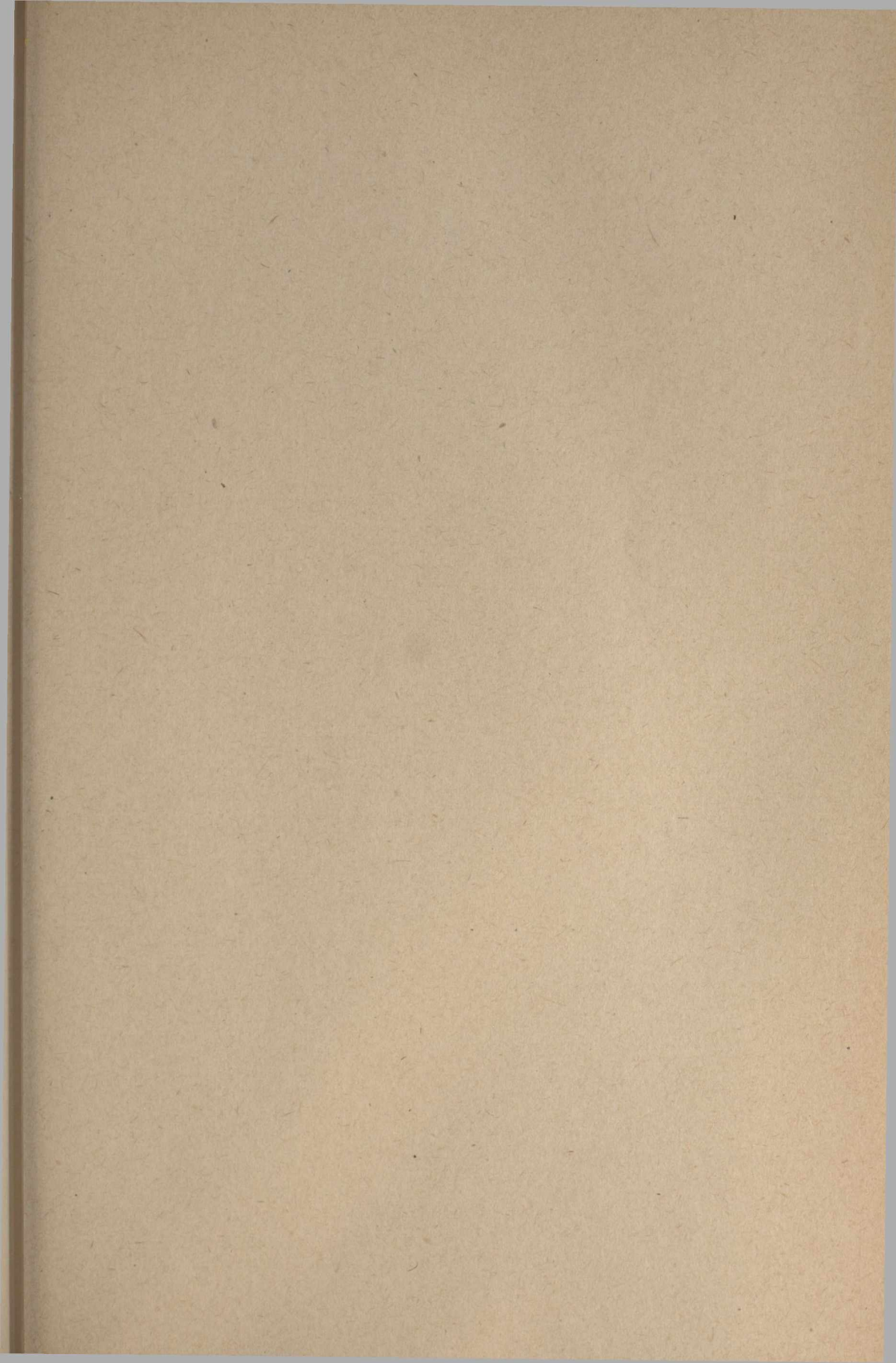
Senator GOLDING: Municipalities award contracts on exactly the same basis. It often happens that contractors who tender are not in a position to carry out the work at the figure quoted.

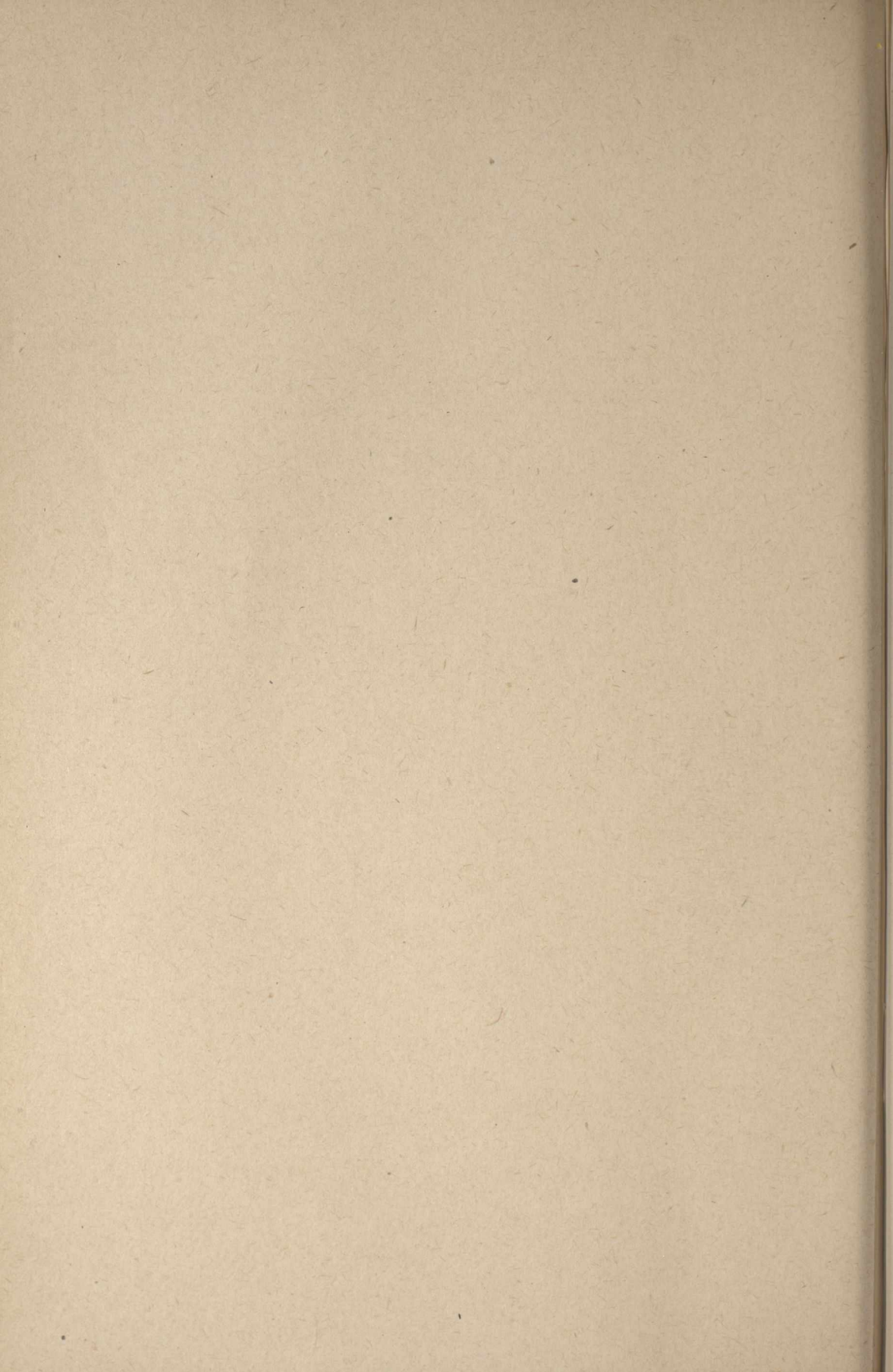
Senator BARBOUR: Mr. Chairman, I can see around this board several directors of insurance companies. I was wondering if the government might not find it profitable to call for tenders on its annuities and insurance business, and sell that operation to the insurance companies.

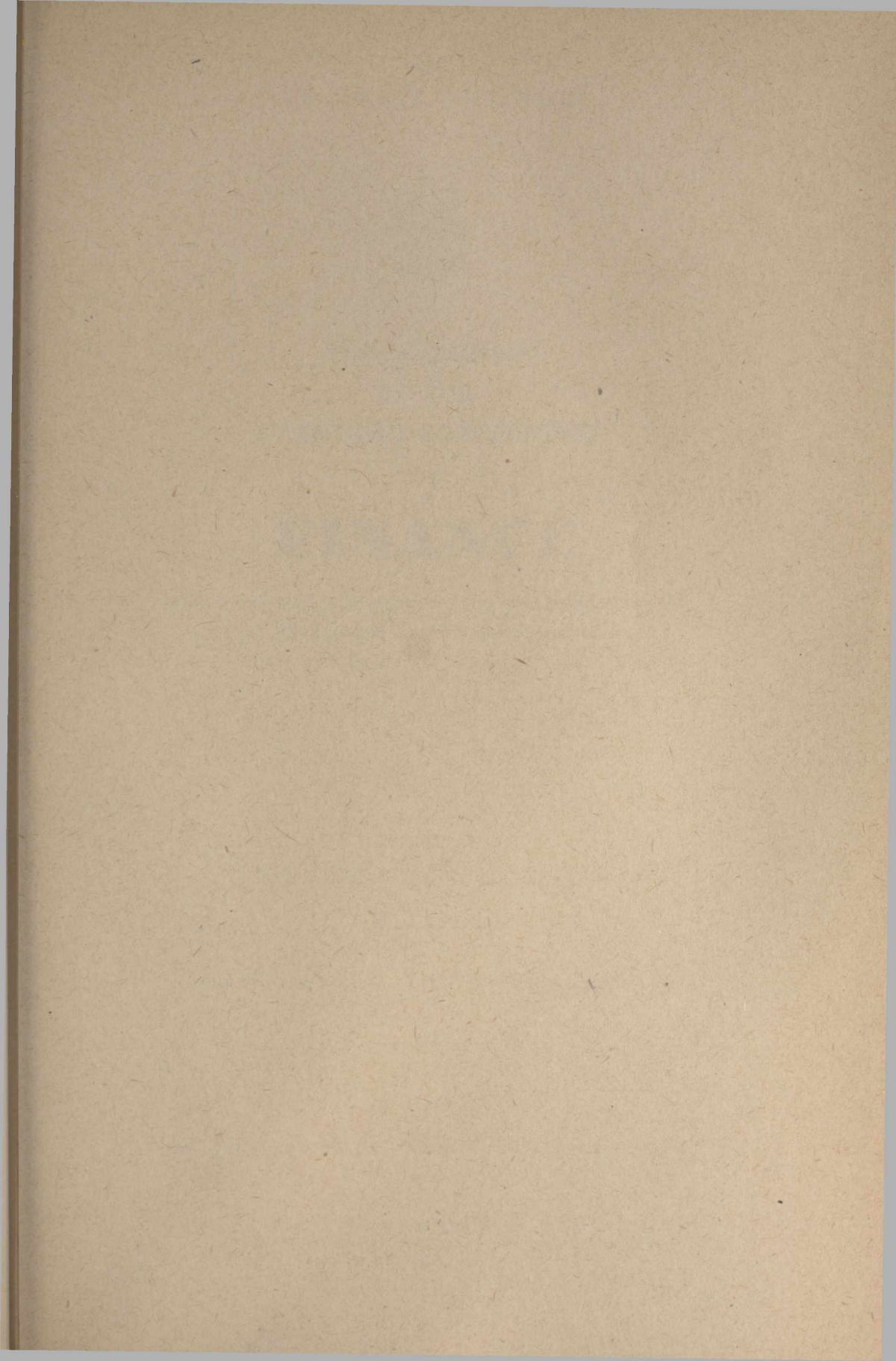
Senator ASELTINE: I move we adjourn.

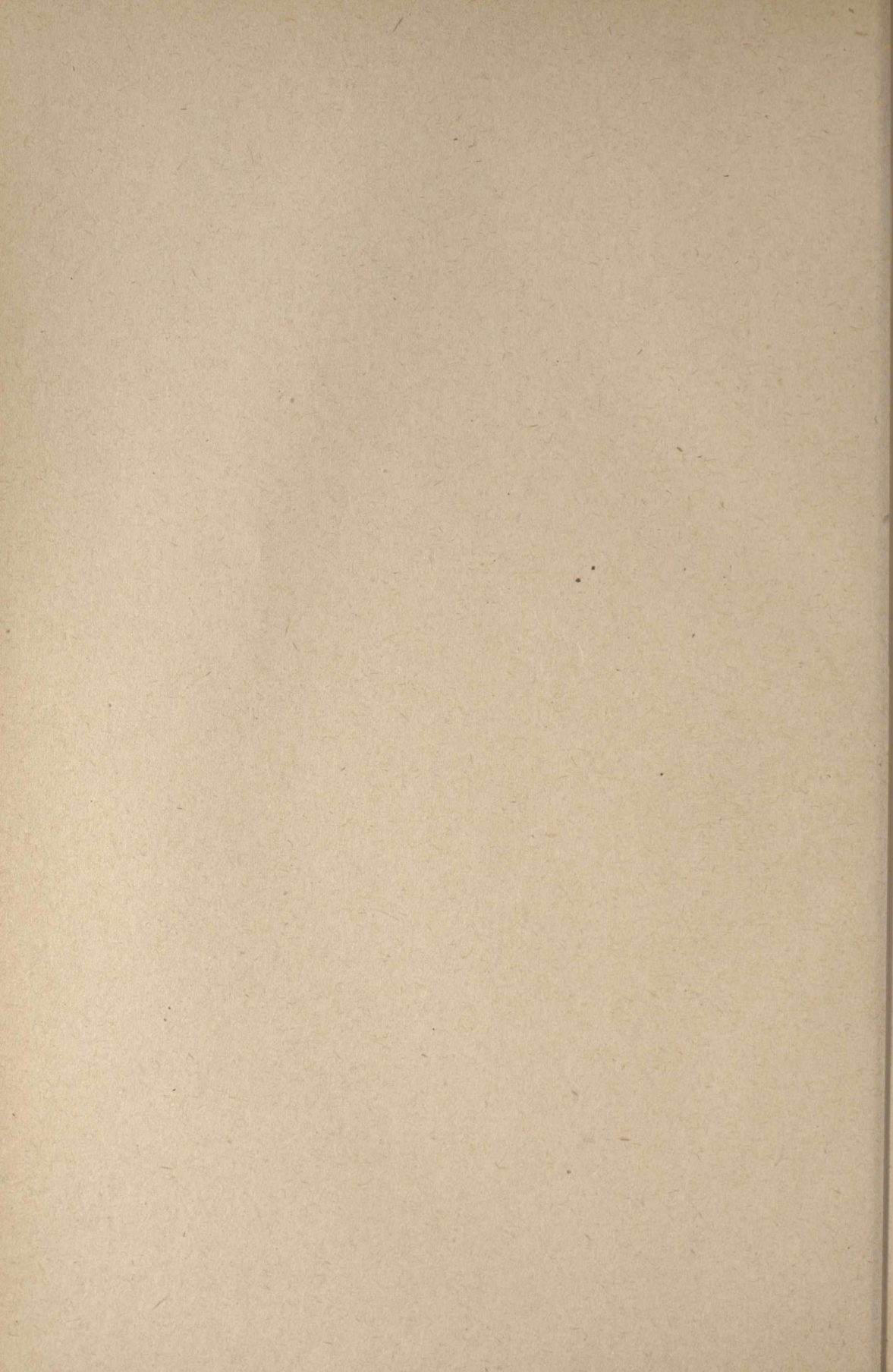
—The committee adjourned.











1956
THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1957

No. 4

THURSDAY, MARCH 22, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESS

Mr. J. J. Deutsch, Secretary to the Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956.

STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly (<i>Halifax</i>	Howden	Smith
<i>North</i>)	Isnor	Stambaugh
Connolly (<i>Ottawa West</i>)	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, February 15, 1956.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

J. F. MacNEILL,
Clerk of the Senate.

Extract from the Minutes of the Proceedings of the Senate

TUESDAY, March 20, 1956.

“With leave of the Senate,

The Honourable Senator Beaubien moved, seconded by the Honourable Senator Vaillancourt,—

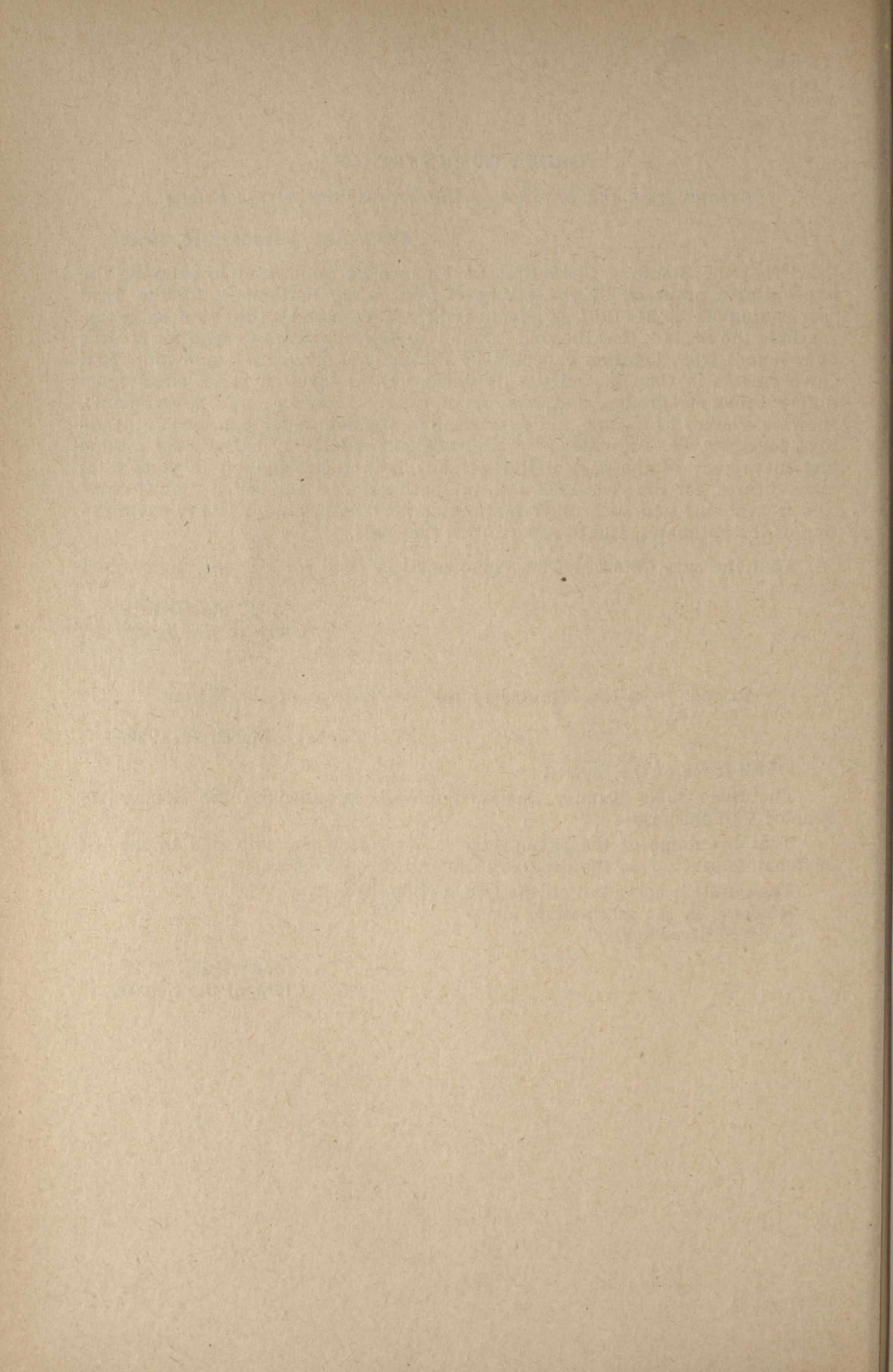
That the name of the Honourable Senator Howden be added to the list of Senators serving on the Standing Committee on Finance.

The question being put on the said motion, it was—

Resolved in the affirmative, and—

Ordered accordingly.”

J. F. MacNEILL,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

THURSDAY, March 22, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Hawkins, Chairman; Aseltine, Barbour, Beaubien, Burchill, Connolly (*Halifax North*), Connolly (*Ottawa West*), Crerar, Euler, Golding, Haig, Horner, Howden, Isnor, Leonard, Pratt, Smith, Stambaugh, Turgeon and Woodrow—20.

In attendance: The official reporters of the Senate.

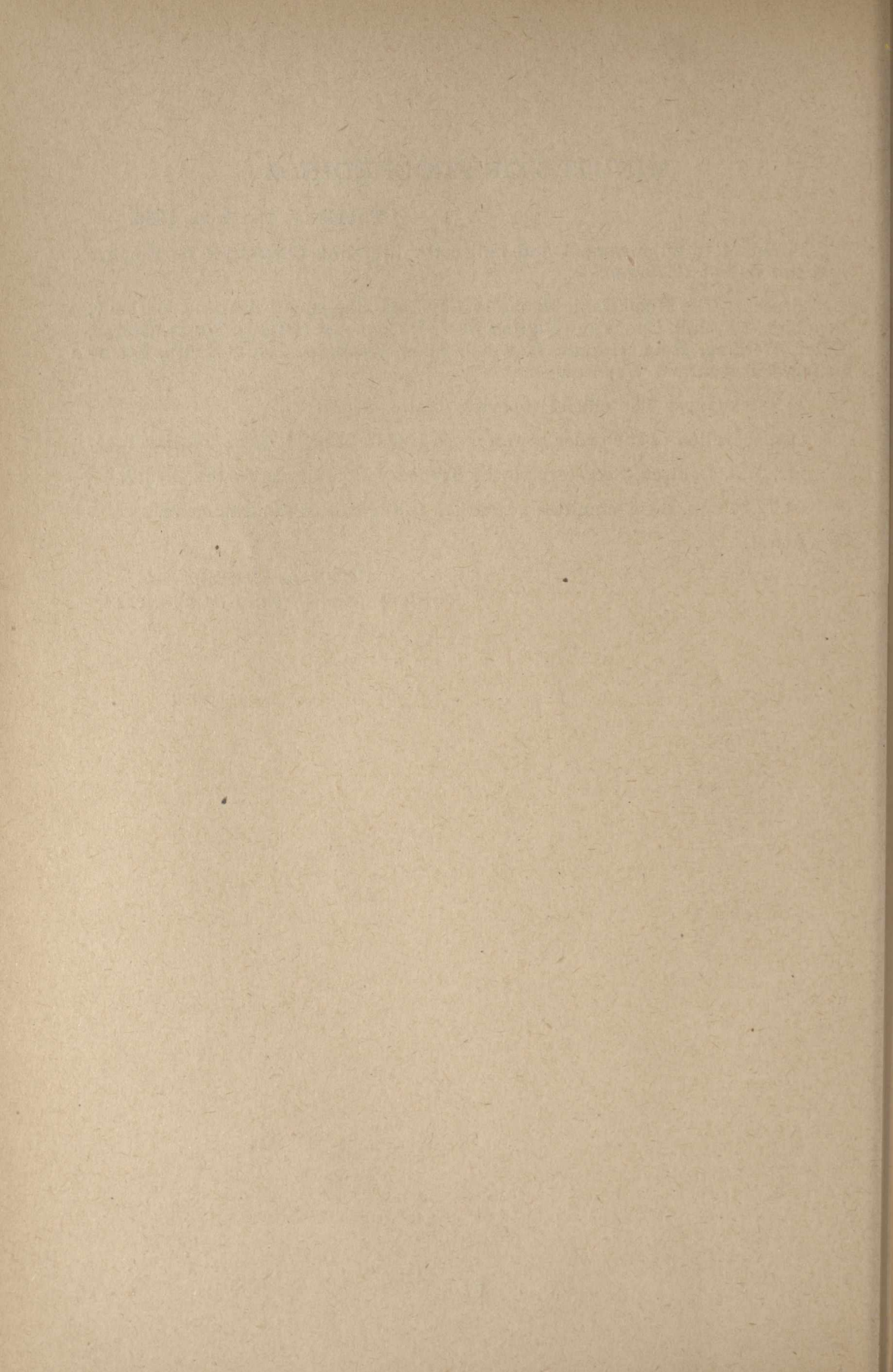
Consideration of the order of reference of February 15, 1956, was resumed.

Mr. J. J. Deutsch, Secretary to the Treasury Board, was further heard.

At 12.20 p.m. the Committee adjourned to the call of the Chairman.

Attest.

JOHN A. HINDS,
Assistant Chief Clerk of Committees.



THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, THURSDAY, March 22, 1956.

EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum so will you please come to order. Following the general meeting last Thursday we held a meeting of the Steering Committee, and I think I should make a brief statement this morning about that meeting. It was agreed to have Mr. Deutsch back this morning to answer some questions that were raised at the last meeting. I would point out that this morning's meeting will be the last until after the Easter recess. Last Thursday a question was asked about Government policy in connection with rented accommodation and it was felt that some witness should be called at a later date in this regard. There was also at the last meeting a discussion in connection with superannuation and annuities, and some questions were asked of Mr. Deutsch which were not proper for him to answer as they dealt with Government policy. The Steering Committee is suggesting that at a later date we call the Honourable Walter Harris and the Honourable Milton Gregg to answer questions in that respect.

At the last meeting there was available for distribution twenty-five copies of "Comparative Statistics of Public Finance" which come in four volumes. Mr. Deutsch has kindly got us additional copies and they are now available for distribution.

At the last meeting questions were asked in connection with all Government employment. Mr. Deutsch supplied some information from a November memorandum on "Federal Government Employment". We also have twenty-five copies of this document available for distribution.

Last week Senator Molson asked a question in connection with Government purchasing. Mr. Deutsch is now ready to give that information, and I would now call upon him.

Mr. J. J. DEUTSCH: Mr. Chairman and honourable senators, I believe Senator Molson was interested in the arrangements we have for the purchase of land and for the purchase of various equipment, materials and supplies by the different departments. I shall start with the arrangements for the purchase of land. The purchase of land, and buildings on the land, is governed by regulations issued under an order-in-council. The present regulations were passed in 1952 and provide that the Minister of a department may purchase land when the cost does not exceed \$15,000. If the cost should exceed that amount then Treasury Board authority is required. The purchase of land without Treasury Board authority—that is, when the cost is below \$15,000—has to be reported monthly to the Treasury Board. Further to this no payment can be made for the purchase of land unless a good title has been obtained through the Deputy Minister of Justice. When it is decided to purchase a particular parcel of land the Deputy Minister of Justice is informed and he

usually appoints an agent who looks after all the legal aspects of the purchase, such as the matter of title, and so forth. No payment can be made on that land until the Deputy Minister of Justice certifies that all the legal requirements have been met and that a good title has been obtained. I believe the formality is that the cheque in payment is actually handed over to the agent of the Deputy Minister of Justice just to make sure that no payments are made until all the legal formalities have been completed. That is very briefly the procedure.

As to the places where land is bought, or the departments that buy land, I will give you a brief summary of where these are. Land is purchased separately by the individual departments; there is no central land purchasing organization for the whole Government. The actual transaction is carried out by an individual department, under these regulations, of course, and in accordance with these regulations. The Department of Public Works has a land administration division and that division conducts all the transactions in connection with land purchases for the Department of Public Works. I believe they have about four people in this division at head office. The other department which does a considerable amount of land purchasing is the Department of Transport. They buy land in connection with development of airports and their marine canal activities, and they also do a great deal of work on behalf of the Department of National Defence. Generally speaking, purchases for airports for the Department of National Defence for the air force are carried out by the Department of Transport on behalf of the Department of National Defence, and so here there is an attempt, you see, to use the facilities of that department, which are there in any case, for civilian purposes, and the Department of National Defence uses those facilities in connection with the purchases it has to make particularly for airports. Land is also purchased by the Department of National Defence itself for general purposes, and they have a division charged with this responsibility of purchasing land. They have to buy land, of course, for other things besides airports—the development of military establishments, and so forth, and they have a section that does that, but generally speaking for airport purposes land is purchased by the Department of Transport. In some cases the Department of National Defence also use the Department of Public Works. They try as much as possible to use the facilities in the civilian department in these land operations—either the Department of Transport, and in some cases the Department of Public Works. In other cases where no civilian facilities are appropriate they have a section of their own to buy the remaining requirements. The Department of External Affairs has a property and land purchasing organization in connection with their requirements overseas. I told you the other day that except in London the management and acquisition of property abroad is carried out by the Department of External Affairs; they obtain properties for embassies, of course, and in some cases for living quarters for the ambassadors. In some cases we own those; in other cases we rent them; and the Department of External Affairs does its own work in this connection.

The Department of Trade and Commerce does a small amount of land purchasing abroad, but generally speaking its requirements at home are met by the Department of Public Works. As you know, Trade and Commerce have a Trade Commissioner Service, and in some cases the Department requires property for that service, but it is not very extensive.

The Department of Citizenship and Immigration have a certain amount of work in connection with the acquisition and sale of land, particularly on behalf of the Indians. They have a division which deals with that matter.

The requirements for the Department of Agriculture are met by the Department of Public Works, but not including the Prairie Farm Rehabilitation Administration; the P.F.R.A. branch carries out its own land transactions.

The Royal Canadian Mounted Police conduct their own transactions for the acquisition of land their various divisions across the country. As you know they have divisions located in various provinces, and for their divisional establishments they have to acquire land and buildings. The construction of new buildings for the R.C.M.P. is largely carried out by the Department of Public Works, but the R.C.M.P. have their own buildings division.

I think I have pretty well covered the principal departments that are engaged in the acquisition of land.

Senator EULER: Would you touch on the Department of National Revenue, for instance, in their purchase of land for the construction of a Customs House?

The CHAIRMAN: Senator Euler, perhaps we should let the witness finish his statement.

Senator EULER: I understood he was finished.

Mr. DEUTSCH: I am pretty well finished with my statement in a general way. The Department of National Revenue has the work done for them by the Department of Public Works, with some exceptions.

Senator EULER: I do not wish to transgress the Chairman's ruling, but I am curious about a transaction in my own city.

Mr. DEUTSCH: The requirements for the Department of National Revenue are as a rule provided by the Department of Public Works, who acquire land and construct buildings, with some exceptions. The exceptions relate particularly outlying points where a house has to be built for a Customs collector or some such person, and the Department of Public Works do not have the facilities in the area for carrying out the operations. In such cases the Department of National Revenue could make their own arrangements for the land and building.

Senator EULER: I have particular reference to a transaction in my own city of Kitchener, and perhaps this may be one of the exceptions. I understand that you have purchased land there for the building of an Income Tax office. Is that done by the Department of Public Works?

Mr. DEUTSCH: I would think so.

Senator EULER: Supposing they decided to build a post office on the land, who would do that?

Mr. DEUTSCH: That would be done by the Department of Public Works.

Senator EULER: Or if the Department of National Revenue wanted to build a little Customs house on the border, would that be done by the Department of Public Works?

Mr. DEUTSCH: Generally speaking, yes. There may be an exception, for instance in the case of a particularly outlying area where the Department of Public Works has not facilities. In that case it may call on the Department of National Revenue to make the arrangements, but that is an exception to the rule. The general rule is that the Department of Public Works provides the requirements for the Department of National Revenue. The same for the Post Office Department, for the Department of Agriculture except P.F.R.A., the same for Trade and Commerce except in the case of Trade Commissioners abroad.

The CHAIRMAN: The meeting is open for questions.

Senator HOWDEN: Mr. Deutsch, you said a little while ago that the departments were each able to make \$15,000 expenditures for land wherever it was deemed necessary. I am wondering how often a department will be permitted to make a \$15,000 expenditure over a certain period of time.

Mr. DEUTSCH: Well, the general control, Senator, is that they may not use money to buy land with unless it has been approved in the Estimates. In

other words, the total amount of money that may be spent in a fiscal year for the purchase of land has to be voted in the Estimates. So there you have a general control over how much they can spend. Given that overall figure, a department may purchase land up to that amount. But a department cannot without authority from the Treasury Board, buy land costing in excess of \$15,000 for any one parcel. If they go above \$15,000 for any one parcel they have to get the approval of Treasury Board for that particular transaction.

Senator HOWDEN: I gathered that, but I am wondering how often they would be permitted to spend \$15,000 for land.

Mr. DEUTSCH: That is controlled by the total amount of money they are allotted. They cannot exceed what has been allocated to them in the Estimates for that purpose. When the Estimates are under preparation the department officials are examined and asked to explain the purposes for which it wants to spend money, and the Board will then decide how much it will recommend. Furthermore, for purchases under \$15,000 they have to make a monthly report to Treasury Board. In effect, the Board sees all transactions. If, for instance, in the monthly report of transactions under \$15,000 anything is noticed requiring comment, the Treasury Board will immediately draw it to the attention of the Department.

Senator BURCHILL: What about the Department of National Defence? That department must do a lot of land purchasing for camps and other military purposes. I have in mind the extensive military camp at Gagetown, New Brunswick. How was that transaction handled?

Mr. DEUTSCH: The Gagetown matter was handled by the Department of National Defence.

Senator BURCHILL: With the approval of Treasury Board?

Mr. DEUTSCH: Yes. All these regulations apply to that Department too.

Senator BURCHILL: Do you happen to know the machinery that was set up to make these purchases, how they went about it?

Mr. DEUTSCH: Well, as I have indicated, they have a real estate branch in the Department of National Defence, and they have got an agent called a Real Estate Adviser, and they use that branch and the people in it to carry out these transactions. But these transactions have, as in any other department, to be carried out under these regulations. In other words, every purchase over \$15,000 has to be approved specifically by the Treasury Board.

Senator CRERAR: The Department of Defence Production has nothing to do with that?

Mr. DEUTSCH: No. The Department of Defence Production carries out the construction. It lets the contracts for construction. But the actual acquisition of land is carried out either by the Department of National Defence or by the Department of Transport, or, in some cases, by the Department of Public Works. Generally speaking, the Department of Transport looks after air requirements—airports and so on, for the Air Force, and the requirements for the Army are carried out directly by the Department of National Defence.

Senator CRERAR: Well, if the Defence Department wants a series of buildings, say, residences at some certain place, they make that requisition on Defence Production; and Defence Production—

Mr. DEUTSCH: Yes. Suppose it is barrack blocks; the requisition is then on the Department of Defence Production. The Department of Defence Production, as you know, have a Crown company, called Defence Construction Limited, and that Crown company lets the contract and supervises the construction.

Senator SMITH: Mr. Deutsch, in relation to the amount of purchasing that is done in excess of the \$15,000, how much is done by the various departments outside of the purchases that are referred to the Department of Public Works? Does it amount to very much in a fiscal year?

Mr. DEUTSCH: Yes. I should say, answering that question, Senator, that there are three big land purchasing departments,—the Department of Public Works, the Department of Transport, and the Department of Defence. Those are the three big ones; the others are relatively small. I have got some statistics here which will give you some idea of the relative size of these things. The Department of Public Works, in 1955-56, the fiscal year just closing, purchased about six and a half million dollars worth of land; when I say "land", the land often has buildings on it, so this cannot be taken as purely land; it is land and buildings that are purchased. The Department of Transport, in the same fiscal year, purchased land for airports, for transmitter sites, radio sites, etc.,—all the sort of things the Department of Transport is interested in, but mainly airports,—to the amount of \$8.6 millions; and the Department of National Defence,—these are lands for military camps and things of that sort,—spent about \$3.2 millions. The other departments that I have got here are all under a million. They are relatively small in comparison with the three big land purchasing departments,—Public Works, Transport and National Defence.

Senator SMITH: Have you any information as to whether there is much construction of buildings done by army personnel themselves without calling on Defence Production or Public Works or any other agency of Government? Do they undertake much building of armouries themselves?

Mr. DEUTSCH: Oh, no. There would be relatively little.

Senator SMITH: When they do it why do they do it?

Mr. DEUTSCH: When they do it it would only be done because at that particular spot it may be more efficient and less costly. They are on the spot and it may be difficult for outsiders to come in. Generally speaking, however, there is little construction done by the army itself.

Senator SMITH: I am conscious of this because in my own town the army sent a bunch of their men in there to supervise the building and then hired local labour, and so on, to do the work. I was just wondering if this was a general practice, for there has been some question as to whether this is efficient.

Mr. DEUTSCH: There is not very much of that done. The total would be relatively small. There may be specific situations in a particular place. They may decide it is more efficient to do it themselves but, generally speaking, we require them to go to contractors.

Senator SMITH: Is there any way in which the Treasury Board could check up on things of this nature and ascertain why the army is doing a particular building job itself? Personally I can see no reason for them doing an armoury building that way.

Mr. DEUTSCH: It is an armoury building?

Senator SMITH: Well, a garage for an armoury, and repairs, alterations and decorations. What I have in mind was done in Liverpool, Nova Scotia, and it was felt by many local citizens that the work might have been better done in the way which I understood is the usual way of doing this sort of thing.

Mr. DEUTSCH: Generally speaking, much of the day-to-day maintenance and repairs is done by the forces with their own facilities, of course it is always nice question where maintenance starts and a new project begins. This might have been classified as maintenance.

Senator SMITH: I do not see how it could have been. It was a new construction of a garage for army vehicles. It was constructed with concrete blocks or something of that nature. It was a permanent fire resistant structure.

Mr. DEUTSCH: We would be glad to look into a thing of that kind.

Senator SMITH: I am not too concerned with that particular case but I was wondering if it was the general practice.

Mr. DEUTSCH: It is not the general practice.

Senator SMITH: Why would they make an exception?

Mr. DEUTSCH: In their own opinion they may decide it is wise to make such an exception. However, their activity should be confined to maintenance, and so on. As I said before, there is always the question of defining where maintenance stops and new construction begins. Generally speaking, all new construction is carried out by contract.

Senator SMITH: We know that large stocks of material are kept by the army in their various headquarters. For instance, the army might be doing some work in, say, Liverpool, and trucks will go into Halifax for material for the job. I know that some people feel that these materials should be bought locally, not too favour local citizens and business but that it would be cheaper to do so. I was given an answer to this but I was not satisfied with it. I just mention it because I think the Treasury Board should take a look at this type of practice and see if it cannot be improved.

Mr. DEUTSCH: We are always glad to look into these matters. Of course, they are better able to answer you than I am, for I do not run that part of the business. The Treasury Board is interested in that because these things should not be done in a way that is more costly than necessary.

Senator HAROLD CONNOLLY: Doesn't the Department of Public Works have representatives in each province in Canada?

Mr. DEUTSCH: I think so.

Senator HAROLD CONNOLLY: Then how could it be possible for any other departmental official to have a greater knowledge or better facilities available for doing jobs in a province than the officials of the Department of Public Works?

Mr. DEUTSCH: That is relative, sir. Generally speaking you are quite right. An effort should be made to use existing facilities and not duplicate them. However, there are some circumstances in which the local knowledge and facilities may be better than in some departments. I am thinking particularly of the Mounted Police. They have small detachments in out-of-the-way places, particularly in provinces where they do the provincial police work. Take Newfoundland, for example. The officials of the Department of Public Works would be centred in St. John's. The R.C.M.P. may need a detachment building in a small community. You would have to send the departmental official to the community whereas the R.C.M.P. know the place already and it would be more economic for them to go ahead with the construction.

Senator HAROLD CONNOLLY: I think we go far wide of the point if we take Newfoundland as an example for it presents an extraordinary case. It should not be confused with the ordinary case in the other provinces. Furthermore, I suggest to the witness, Mr. Chairman, that the officials of the Department of Public Works in any province, including possibly Newfoundland, have just as great a facility to determine the merits of a case in any locality as have the R.C.M.P. I am wondering further why the Department of Public Works, which is a highly responsible department of this Government, ought not to engage in all acquisitions of lands and properties? It strikes me it would be a

much more efficient method of dealing with the whole question. I wonder if the witness would care to comment on that?

Mr. DEUTSCH: I think it is a perfectly good argument to make, sir, that consideration should be given to centralizing this thing to a greater extent. It is a matter of policy. It is something that can very well be considered. There are pros and cons to a thing like this.

The CHAIRMAN: Mr. Deutsch, I agree with you that it is a matter of policy but this committee at one time made a recommendation to the Government that building activities should be concentrated more in the Department of Public Works. You have given us evidence that there has been a good deal of that done in the intervening years since our recommendation was made. I think it would partly answer Senator Connolly's question if you could give us some idea of how much the efficiency of administration has been increased due to that recommendation.

Mr. DEUTSCH: Centralizing these activities is a perfectly good matter to consider; that is, whether there ought not to be more centralization. The policy already stated by the Government is that they are attempting to put more and more of this work of public buildings and acquisition of public buildings, and so on, in the hands of the Department of Public Works. That is the official policy, and progressively the Department of Public Works is taking over these functions from the other departments.

Senator HAROLD CONNOLLY: What determines the progressiveness?

Mr. DEUTSCH: The speed with which it is done depends very largely on the Department of Public Works' capacity to handle it. Our difficulty is in obtaining staff, particularly engineers and architects. There is no use shoving some of these things on to the department if it can't perform them. We have been moving them over as quickly as the department has been able to handle them.

Senator HAROLD CONNOLLY: Does the R.C.M.P. have architects and engineers?

Mr. DEUTSCH: They have engineers.

Senator HAROLD CONNOLLY: How many?

Mr. DEUTSCH: I do not have the figures here, but I can obtain them. Our effort has been to move these things to the Department of Public Works, and as we do so to move the staffs along with them. As I told you the other day, to some extent, there have been a number of such movements.

Senator EULER: Who decides which department shall undertake the work, the R.C.M.P. or the Department of Public Works?

Mr. DEUTSCH: It is decided by the Treasury Board or by the Cabinet. I may say quite frankly that the Treasury Board in every case is endeavouring to have things moved over to the Department of Public Works. They think this matter of centralizing pays. As I said before, this is a project that can well be given some consideration. There are arguments pro and con; on the pro side, one can eliminate a good deal of duplication and the spreading around of staffs, if the operation is centralized, resulting in more efficiency and economy. On the other hand, people always raise the question that they know their own needs better than any centralized body, and in order to get things done it means convincing someone who is not intimately acquainted with the needs of that department. It is thought by some people that this results in additional delays and red tape. It is a matter of assessing which is the preferable course to take; but, generally speaking, the bias is strongly in favour of centralization; that is the trend and we are trying to follow it.

Senator ISNOR: Mr. Chairman, the witness gave the total figures for the purchase of lands by three departments, namely, Transport, Public Works and

National Defence. I wonder if he would be good enough to file the figures for the other departments before the report of today's proceeding is printed, so that we may have them before us?

Mr. DEUTSCH: I can give you those now, Senator; at least, I shall give the ones I have.

Senator ISNOR: Or you may table them if you wish.

Mr. DEUTSCH: External Affairs, for embassies and residences abroad in 1955-56, \$860,000; Trade and Commerce for staff residences abroad, Trade Commissioners Service, \$35,000; the R.C.M.P. sites for officers' quarters, detachments, etc. \$56,657; the Department of Northern Affairs and Natural Resources for administration of national parks, historic sites, etc. \$5,700; the Department of Agriculture for irrigation, rehabilitation, purchasing, community pasture, etc., under P.F.R.A., \$286,518.

Those are the civilian departments other than the three which I mentioned previously, covering the purchase of land in the year 1955-56.

Senator ISNOR: Those are the cases in which the departments have made their own purchases?

Mr. DEUTSCH: That is right.

Senator ISNOR: I should like to follow along the same line of questioning as did Senator Connolly (Halifax North), and to ask you what you mean by the word "centralization"? Do you mean centralization provincially or federally?

Mr. DEUTSCH: I am only talking about the Federal Government.

Senator ISNOR: But do you think the operations of the Department of Public Works should be centralized in the provinces or at Ottawa?

Mr. DEUTSCH: You mean, sir, as far as the branches of the Department of Public Works go?

Senator ISNOR: Yes.

Mr. DEUTSCH: When I talked about centralization, I meant centralization in the Department of Public Works itself. That department has a decentralized administration; it has offices in all of the provinces. I do not mean to suggest that centralizing means that everything should be taken to Ottawa. Obviously, as much work as possible should be done in each region by the people there, because if it were all brought to Ottawa it would result in needless red tape and delay.

Senator CRERAR: Mr. Chairman, I was about to make the observation that the rule of common sense must be applied. For instance, the Royal Canadian Mounted Police have a corporal or sergeant stationed at a place called Old Crow, which is an Indian reservation on Porcupine River, 150 miles west of Aklavik, where he has a residence. Surely, it would be a needless expense to send someone from the Department of Public Works up there to select a site and to determine what kind of a building should be put up. Also, there is a proposal to move the old hamlet of Aklavik from its present site some eight or ten miles distant, involving an expense of several million dollars. Having been at Aklavik, I am bound to say that I cannot see the justification for it, although there may be some good reason for the change. In that case the Department of Public Works sends the deputy engineer up to supervise that operation, and to decide what should be done.

As I say, Mr. Chairman, I think in these cases the rule of common sense should apply. Generally speaking, the principle is to have the work done under the Department of Public Works, but obviously there are cases when the procedure would be foolish.

Mr. DEUTSCH: That is the point I was trying to make. There are some instances where it would not be economic to send a man from a great distance to some place to make a small purchase, and the cost of taking him up there and bringing him back would be more than the whole thing costs. It just doesn't make sense. There are some instances of that kind where one has to apply good sense, but generally speaking the bias is in favour of centralizing where that seems to be a sensible and economical thing to do.

Senator HORNER: If I may ask Mr. Deutsch a question, I would like to know something of the method adopted in the procedure, from the other side of the picture, in the purchase of land and buildings. I am thinking of places where land has been purchased where there were various parcels of equal suitability, and I wonder if it is always left entirely to the central body in cases, such as I have known, to the President of the Liberal Association.

The CHAIRMAN: I am afraid, Senator Horner, you cannot get an answer to that question, Senator Pratt has a question to ask.

Senator PRATT: I would like to express an opinion with regard to this centralization matter. I think it would be regrettable if it went out from this committee that it had a strong and, I might say, a definite feeling of policy that favoured centralization. Senator Crerar's illustration about the far away sections is very applicable, but I think in areas that are not so isolated there is just as much danger of waste and inefficiency with over-centralization as having it underdone, and I think there is a great deal to be said for a certain measure of breakdown in authority, provided there is supervision and control, where it is necessary to meet the circumstances. But as far as I am concerned, I would not like it to go out from this committee as a definite statement of policy that we were favouring centralization, notwithstanding the special service centres.

The CHAIRMAN: Senator Connolly?

Senator J. J. CONNOLLY: Mr. Chairman, there are a couple of things I want to ask the witness going to the question of authority about this business of land and building acquisition. The first thing is this: The authority that is given by Parliament when estimates are passed is simply a general authority to expend the amount of money provided in the estimates. Then as the money is spent are all these parcels of land acquired in the name of the Crown of Canada?

Mr. DEUTSCH: No money may be paid, as I have explained, for the purchase of a piece of land without the authority of the Deputy Minister of Justice regarding the legal title and all the legal formalities, and that is taken in the name of the Crown, and no cheque is issued until that title has been cleared. That is why that provision is in the regulations, that no money may be paid unless the Deputy Minister is satisfied that all the formalities regarding title and legal processes have been made.

Senator J. J. CONNOLLY: Now, Mr. Chairman, I think this committee is particularly concerned about statutory authority to buy land, as well as the way it is exercised, but I suppose it is fair to say, in the first place, that departments like the Department of Public Works and the Department of Transport, and the Department of Defence Production, have statutory authority to acquire land in their constituting statute. Is that so?

Mr. DEUTSCH: That is so.

Senator J. J. CONNOLLY: What about Defence, have they?

Mr. DEUTSCH: I am just trying to recall. There is authority in the Public Works Act, and in the Transport Act, and in the Defence Production Act. I am not at the moment familiar with the National Defence Act, but my inclination is that it is there.

Senator J. J. CONNOLLY: But in the absence of that authority?

Mr. DEUTSCH: In the absence of it—I am a little hesitant. The arrangement between Defence and Defence Production generally speaking is that Defence Production is required under its Act to do all the purchasing for the Department of National Defence. Now, with regard to the authority of the Minister of Defence Production to delegate that power to other departments, I am not sufficiently familiar with that at the moment to clarify it.

Senator J. J. CONNOLLY: Well, we will leave that at the moment. Now, the Prairie Farm Rehabilitation Act I suppose contains specific authority for that organization to acquire land, too?

Mr. DEUTSCH: That is my recollection, yes.

Senator J. J. CONNOLLY: In other words, it is not overstepping the powers that are given to the Minister of Public Works in the Public Works Act?

Mr. DEUTSCH: No.

Senator J. J. CONNOLLY: What about these other departments, External Affairs, Trade and Commerce, R.C.M.P., and Northern Affairs? Have they authority to acquire land?

Mr. DEUTSCH: Well, the authority can be obtained in two ways, senator. One is by specific statute, or by an item in the estimates.

Senator J. J. CONNOLLY: Well, do the estimates give them the power to acquire the land?

Mr. DEUTSCH: Yes, if so worded.

Senator J. J. CONNOLLY: Doesn't that just give them power to spend money?

Mr. DEUTSCH: That depends; an item in the estimates can have the same force as an Act of Parliament.

Senator J. J. CONNOLLY: Well, it is an Act of Parliament.

Mr. DEUTSCH: It is an Act of Parliament.

Senator J. J. CONNOLLY: But does it give it authority to acquire land?

Mr. DEUTSCH: Yes, if so worded.

Senator J. J. CONNOLLY: The reason I am emphasizing this, Mr. Chairman, is that this committee a few years ago saw fit to make a recommendation, and I think wisely, that as much as possible Public Works exercise its statutory authority as the purchasers of lands, and I wonder if some of these other departments are overstepping that authority when they exercise it.

Mr. DEUTSCH: No; if they were overstepping it, Senator Connolly, the Comptroller of the Treasury would not issue any cheques.

Senator J. J. CONNOLLY: So that the authority is there through the estimate item?

Mr. DEUTSCH: Yes, and also the Minister of Public Works may delegate the authority to a department if he wishes, in a particular instance. The question of the deeds and title, and so on is centralized in the Deputy Minister of Justice for all departments. There is a regulation of the Governor in Council that applies to all departments which states that when land is acquired there may not be any payment made until the Deputy Minister of Justice states that the title and legal formalities have been complied with; so that applies to all departments.

Senator J. J. CONNOLLY: If I may put it another way, to clarify the point: The authority given in the Public Works Act to acquire land on behalf of all departments of Government has been pretty well watered down?

Mr. DEUTSCH: No. I think the exceptions are not very extensive, senator. The main purchasers by far are the three departments, namely, the Department

of Transport, the Department of Public Works, and the Department of National Defence. These purchasers in many cases go into many millions, whereas the other departments run into only \$50,000 or \$60,000 a year.

Senator J. J. CONNOLLY: There is a considerable watering down, however, when the Department of Transport spent \$8.5 million.

Mr. DEUTSCH: Well, Transport has authority in its Act.

Senator J. J. CONNOLLY: That is right.

Mr. DEUTSCH: It has authority in its Act to purchase land for transport requirements; the Minister is given that power.

Senator J. J. CONNOLLY: That reduces the amount of power of the Public Works Department, does it not?

Mr. DEUTSCH: It says in the Transport Act that notwithstanding any other act the Minister of Transport may do such and such. The authority for the departments, outside of Public Works, to purchase land, is either in their acts, or it is an item in the estimates.

Senator J. J. CONNOLLY: Thank you very much.

Senator LEONARD: I have noticed a growing trend on the part of departments to lease instead of to buy or build, and they will give a commitment for a certain amount of space and for rental, and the basis of that the property will be acquired or built by private persons. I would like to know, first of all, if there is that increasing trend, and, secondly, if there is some control in the Treasury Board as to the undertaking with respect to leasing, somewhat similar to the \$15,000 control on buying?

Mr. DEUTSCH: Yes this method of doing things that you are referring to is being applied in the cases of small post offices. I do not know at the moment of any other.

Senator LEONARD: Yes, and to Unemployment Insurance Commission offices, Customs offices, National Revenue offices.

Mr. DEUTSCH: No. I am not familiar with the application of that. Sometimes a man will build a building and the Department of Public Works, for instance, for the Department of National Revenue, might make a lease for five years. That takes place. I do not know of many cases where the building is solely for that department. Of course if a man is given a lease for a building, equipped with that lease may help him in arranging the construction of the building. I was thinking of an entire building put up on that basis. In other words the Department of Public Works will give a lease for ten years, let us say, and the man will then undertake to build a building solely for that purpose. That is done in the case of small post offices. The alternative there is for the Department itself to buy land and build a building, or to buy a building or to make an arrangement for a ten-year lease and then the lessor builds the building having that lease. I say that type of thing is being done in connection with small post offices, and that is about the only cases that I know of.

Senator LEONARD: Is there control over that by Treasury Board?

Mr. DEUTSCH: Yes, all that kind of case has to have Treasury Board approval.

Senator GOLDING: Under post office regulations for many years the government would not build a post office in a place unless the post office had a revenue of at least \$10,000 a year. In cases where the revenue was less than \$10,000 a year post offices were rented in different buildings. Is that practice still continuing?

Mr. DEUTSCH: Yes, in many cases space only is rented. I forget the dividing line, but the revenue the Postmaster receives governs the situation. It is up to a certain level, \$3,000, I think it is.

Senator HAIG: Are you sure that this policy of renting is only applied to post offices?

Mr. DEUTSCH: No, I did not say that.

Senator HAIG: Let me refresh your memory. I live in a small town in Manitoba. A man built a building there six storeys high, about 120-foot frontage and about 90 feet in depth and he tried to rent it. He finally leased it to the Government for a number of years, how long I do not know, but I think it has some time to run yet. Another building opposite, on the corner of Portage and Graham, on the southwest corner, a little building was located and it was rented to the Income Tax Department about seven or eight years ago and will run for some years yet. Now, I want to know who approved those leases? Who would approve a transaction of that kind?

Mr. DEUTSCH: I did not intend to say that the Department of Public Works does not lease space. Of course it does. It leases space all over the country and it sometimes leases whole buildings. What I was referring to was the other question that where the lease is given to a man who then constructs a building. This is a particular case where the building does not exist. Say for instance a post office is needed in a certain district, and the department can either buy a building or build a building, or the Government may say to a land owner "Look, if you build the building we will give you a lease for ten years". That is the question I was referring to.

Senator HAIG: Who would decide that?

Mr. DEUTSCH: First of all the recommendation for it comes from the Department of Public Works. Treasury Board has to approve it.

Senator HOWDEN: And Treasury Board sets up safeguards?

Mr. DEUTSCH: I have here the regulation that governs leasing. It reads:

"A contracting authority"—that may be a department, usually the Department of Public Works—"without the approval of Treasury Board may enter into a lease if the total amount to be paid during the term of the lease does not exceed \$5,000 and the term of the lease does not exceed five years."

In other words, where the lease is for a longer term than five years or for a greater amount than \$5,000 Treasury Board must approve it.

Senator HOWDEN: That sounds pretty wise.

Senator HAIG: That is a profitable business in my city and I am hoping I am on the Government side some day. I mentioned a minute ago about a building on the southwest corner of Graham and Main Street which has been rented for at least seven years and the Government is paying a very high rent. If the Government needs those buildings I think the buildings should be built by the Government. Income tax work is not going to decrease, work in connection with that will continue for some time. What I want to know is who has the authority to make this kind of lease.

Mr. DEUTSCH: The initial recommendation for making a lease comes usually from the Department of Public Works. If that lease exceeds \$5,000 or extends more than five years in length Treasury Board has to approve it.

Senator HAIG: So Treasury Board can make it for as long a period as they like?

Mr. DEUTSCH: Yes, but of course all the money required for that sort of thing has to be approved by Parliament, so it is not correct to say that Treasury Board may approve any expenditure. That has to be within the money Parliament has voted.

Senator BURCHILL: I am interested in the practice or a policy of the Department of Public Works in going into a small town and building a post office, while there is also a Government building in that town, such as a Customs House, Fisheries office, and other Government departments. I suppose on account of all the different factors involved in the choice of the best location for that post office that the architects of the Department of Public Works make some recommendations. Now in a case like that there are a lot of departments involved, and care has to be exercised in the selection of the best site for the post office. Who makes such a decision? How is it decided? I mean there will be several sites selected in the town. What is the practice?

Mr. DEUTSCH: Usually the recommendations would come from the local representative of the Department of Public Works. The Department of Public Works has got district engineers and district architects in the various parts of the country; and the local Public Works architect would probably make some suggestions or recommendations. The Department in Ottawa, upon the receipt of the recommendations, will discuss them with the various departments and try and reach an agreement between the various departments whether or not this proposal is satisfactory to them all, and they usually try to work out an agreeable arrangement. Supposing they cannot agree in the end, the Department of Public Works has to make a decision.

Senator BURCHILL: They are the final authority?

Mr. DEUTSCH: That is right. The other departments may complain and say, "We do not like this site. We do not like this space," and the Department of Public Works will try to arrive at some satisfactory arrangements; but in the end, if they cannot get a mutual satisfactory agreement, somebody has to make the recommendation, and that recommendation comes from the Department of Public Works.

The CHAIRMAN: I think that is an answer to the question. Are there any other questions on land procurement? The time is running on.

Senator GOLDING: In the purchase of land, is it not a fact that in the early stages of the last war, when sites were being purchased for airfields and air schools and that sort of thing, the Departments had Canadian National Railways land officials purchase those sites?

Mr. DEUTSCH: Yes, there was something like that.

Senator GOLDING: They did a good job. When was that discontinued?

Mr. DEUTSCH: Well, after the war. You see, when the war came on we were suddenly faced with an enormous need of acquiring land for military sites, airports and that sort of thing, and we did not have the organization. So the C.N.R. was used.

Senator GOLDING: The C.N.R. purchased the sites up in our county. There were several up there.

Mr. DEUTSCH: They did use the facilities of the C.N.R., because we did not have the staff.

The CHAIRMAN: I think we will ask you now to go on with the matter of general purchasing, because the time is running along.

Mr. DEUTSCH: As to general purchasing, the government, of course, had to buy a good many supplies of all kinds—stationery, office equipment, furniture, motor vehicles, books—those are just a few of the materials and supplies which have to be bought. The purchasing of these supplies is a subject of regulations. No matter where purchased or who purchases them, there are general regulations that cover the purchasing of supplies of all kinds.

The CHAIRMAN: Are they similar to the ones in connection with land procurement?

Mr. DEUTSCH: Yes, a similar type, with some different provisions.

The CHAIRMAN: Well, I think you should deal with the ones that are different, so that we will have that on record.

Mr. DEUTSCH: These regulations provide that for any purchase contract which is entered into, the contracting authorities shall invite tenders. There are a few exceptions, where the need is one of pressing urgency, and delay would be injurious to the public interest; in other words, tenders must be called for except where it would be injurious to the public interest; or, where there is only one available source of supply. There is obviously no point in calling for tenders if there is only one source of supply. Or, if the estimated expenditures involved do not exceed \$15,000, and it appears to the contracting authority, in view of the nature of the purchase, that it is not advisable to invite tenders; then, the departments may enter into these contracts without approval of Treasury Board; that is, if the amount payable under the contract does not exceed \$15,000. Also, if the amount payable under the contract does exceed \$15,000 but does not exceed \$25,000, and not less than two tenders have been obtained, and the lowest tender accepted; in other words, they may go up to \$25,000 provided there have been at least two tenders and the lowest one is accepted. Anything over \$25,000 has to have the approval of Treasury Board.

Senator EULER: In relation to anything over \$15,000, must the lowest tender be accepted?

Mr. DEUTSCH: It must be accepted. There are certain exceptions, such as pressing emergency.

Senator HORNER: In other words, there is no necessity to invite tenders under \$15,000?

Mr. DEUTSCH: That is right.

Senator HORNER: No tenders asked for?

Mr. DEUTSCH: That is right. If they ask for tenders they must take the lowest tender, but there are certain instances where they are not required to ask for tenders. The exceptions are: pressing emergency; only one source of supply; or there is a general "out"—provided the amount involved does not exceed \$15,000 and it appears to the contracting authority that in view of the nature of the purchase it is not advisable to invite tenders. With these exceptions they must take the lowest tender. The departments may themselves give the contract where it is under \$25,000 provided there are at least two tenders and the lower one is taken. If the amount is over \$25,000 they must get approval of the Treasury Board.

Senator EULER: Over \$25,000, it must be approved by the Treasury Board?

Mr. DEUTSCH: That is right.

Senator EULER: Must the Department always accept the lowest tender?

Mr. DEUTSCH: Yes. The regulations provide that the lowest tender must be taken. Of course Treasury Board may grant exceptions; if the Department puts up a good reason, Treasury Board may approve taking other than the lowest tender.

Senator GOLDING: Mr. Deutsch, are you sure that they absolutely must accept the lowest tender?

Mr. DEUTSCH: No; I say that the Treasury Board can grant an exception.

Senator GOLDING: It is important to emphasize that, because we have seen that kind of thing.

The CHAIRMAN: There is no general overall purchasing authority, is there?

Mr. DEUTSCH: No. First of all, I should state that the total amount and authority given to the department to make purchases has to be approved in estimates.

The CHAIRMAN: Yes. We know that. We have had that before.

Mr. DEUTSCH: Well, you say, is there no limit—

The CHAIRMAN: No, I did not say that. I said there is no overall authority.

Mr. DEUTSCH: The overall authority is precisely the amount of money which they are given in estimates,—to spend money, say, on office equipment or on motor vehicles. That is their authority for purchasing. Now, within that, they have to meet the contract regulations. When they actually go out to buy, they have to do it in accordance with these regulations, and these regulations provide that tenders must be called and the lowest tender must be taken—with certain exceptions. Then, if they go over \$25,000 every single purchase order must be approved by Treasury Board.

Senator ISNOR: Will you tell us about the tenders when they are received—if they are opened in public, and if that policy is followed by all departments?

Mr. DEUTSCH: Yes, I understand that is the case in the Department of Public Works.

Senator SMITH: Not with Defence Production.

Senator ISNOR: No, not with Defence Production.

Mr. DEUTSCH: Usually, inside of the department, the arrangement is that the deputy minister authorizes a number of his officials to open the tenders—not one, but several—and those tenders are available for public inspection.

Senator CONNOLLY: Are they opened in the presence of members of the public?

Mr. DEUTSCH: The public can get the information if it wants it.

Senator ISNOR: Does that policy apply to the Department of Defence Production? I have heard complaints from time to time that they are unable to get the prices on the day following the opening of tenders. That sometimes may be for a whole week. I do know the policy of the Department of Public Works is to open them in public, and of course the information is immediately available. But that does not apply to all departments.

Mr. DEUTSCH: I am not sufficiently familiar with the exact procedure in other departments. If you want to find out the precise procedure in the Department of Defence Production I suggest you call officials from that department.

Senator ISNOR: I think we should.

Mr. DEUTSCH: Obviously I cannot be familiar with all these things and know exactly what each department does. The policy is that they are public tenders for construction.

Senator SMITH: And open to the public.

Mr. DEUTSCH: Yes, the public can get the information.

Senator SMITH: And a senator or member can see them and get information.

Mr. DEUTSCH: That is the general policy.

Senator SMITH: And if that policy is not followed it means they are not following the general policy.

Mr. DEUTSCH: I am not familiar with just precisely how they do it.

The CHAIRMAN: We are not questioning you on this. The committee just wants to know what the general policy is.

Senator HOWDEN: I was mayor of a small city in western Canada at one time and we had occasion to call for tenders, and the tenders were opened in the presence of the tenderers.

The CHAIRMAN: Are there any further questions on this?

Mr. DEUTSCH: I have outlined the general regulations concerning purchase contracts. In addition to these general regulations there are special provisions concerning certain types of purchases. For instances, all purchases of office equipment, stationery and supplies is done by the Queen's Printer. This is centralized and is not done by the individual departments. They simply requisition on the Queen's Printer and he buys on their behalf. He must do this, of course, within the regulations I have mentioned. In the case of furniture, the purchasing is done by the Department of Public Works. That department buys on behalf of all other departments.

Senator HORNER: Would it be possible for the Queen's Printer to make purchases of items below \$15,000 and keep repeating these purchases within a few days of each other?

Mr. DEUTSCH: We watch for that. We get monthly reports on the contracts from the Queen's Printer.

Senator HORNER: He might make a good many purchases of items of \$15,000 and below; and so might Public Works with respect to furniture.

Mr. DEUTSCH: We watch for this.

Senator HORNER: Well, I think it would need a lot of watching.

Mr. DEUTSCH: We keep an eye on this and when we feel the regulations are being evaded we check up.

Senator ISNOR: I understand the Department of Printing and Stationery does a lot of its own printing?

Mr. DEUTSCH: Yes.

Senator ISNOR: How much do they do compared to what they contract out?

Mr. DEUTSCH: About half and half.

Senator ISNOR: Out of the half that is contracted out I suppose most of it is done right here in Ottawa. Is that not so?

Mr. DEUTSCH: Oh, no. It is done in Toronto, Winnipeg, Montreal, Fredericton—

Senator SMITH: Halifax.

Mr. DEUTSCH: Halifax.

Senator ISNOR: No, no. That is the very point I wanted to bring out. I would not have thought of mentioning Halifax. The printers there tell me they do not get an opportunity to even tender.

Mr. DEUTSCH: He is required under these regulations to ask for tenders. I do not know about Halifax but I know that contracts are given out. Quite frankly the main contracts are given to Toronto and Montreal but I have seen some come from Winnipeg and other places.

Senator ISNOR: I think it is pretty well centralized.

Mr. DEUTSCH: If your people wish to tender perhaps they should take it up with the Queen's Printer.

Senator BEAUBIEN: When a department makes a requisition does the Department of Public Works automatically fill the requisition?

Mr. DEUTSCH: No. If it is furniture the Department of Public Works provides the furniture. If it is a case of typewriters, office equipment and stationery, that is done by the Queen's Printer. The Department of Public Works buys furniture for all departments and supplies it to them free of charge. The vote for the purchase of furniture is in the Department of Public Works' estimates. The Department of Public Works buys it, carries the item in its estimates and issues the furniture free of charge to the departments concerned. When departments ask for furniture the Department of Public

Works just does not accept the requisition and fill it out automatically. It is responsible to see to it that that requirement is needed, and it will investigate the circumstances. It will send a man around and find out if the requisition needs to be filled. The departments are also required by the regulations to keep an inventory of their furniture, and they must make a report to the Department of Public Works once a year with respect to their inventory. This enables Public Works, when it gets a requisition, to look at the inventory from the department concerned and say "What have you got? Why can't you use this and that, and so on". They will only fill a requisition if they are satisfied the need is there and has to be filled. Public Works will also require other departments requisitioning to turn in old furniture. It is reconditioned if possible and reissued.

Now, one or two other matters might be mentioned. In the purchase of books, for instance, the departments may purchase books, but all purchases of them, except technical and scientific books, must have the approval of the National Librarian, and the source of supply and the arrangements for purchasing, such as discounts, and so forth, have to be done in accordance with the arrangements made by the National Librarian. So that if a department wishes to buy books other than scientific and technical books, they have to have the approval of the National Librarian to buy them. The reason for that is to prevent duplication in the different departments.

Senator BEAUBIEN: Is that approved by the Treasury Board?

Mr. DEUTSCH: First of all, the amount of money provided for the books is approved by the Treasury Board, but within that any order for books has first of all to be approved by the National Librarian before the order can be placed. That is done to prevent duplication of purchasing, and the purchase has to be made by arrangements with the National Librarian regarding discounts, and so on. So that there is a centralized control over the purchase of books by the department.

Finally, senator, I should mention the motor vehicle purchase regulations. The various departments purchase motor vehicles. There is a series of regulations regarding that, and one of the essential parts of the regulations is that all purchase of motor vehicles must be approved by a motor vehicles committee under the chairmanship of the Comptroller of the Treasury. Thus a department that wishes to buy a motor vehicle first has to get approval of this committee that it is necessary to buy that vehicle. There are certain regulations about purchase. First of all, a vehicle may not be purchased unless the prospective mileage per annum is at least 60,000 miles on Government business, and the vehicle must be driven for at least 60,000 miles before a replacement can be made.

Senator ASELTINE: Before it can be traded in?

Mr. DEUTSCH: Before it can be traded in. Then of course the actual purchase of the vehicles cannot be done without approval of the committee, and when seeking this approval the departments must obtain at least three competitive bids for vehicles; and passenger vehicles purchased must be of the coach type only. Those are the general regulations.

The CHAIRMAN: What about sedans?

Mr. DEUTSCH: They can only be purchased with the approval of this committee. There are very few sedans actually purchased.

Senator SMITH: The R.C.M.P. would have a lot of them?

Mr. DEUTSCH: No, there are few sedans purchased, but in such cases there has to be specific exception permitted. The general rule is that the vehicles must be coach type, and three competitive bids are required.

Senator J. J. CONNOLLY: Where would they get the bids, from the dealer or the wholesaler?

Mr. DEUTSCH: Locally.

Senator ASELTINE: Does that 60,000 mile limit apply to the R.C.M.P. as well as the others?

Mr. DEUTSCH: Yes. Of course, sometimes exceptions will be granted.

Senator ASELTINE: It seems to me that they do not run them that long.

Mr. DEUTSCH: In some cases they might require a better vehicle than one which has gone more than 60,000 miles, especially for chasing people, and things like that. Exceptions are granted where necessary, but the general rule is 60,000 miles.

Senator SMITH: Some go 75,000 and 80,000 in the Fisheries Department; I happen to know that.

Mr. DEUTSCH: Yes; they go a way over.

Senator HOWDEN: Why are coach type cars specified?

Mr. DEUTSCH: Well, because they are more economic.

Now, aside from these things I have mentioned, with office equipment, stationery and supplies, furniture, motor vehicles, and books, there is a degree of centralization there, you see. In the case of office equipment, stationery and supplies, all the purchasing is done in one place—the Queen's Printer. In the case of furniture it is done by the Department of Public Works. In the case of books, the control is exercised by the National Librarian on behalf of all departments. In the case of motor vehicles there is a central committee that has to approve all purchases, and in all these cases there is a degree of centralization.

Senator ISNOR: Who comprises that committee?

Mr. DEUTSCH: The Chairman is the Comptroller of the Treasury, Mr. B. G. McIntyre; other members are: Mr. S. J. Chagnon, Assistant Deputy Minister of Agriculture; Mr. Watters, of the Treasury Board; Mr. Davison, of the Department of Veterans Affairs, and Mr. Landry, my assistant here, is also on the committee. Aside from that the rest of the purchasing is done by the individual departments. For instance, some departments, like the Department of Mines and Technical Surveys, buy a great range of equipment for their field parties—Senator Crerar will know that—such as canoes, tanks, and all the things they need for their field parties. They buy those directly. The Department of Northern Affairs will purchase a lot of materials and supplies for their parks—all the equipment they require for their park wardens, and so on. In those cases all those purchases are done by the individual departments. However, they are subject of course to the limitations within the estimates, and they have to adhere to the purchase regulations, but nevertheless the purchasing is then done directly by those departments. Those departments have purchasing branches which do the purchasing.

The CHAIRMAN: Do all the departments have purchasing branches?

Mr. DEUTSCH: A great many of the departments have purchasing branches, yes. The Department of Citizenship and Immigration have a purchasing branch, and of course they buy a great many supplies for their Indian services, including all the school supplies that the Indian schools use, for instance. The Department of External Affairs have a purchasing branch, because they buy a lot of equipment and furnishings for their places abroad—their embassies, and so on. The Department of Fisheries has a purchasing branch. The Department of Mines and Technical Surveys have a purchasing branch; they buy a lot of equipment for their field parties, or geological survey parties,

and so on. The National Film Board has a purchasing branch; and the Department of National Health and Welfare have one.

Senator ASELTINE: There is no control over their purchases?

Mr. DEUTSCH: Only as I have said, first of all, the control of the amount provided in the estimates and, secondly, they must adhere to these contract regulations, but there is no other centralized control such as we have for furniture, office supplies, and so on, where there is a single purchasing agent—where it is done in one place; but in the case of other supplies it is not, it is done directly by the department. The Department of Northern Affairs have a purchasing branch. So has the Post Office. They buy the mail bags, and uniforms for their postmen, and so on. The penitentiaries have a purchasing branch to buy all the food for inmates, and so on. The Mounted Police have a purchasing branch, and so have the Department of Trade and Commerce. The Department of Transport have a purchasing branch, and so have the Department of Veterans Affairs.

Senator ISNOR: The Post Office has a purchasing branch?

Mr. DEUTSCH: Yes.

Senator ISNOR: Up in central Canada I understand that the express charges on mail boxes are higher than they would ever be able to purchase them in America?

Mr. DEUTSCH: I don't know about that, senator, but in the purchase of their mail boxes and their bags, and so on, they have to obtain tenders, and they give it to the lowest tenderer. I think that pretty well finishes my information.

Senator SMITH: I have one short question. When a department such as Mines and Technical Surveys comes to the Treasury Board at the beginning, when the estimates are being compiled, what control do you have over the amounts expended for purchases? Does the Treasury Board have a staff which examines the Department's request in detail?

Mr. DEUTSCH: Yes.

Senator SMITH: And you have to be satisfied that the amounts they ask for should be put in the book?

Mr. DEUTSCH: Yes. In the Treasury Board we have a staff of specialists in every branch.

Senator SMITH: It must require a large number.

Mr. DEUTSCH: Yes.

Senator SMITH: I was looking for information on that, but failed to find it. You say you have a staff of engineers, architects and so on?

Mr. DEUTSCH: We do not have engineers and architects. But as to the amounts of money expended for the purchase of supplies, these are examined in detail when a department puts up its proposals, and the staff makes a notation on any matters that the Board should give consideration to. The staff of the Board examines the items in detail to see whether the amounts proposed are required. Of course, the Treasury Board does not make the decision.

Senator SMITH: I understand that.

Mr. DEUTSCH: We are simply Civil Servants. But any questions are drawn to the attention of the minister, and he makes the final decision. In some instances we may ask a department whether a proposed purchase is necessary, and we in turn draw it to the attention of the ministers. Often the Board takes a look at the total amount of money provided, and if a department which spent \$1 million last year, asks for a million and a half this year, we ask

them what is the reason for the increase. They may have a very good reason, but we might suggest that they stick with the \$1 million. The Board may make that decision. Of course, the most important control is in the total amount of money that is provided; they have to stay within that sum.

The CHAIRMAN: Any further questions?

Senator HAIG: I presume this is the last time Mr. Deutsch will be with us. On behalf of myself and all members of the committee I should like to express our appreciation for the very able presentation he has made to us. I have one further comment, with which all members may not agree: We want to congratulate Mr. Deutsch on his appointment to the staff of the University of British Columbia. We are sorry to lose him from the Federal service, but if he must go, I think British Columbia needs him more than anybody else.

Mr. DEUTSCH: Thank you very much, Senator, I appreciate your remarks. If at any time you need further information, I shall be glad to attempt to compile it for you.

The CHAIRMAN: Senator Crerar has asked me whether it would be possible for us to get the budgets for the provincial governments for 1956-57. Would it be possible for you to get those for us?

Mr. DEUTSCH: I will try to get them.

Before I conclude, I should like to clear up one matter that may be bothering Senator Isnor and some other members of the committee, with respect to the five-day work week. To make the information complete, I should like to say that since the five-day week has been brought in, the hours of work in the civil service today, as compared to the pre-war days, have increased. In other words, the hours of work before the war were $35\frac{1}{2}$ per week, and the present hours are $37\frac{1}{2}$. It is for that reason that the increase in staff averages today are not as big as they might otherwise have been.

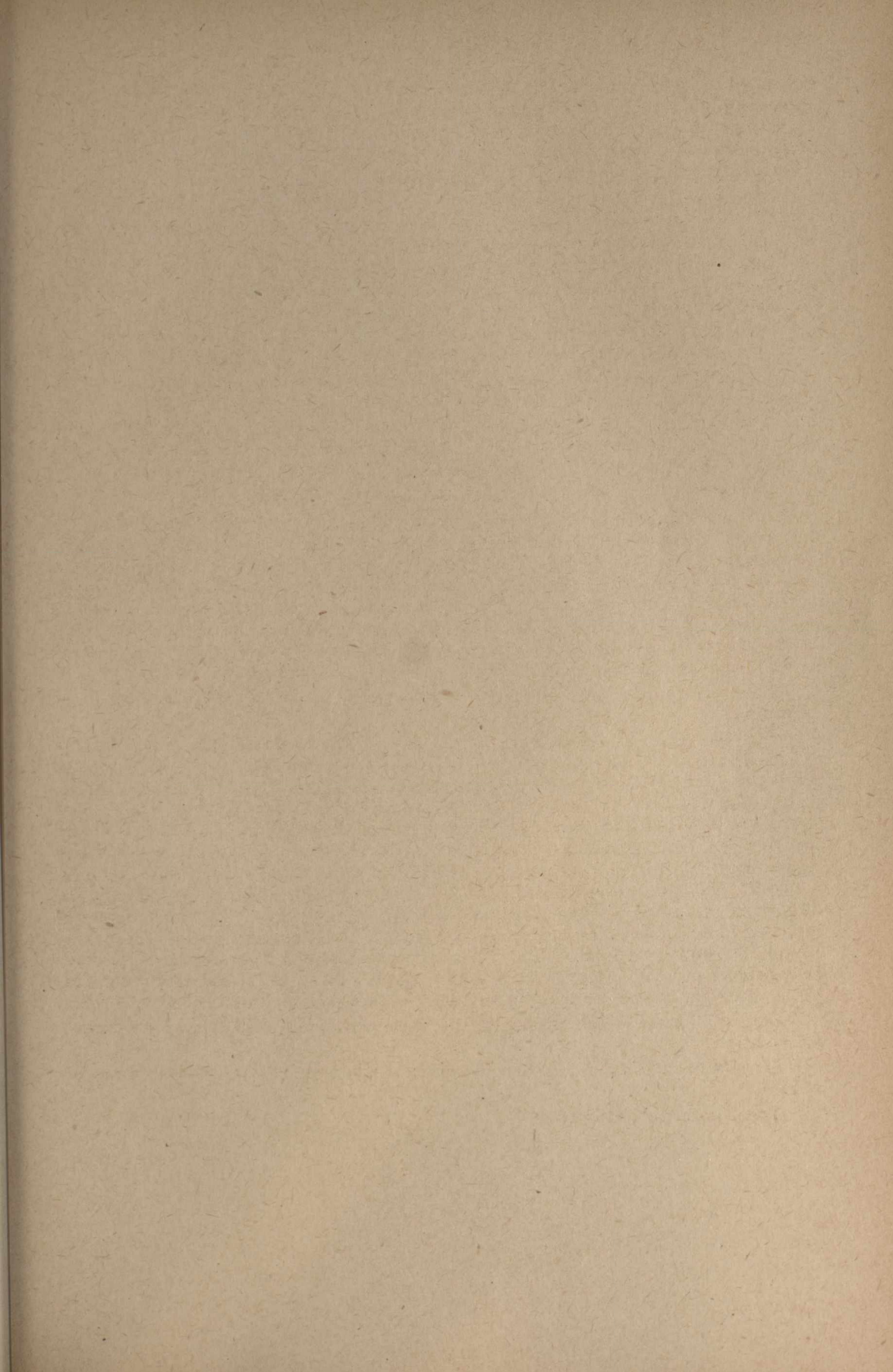
Senator ISNOR: That is very enlightening. To which war are you referring?

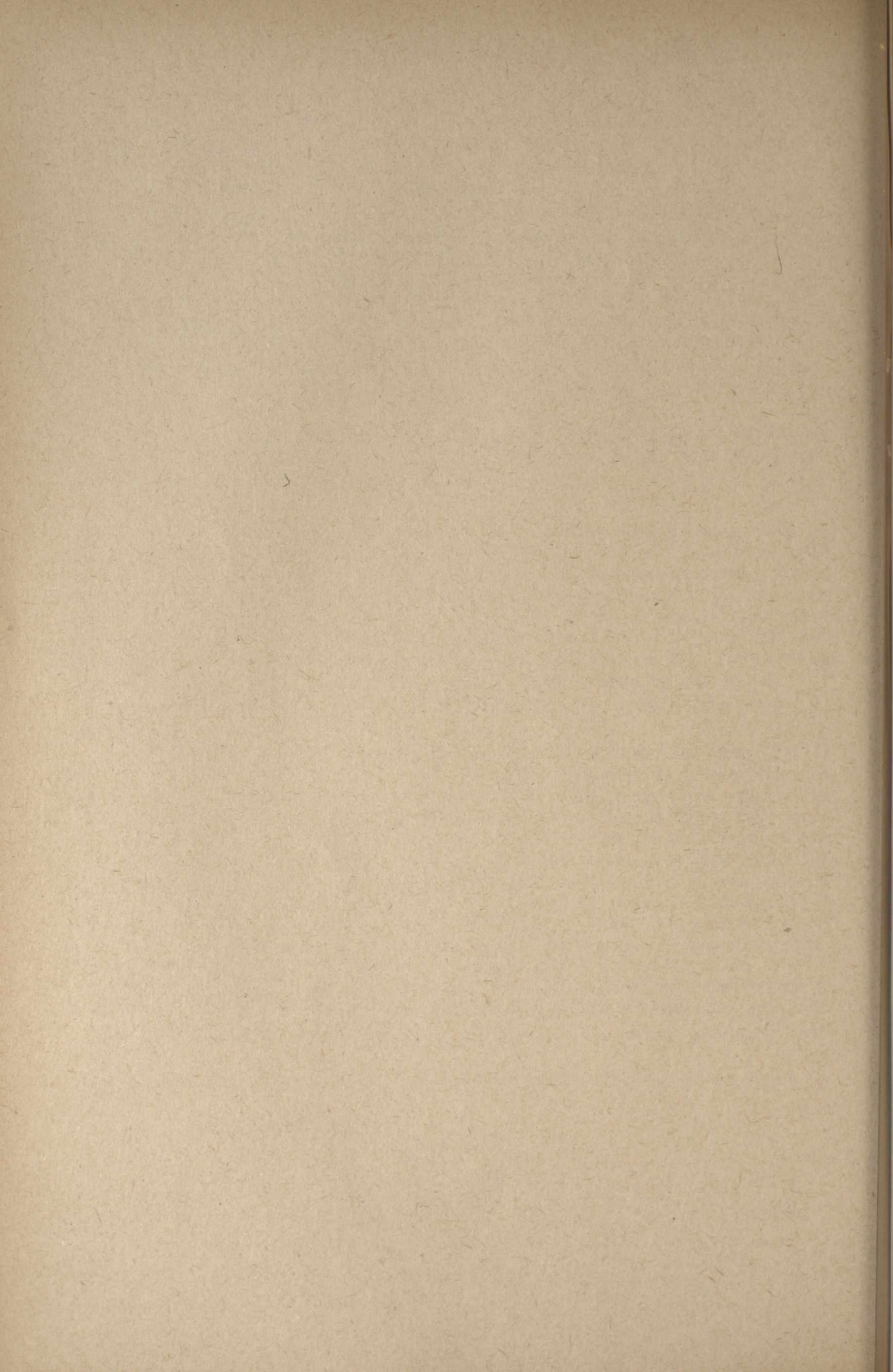
Mr. DEUTSCH: The last war. I can give you the information from 1910 to 1940: The hours were $35\frac{1}{2}$ per week, and were increased to a maximum of $41\frac{1}{2}$ during the war; when the emergency was over, they were reduced in July, 1947, to $35\frac{1}{2}$. In 1950, at the beginning of the Korean War, they were increased to 36.45, and they were further increased in 1951 to 38.2 hours; when the five-day week started, first in Toronto, the work week was 38.2 hours; in September, 1953 it was maintained at 38.2, and in July, 1955 it was reduced to 37.5. This was done on the basis of the prevailing practice in industry of $37\frac{1}{2}$ hours for office workers throughout the country. Now, $37\frac{1}{2}$ hours of work will continue, whether or not it is on the basis of a five-day week. Therefore, I think it should be known that when we talk about a five-day week it does not mean a reduced number of working hours. As I have said, our hours of work in the civil service today are longer than they were before the last war.

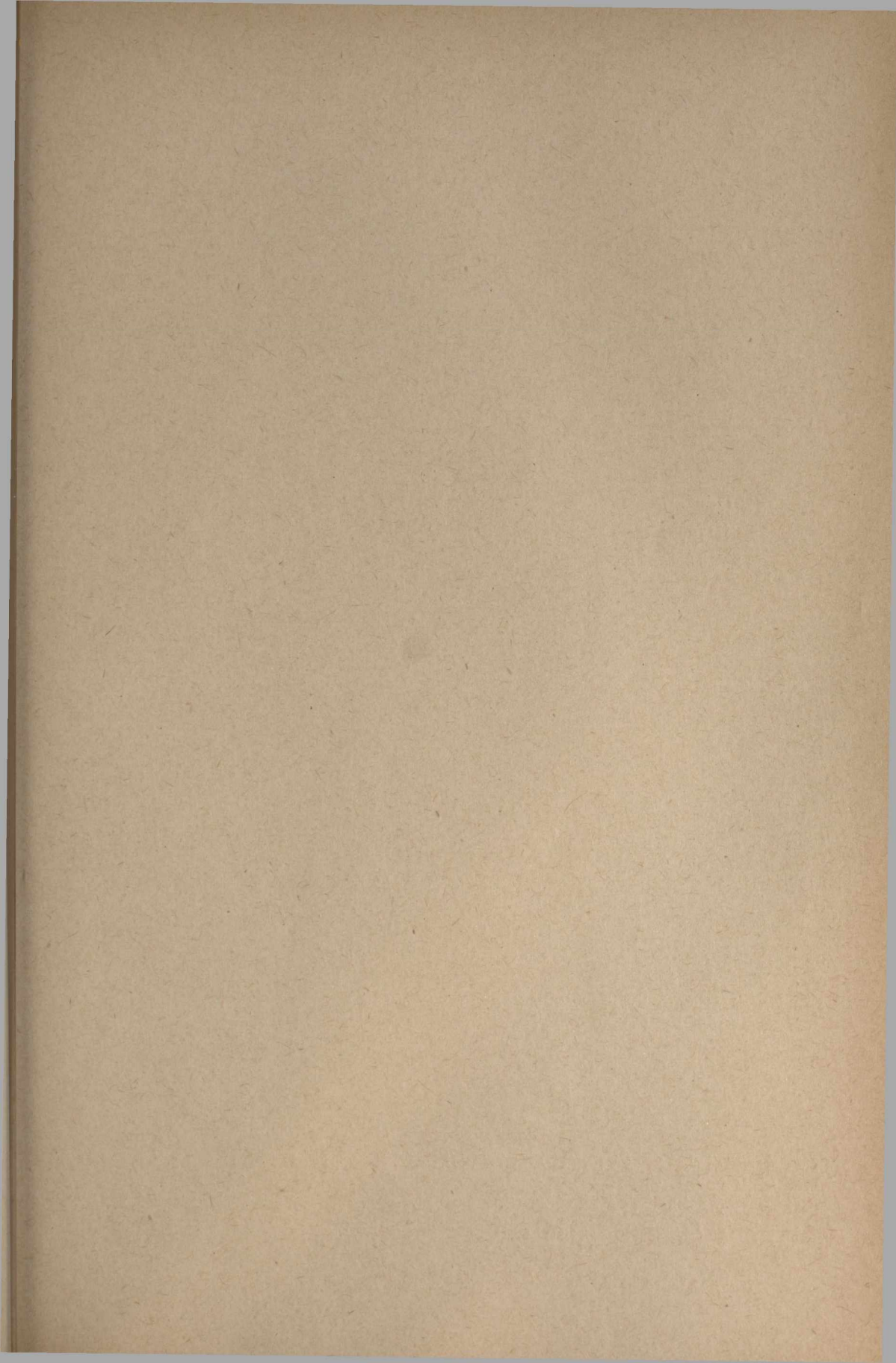
Senator EULER: Who prepared the statement from which you gave that information?

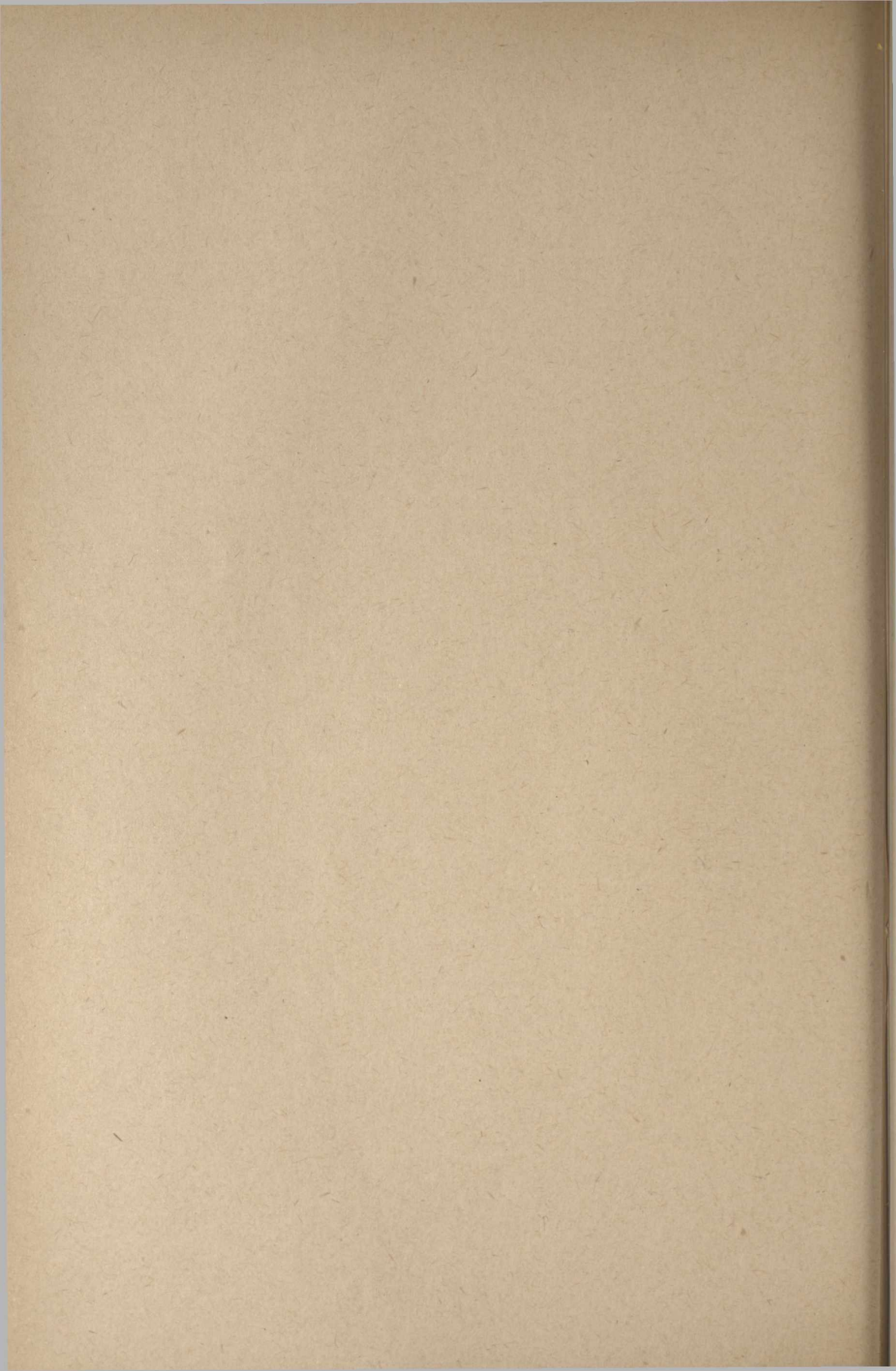
Mr. DEUTSCH: My own office; we have a complete history of the hours of work.

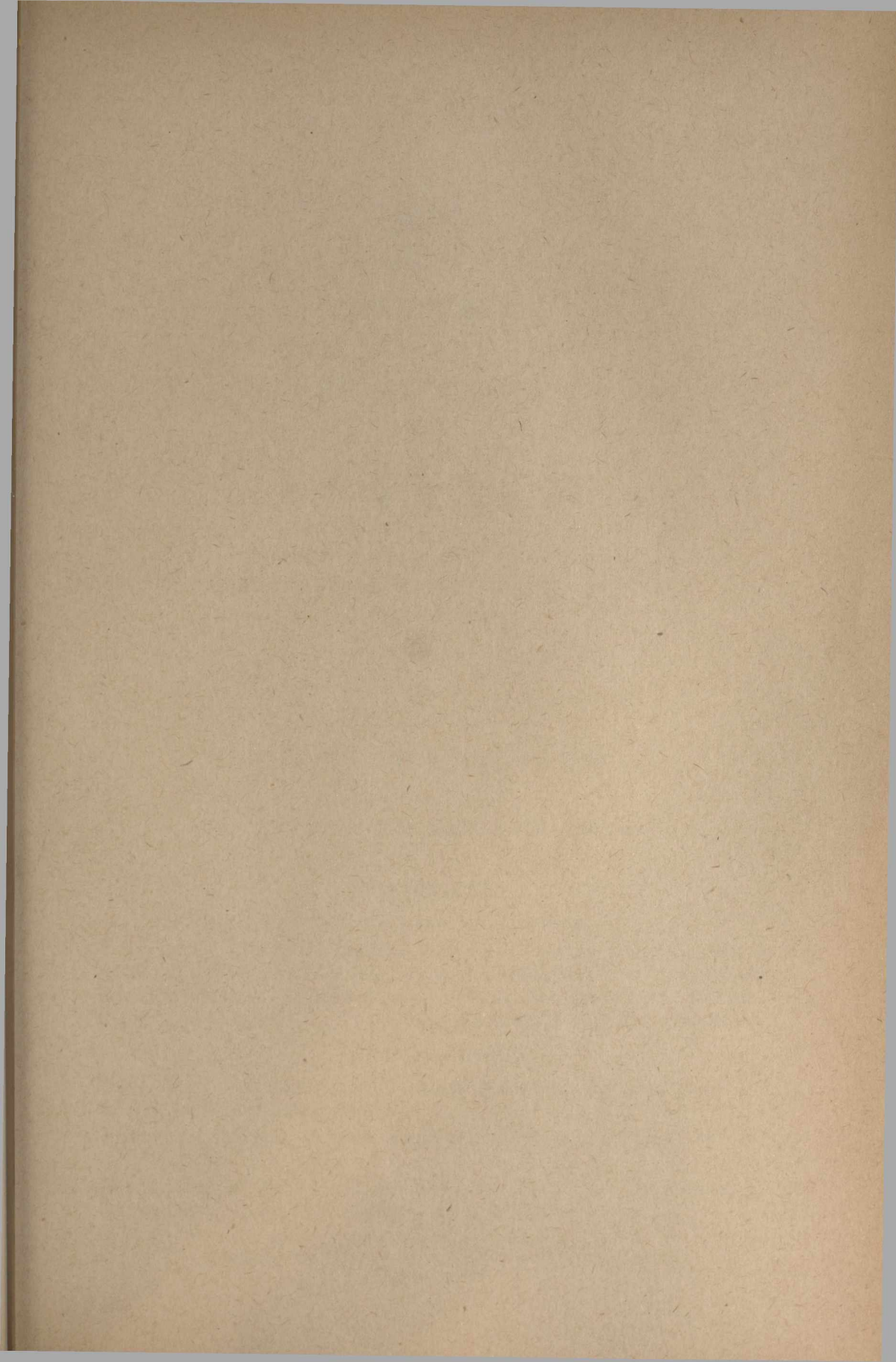
The committee adjourned.

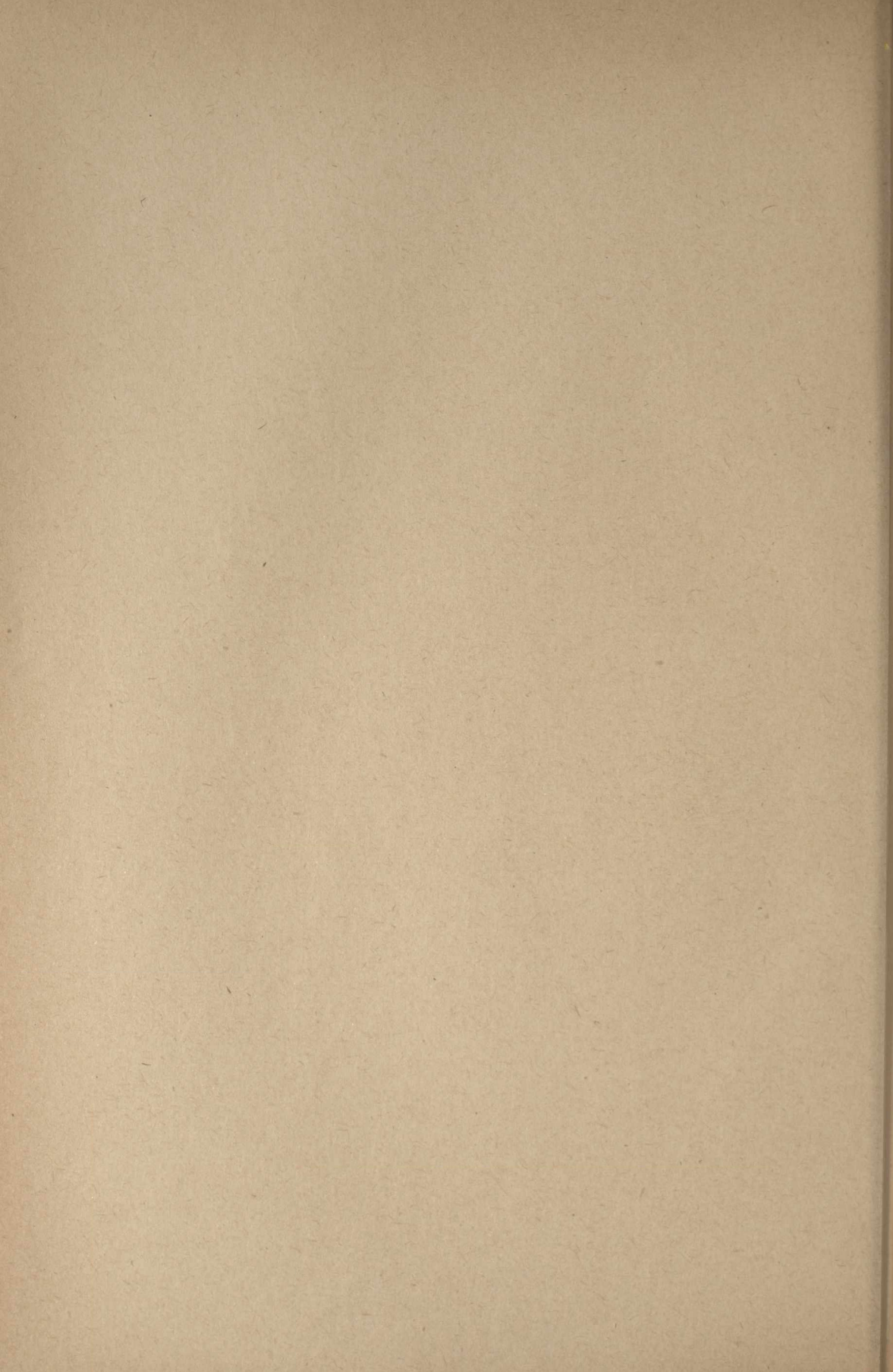












1956

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1957.

No. 5

THURSDAY, APRIL 26, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESSES:

Dominion Bureau of Statistics

Mr. F. H. Leacy, Director, Research and Development Division; Mr. A. S. Rubinoff, National Income Section, Research and Development Division; Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division; Mr. C. V. Parker, Director, Agriculture Division.

APPENDICES

- A—Publication of Departmental Reports and other Material Costing Less than \$5,000—fiscal year 1954-55.
- B—Provision of Funds in Main Estimates, 1956-57, on Behalf of Indians and Eskimos.
- C—Comparison of Provincial Government Estimates of Revenue and Expenditure, fiscal year ending March 31, 1956.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956

STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly (<i>Halifax</i>	Howden	Smith
<i>North</i>)	Isnor	Stambaugh
Connolly (<i>Ottawa West</i>)	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

*Ex officio member

ORDER OF REFERENCE

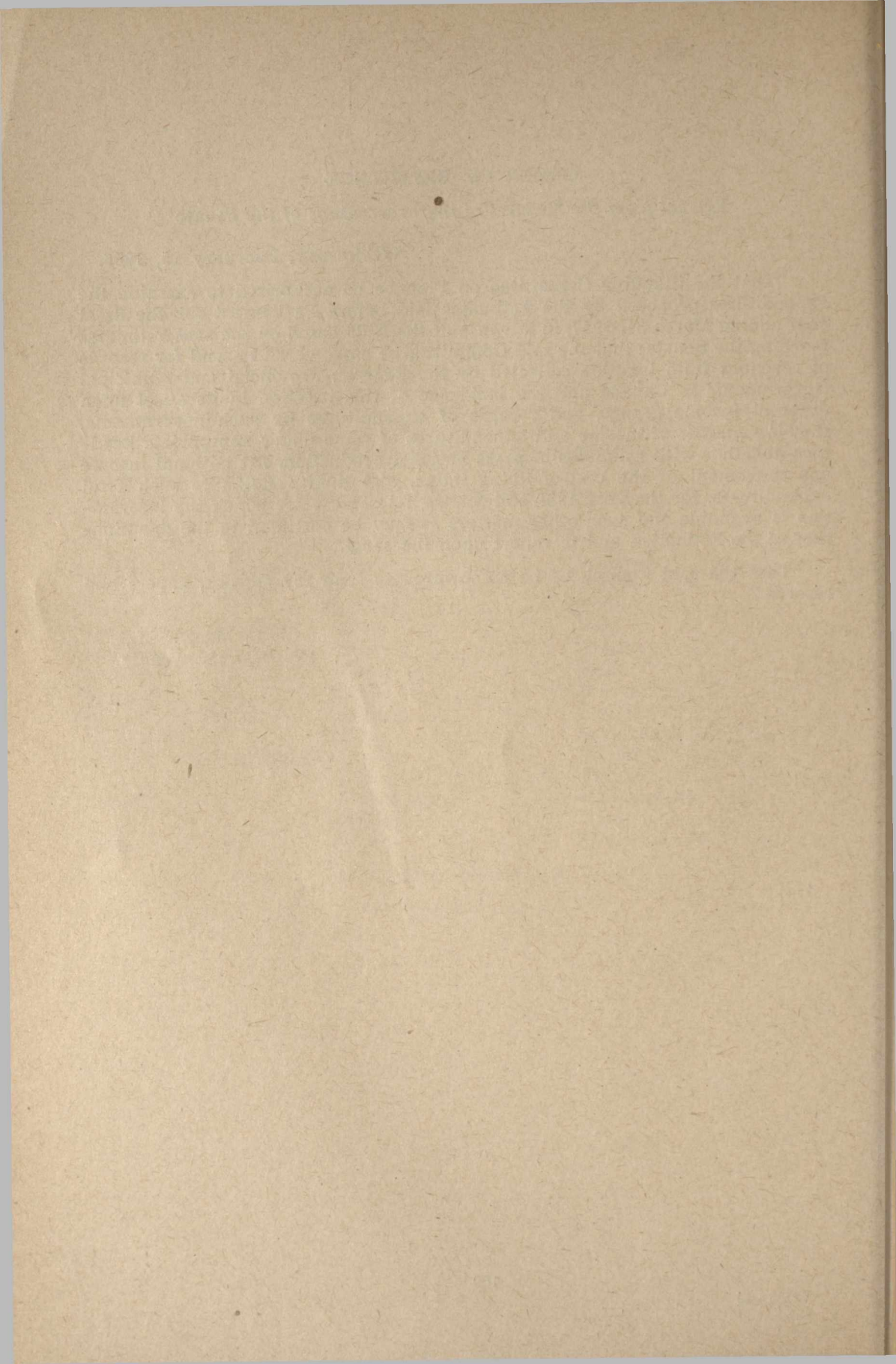
Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, February 15, 1956.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

J. F. MacNEILL,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

THURSDAY, April 26, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Hawkins, *Chairman*; Barbour, Bouffard, Connolly (*Halifax North*), Connolly (*Ottawa West*), Crerar, Euler, Golding, Haig, Isnor, Leonard, Molson, Reid, Smith, Taylor and Turgeon.—16.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

The following officials from the Dominion Bureau of Statistics were heard and questioned by members of the Committee:—

Mr. F. H. Leacy, Director, Research and Development Division.

Mr. A. S. Rubinoff, National Income Section, Research and Development Division.

Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division.

Mr. C. V. Parker, Director, Agriculture Division.

The following documents were ordered to be printed as Appendices to these proceedings:

A—Publication of Departmental Reports and Other Material Costing Less Than \$5,000—fiscal year 1954-1955.

B—Provision of Funds in Main Estimates, 1956-1957, on Behalf of Indians and Eskimos.

C—Comparison of Provincial Government Estimates of Revenue and Expenditure with "Net General Revenue and Expenditure Excluding Inter-governmental Transfers" as Published in "Comparative Statistics of Public Finance" Fiscal Year ended March 31, 1956.

At 12.20 p.m. the Committee adjourned until Thursday next, May 3, 1956, at 10.30 a.m.

John A. Hinds,
Assistant Chief Clerk of Committees

EXHIBIT TO THE REPORT OF THE

COMMISSIONER OF THE GENERAL LAND OFFICE

IN REGARD TO THE LANDS BELONGING TO THE STATE OF CALIFORNIA

AND THE LANDS BELONGING TO THE UNITED STATES

AS OF THE 1ST DAY OF JANUARY, 1880

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THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, April 26, 1956.

EVIDENCE

The Standing Committee on Finance which was authorized to examine the estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the chair.

The CHAIRMAN: Gentlemen, will the committee please come to order. Before we hear the witnesses whom we have asked to come before us this morning there are a few matters I wish to take up with you. I think it was Senator Crerar who asked for a figure showing the total expenditures and revenues of all Governments of Canada for the year 1955. The last figures that our committee had were for 1954. You will recall there was distributed at a previous meeting a list of these expenditures, the list that had been distributed at the Federal-Provincial Conference, but those figures were only to September 1955. The figures that we have this morning cover the fiscal years ended nearest December 31, 1955. This statement will be distributed.

Also, we had a request at our last meeting for the number and the cost of the various publications that were put out by the various departments of Government, each issue of which cost less than \$5,000. You will recall the discussion in connection with it. I think it was Senator Crerar who asked for the total amount, and the answer to his inquiry is shown at the foot of this table, the total being \$947,257.49.

Senator CRERAR: Have you the number of publications there?

The CHAIRMAN: No, only the cost of them by departments. As I have only one copy I will ask, with your permission, that it be incorporated into today's Proceedings as Appendix A.

There was also a request made for information as to the total amount of funds provided for in the main estimates of 1956-57 on behalf of Indians and Eskimos. I have only two copies of that statement and not being able to distribute them I would ask that these be also included into today's Minutes of Proceedings as Appendix B.

I also have a statement showing a comparison of provincial Government estimates of revenue and expenditure with "net general revenue and expenditure excluding intergovernmental transfers" as published in "Comparative Statistics of Public Finance" fiscal year ended March 31, 1956. We have had this information in previous years. There are sufficient copies of this statement to go around, and so I will have them distributed, but I think that when it comes to our making a report it would be more convenient to have this statement in our printed record, and so with your permission, I would ask that it be incorporated into today's Proceedings, as Appendix C.

Agreed.

Gentlemen, we have before us four officials from the Dominion Bureau of Statistics: Mr. F. H. Leacy, Director, Research and Development Division; L. E. Rowebottom, Prices Section Chief, Labour and Prices Division; C. V. Parker, Director, Agriculture Division and A. S. Rubinoff, National Income Section, Research and Development Division.

Mr. Leacy is prepared to give us a statement which we will hear, after which the meeting will be open for questions. Mr. Leacy?

Mr. F. H. LEACY: Mr. Chairman, honourable gentlemen,

The national accounts bring together statistics from a great variety of sources. Most of the data are obtained directly from other divisions within the Bureau of Statistics, but in some cases they come from other government departments. For instance, the annual figures on corporation profits and depreciation are based largely on tabulations of the Department of National Revenue. Import statistics might be regarded as a by-product of the administrative apparatus concerned with import duties. However, most of the data used in estimating the gross national product comes from within the Bureau itself and in this regard it is a great advantage to have the entire apparatus under one roof. By contrast, in some other countries, the national income estimators have to obtain their basic information from scattered sources and they can hardly expect to find it tailored to their requirements. Probably the greatest advantage of having the entire operation under one roof is that there can be a mutual interchange of ideas so that we are all operating according to the same definitions and concepts. In many respects the national accounts constitute a framework and a guide for collecting economic statistics and the end result is the salutary one of a cohesive and organized system of economic intelligence. Of course, there are many users of the primary data which is produced by the Bureau of Statistics. These include the business community at large, and there is a growing interest on the part of the business community in economic statistics. For example, more and more business firms are employing their own economists. Most important of all, is the fact that Government departments have recourse to statistical information and the Bureau of Statistics is the service department charged with the task of meeting their general statistical requirements.

These general points can be illustrated by examining briefly the headings in the main table of gross national product and expenditure which the honourable senators have before them. I propose to indicate the statistical source of each one of the main items of gross national product and expenditure. Before doing this, however, I would ask the indulgence of the honourable senators to digress briefly on the subject of the uses of the national accounts. The main reason for this digression is that statistics themselves can get pretty dull or occasionally meaningless, unless we have in mind the uses they are designed to fulfil.

Uses of the National Accounts

(1) Government Policy Formulation

Economic measures designed to counter depression, combat inflation, or mobilize resources for defence or war, are commonly viewed as the responsibility of central governments. The success of such measures necessitates correct appraisal of prevailing economic conditions, particularly of the strengths of the various categories of demand and of what supplies will be available to meet these demands. In this area of government policy formulation, the national accounts have gained a certain recognition, both as basic background material and as a framework within which specific proposals can be rigorously examined.

Probably the most important single use of the gross national product is that made by the Minister of Finance in connection with the Annual Federal Budget. In 1955 he stated: (House of Commons Debates, April 5, 1955, p. 2730)

Assuming normal crops, and if no unforeseen adverse events occur, I would expect our gross national production in 1955 to exceed 1954 by 5 or 6 per cent; that is, it should reach \$25½ billion or perhaps just a bit more, and on that figure I shall base my revenue forecasts.

In retrospect, the actual achievement exceeded his expectations and the gross national product in 1955 amounted to \$26½ billion, an increase of 10 per cent over the preceding year, with concomitant buoyant revenues. This year, the statement of the Minister of Finance is as follows: (House of Commons Debates, March 20, 1955, p. 2327)

We cannot expect, however, to see a physical rate of growth this year equal to that of 1955 when we had a certain amount of slack to begin with so I think that for purposes of revenue forecasting I should not count on an increase in the total national product of more than 5 per cent over last year, this being about the average annual rate of increase in recent years. Assuming stable prices, average crops and no untoward events, this would give a gross national product of close to \$28 billion.

The Economics Division of the Department of Trade and Commerce makes considerable use of the national accounts in its current economic analysis. This analysis is developed within the same statistical and conceptual framework as the National Accounts and is designed to provide guidance and background on which policy decisions may be based. Officials of the Department of Labour are interested in the Accounts from the standpoint of employment and wage levels. Again they are used by the Department of National Health and Welfare in studying the implications of various social security proposals. The Department of Agriculture makes reference to the data in assessing the demand for farm products and in viewing the position of agriculture in the context of the overall economic situation. The industrial distribution of the national income has been used in the work of the Industry Studies Section of the Department of Trade and Commerce. In all of these cases, conclusions arrived at from a study of the data are capable of having a bearing on decisions which are made at the policy level. An outstanding recent example is provided by the Royal Commission on Canada's Economic Prospects. The staff of the Commission have spent considerable time consulting with and obtaining data from officials of the Bureau of Statistics.

(2) *Administrative Uses by Government*

The most important administrative use of the accounts in Canada has been their adoption by the federal and provincial governments as the basis for adjusting the federal tax rental payments to the provinces. In 1947, the federal government entered into an agreement with the provinces (Ontario and Quebec excepted) whereby it gained exclusive jurisdiction over the fields of personal income taxes, corporation taxes, and succession duties. On its part, the federal government agreed to pay each of the provinces a sum of money which was to be adjusted each year in accordance with changes in gross national product per capita and movements in provincial populations. These agreements were reviewed in 1952, (at which date the Province of Ontario entered) and these present agreements expire in 1957. A further administrative use of the Accounts is in connection with Canada's contribution to international organizations. The National Income, adjusted for certain factors, provides a standard for assessing national contributions.

(3) *Use by Business and Labour Organizations*

The number of requests received by the Bureau from large corporations, financial houses, trade associations and labour groups testifies to the growing use that is being made of the national accounts in the Canadian business world. In the same way that the accounts provide a guide to the operations of the Canadian government, so they may be used by business men in studying economic trends and analyzing business problems. Many of the larger organ-

izations have now established research and statistics sections, whose purpose it is to assemble and study the facts upon which business decisions can be based.

(4) *Educational Uses*

At the more popular level, the national accounts have served a most useful purpose as the basis for educating the general public on economic matters. They provide a framework within which economic questions of public concern can be considered in their quantitative aspects. As pointed out at the beginning of this discussion, the habit of looking at economic problems in quantitative terms and in relation to overall economic magnitudes is becoming quite general. The National Accounts have played a very important part in this development.

At the formal level, the educational value of the Accounts needs little comment. Universities make wide use of the national accounts, both in their teaching programmes and in carrying out their research functions. National income analysis has become the unifying theme of modern economic theory, and the empirical system represented by the National Accounts provides a highly effective teaching device.

(5) *Research Uses*

All of the groups discussed above—government, business, labour organizations, and the universities—have made use of the Accounts in various research projects. The behaviour of the economic magnitudes over time reveals significant information about how the economy functions. Moreover, when studied in conjunction with other data, significant correlations may be discovered which provide additional insights into the operation of the economy. Such information, drawn from the historical record, provides valuable background material to governments in framing policies designed to maintain income and employment at high, stable levels. It is equally useful to workers in the fields of business, labour and university research, as intimated above.

Statistical Collection

I turn now to the less interesting but nevertheless essential subject of collecting statistics. As stated earlier, the national accounts constitute a guide for setting up priorities in the collection of economic statistics. They facilitate maintenance of consistency in statistical collection. Not only are they internally consistent in themselves, but, since they are the "keystone of the statistical arch", further extensions of the general body of economic statistics are more efficiently considered in terms of comparability with the Accounts. A description of the Accounts can be found in the Proceedings of the Standing Committee on Finance, The Senate of Canada, June 12, 1952, p. 307.

In general, the great variety of statistical sources can be classified under two main headings: first, those which require questionnaires to be mailed out from the Bureau to the business community and, second, those which are based on records already available within government departments as an adjunct of the administrative processes of these departments or agencies. Under the first heading, questionnaires mailed and tabulated by the Bureau, we have the broad groups of Salaries and Wages, a large part of Net Income of Unincorporated Business including farmers, Personal Expenditure on Consumer Goods and Services and Gross Domestic Investment. Under the second heading, data already available in administrative records, we have the broad groups of investment income, indirect taxes, depreciation, and government expenditure. Exports and imports of goods and services represent a special case where the basic data are collected through the administrative processes of another

department, but where the statistics themselves are classified, analyzed and published by the Bureau of Statistics. The invisible items such as tourist expenditures, freight and shipping and interest or dividend payments are obtained largely by direct questionnaire. There are other exceptions to the above grouping. Despite these differences, however, the broad groupings can in general be said to apply. According to these groupings, about two-thirds of the values included in the main tables of gross national product and gross national expenditure are based on direct questionnaires mailed by the Bureau, while one-third of the values are represented by administrative records already kept by government, which must only be reworked to a certain extent for purposes of national accounting. Turning to the main tables of gross national product and expenditure which the honourable senators have before them, the first item is salaries and wages.

The general method of estimating the total wage bill consists of calculating the payments made on labour account by the various industrial groups, and summing the results. By far the greater portion of the estimate is based on census of industry tabulations of aggregate payrolls. These records are kept up to date by means of the monthly survey of employment and payrolls. These figures are reported on questionnaires mailed directly to business firms. Government employment and payrolls at all three levels of government are included, and these figures are obtained from governmental records.

The next item, investment income, consists largely of corporate earnings, interest and net rental income of persons. The data on corporation profits before tax are obtained from the Department of National Revenue, which tabulates these for purposes of the corporation income tax. Secrecy provisions are not violated, as we use only the aggregative tabulations, without access to the original returns. A number of adjustments are necessary, including the adding back of depletion charges, and charitable contributions. We have our own sample by direct mail questionnaire for the very current quarterly record of corporation profits. Total residential rents received by persons are estimated on the basis of the housing stock and then expenses are deducted to obtain net rents received by persons.

Net income of agriculture and other unincorporated business consists, in general, of the earnings of working proprietors from their own businesses. The basic estimates of "net income of farm operators from farming operations" are prepared by the agriculture division of the Bureau and adjusted to meet national accounts' definitions. In computing the estimates of "net income of farm operators from farming operations" the agriculture division constructs an operating account for the agriculture industry. Farm cash income from the sale of farm products is first calculated, by type of farm product sold. These estimates rest upon an extensive statistical coverage of the agriculture industry, partly by direct mail questionnaire and partly by utilization of existing administrative records. A considerable amount of data is obtained from the Board of Grain Commissioners and also from the Department of Agriculture, the latter particularly with respect to livestock marketings. The value of the physical change in inventories of grain and livestock held on farms is computed at year-end prices. Farm operating expenses are then deducted from this figure. These include taxes on real estate, net rents on farm land, labour costs, interest on farm debt, feed and seed, binder twine, repairs and depreciation, operating costs of farm machinery, fertilizer and so on. Finally, the complete operating statement is put together to arrive at the estimate of net income.

Net income of independent professional practitioners such as doctors, dentists, nurses, lawyers and engineers are estimated by multiplying average net incomes by the number of independent practitioners in each category. Average net incomes have been established by special surveys. For instance,

net incomes of doctors for the years 1939, and 1944-1946, were obtained from a survey of the medical profession conducted by the national income section. For the years 1946 to the most recent date, average net incomes are obtained from "Taxation Statistics". Independent retailers, such as corner grocery stores, construction contractors and other trades are represented in this group.

Indirect taxes: The indirect taxes figures are based on analyses of the public accounts. They consist of collections of revenue, import duties in the form of sales and excise taxes and other real and personal property taxes.

Depreciation allowances and similar business costs: Allowances for current consumption of capital, deducted to arrive at profits and net income included in the national income, must be added back to arrive at Gross National Product at market prices. In view of the difficulty of arriving at a figure of the true economic consumption of capital, it is necessary to use current accounting allowances for depreciation, obsolescence and amortization as a basis for the estimate, although these may vary from capital consumption in the economic sense.

Now turning to the right hand side of the main table, we come to the main categories of demand.

Personal expenditure on consumer goods and services: The estimates of personal expenditure are calculated under three broad categories: commodities, services and net expenditure abroad. The general method of estimating purchases of commodities is to use the figures of total retail sales obtained from the decennial merchandising census and annual and monthly surveys conducted by the merchandising and services section of the Bureau. Commodities purchased by individuals through non-retail outlets such as bakery and milk deliveries right to the door, are added, as well as certain provincial and local taxes which are not included in the retail sales figures.

The largest item in the service category is rents, which are estimated by multiplying the number of houses by the average rent per house. The latter is obtained by the labour force survey by direct household interview every month. We go around knocking on doors, asking: "What is the rent?"

The net adjustment for personal expenditure abroad is necessary to include, in personal expenditure, the expenditure of Canadian residents in foreign countries, and to exclude the expenditures of non-residents in Canada. The data are obtained from the balance of payments section, Dominion Bureau of Statistics, and the Department of National Defence.

Government expenditure: The next demand category, government expenditure on goods and services consists of purchases of goods and services by governments at all three levels, federal, provincial and municipal. The figures include general purpose purchases from Canadian business, capital outlays of governments for schools, highways, buildings and so forth, military expenditures and the salaries and wages of government employees.

At the federal level, the basic data on budgetary expenditure are obtained from a detailed analysis of the public accounts; the figures are converted to a calendar year on the basis of monthly information obtained from the Comptroller of the Treasury. At the provincial level, the data are again obtained by a detailed analysis of the provincial public accounts. These figures are converted by us to a calendar year basis, using a new series of quarterly reports which we obtain directly from the provinces. The municipal estimates are based largely on an analysis of the reports of the provincial departments of municipal affairs, carried out by the Bank of Canada and transmitted by it to us.

Gross domestic investment: Gross domestic investment, as defined in the national accounts, includes expenditures for new construction, new machinery and equipment, and changes in inventories of private and government business

enterprise and certain institutions such as universities and hospitals. Expenditures of persons for new housing are also included, since individuals, in their capacity as home-owners, are treated as business enterprisers and also because it is desirable to show all of the private building industry in one place.

For current years, over-all estimates of gross private and public investment in Canada are prepared jointly by the economics division of the Department of Trade and Commerce and the Dominion Bureau of Statistics on the basis of a survey carried out each year. The historical series back to 1926 was prepared by the economics division of the department.

In general, information on capital expenditure of larger firms in private business has been collected by the Bureau annually since 1941 in the capital expenditure survey carried out by the general assignments division of the Bureau. Since 1946, estimates have also been prepared on a forecast basis. In other words, they write to businessmen and ask what will be their capital expenditure next year. This survey has gradually been extended and improved until today the coverage is quite comprehensive.

The basic data on housing come from a variety of sources including a comprehensive monthly survey of housing starts and completions and sample data on wage rates and building material costs.

Inventory changes in the majority of industries are available through annual and monthly surveys carried out by the industry and merchandising division and the agriculture division of the Bureau. About 80 per cent of total non-farm inventory holdings are covered by manufacturing, wholesale and retail trade, where regular continuing sample surveys are carried out by the Bureau.

Exports and imports (Net investment or disinvestment abroad): The figures appearing in the national accounts are the gross credits and debits on international current account published by the balance of payments section of the Bureau, with minor adjustments to conform to national accounting concepts. The export data represent a disposition of Canadian production and are an important element of final demand. Imports are of course subtracted because they are not Canadian production, and we wish to measure Canadian production only.

Summary:—In summary, a large proportion of all data used in the national accounts is obtained from within the Bureau of Statistics. The principal outside sources are the taxation division of the Department of National Revenue and the public accounts of federal, provincial and local governments. Apart from these two principal outside sources, practically all of the data is obtained from the various divisions of the Bureau itself. The research and development division of the Bureau produces, in addition to the national accounts, the industrial production index, the monthly publication of the *Canadian Statistical Review* and in addition to the regular publication load, we attempt to keep up to date on current economic research. Some research topics of current interest are income distribution, inter-industry commodity flows, labour and capital input to output ratios and money flows or financial accounts related to the national accounts.

In all of this work we have the benefit of close personal contacts with the economists in the various government departments. The real secret of this liaison is the informal discussion or personal telephone call, but there are more formal arrangements of over-riding importance in themselves. Various committees are in existence, to go over the several aspects of the work, co-ordinating it and assigning various priorities in view of our limited resources.

Senator REID: May I at this time ask two questions? Take the statistics on fisheries, and I am speaking particularly of the Pacific Coast, although I think the same applies to the Atlantic. You show the amount paid to the

fishermen on the basis of the quantity of fish. Later, of course, the fish is processed into canned salmon. Do you separate those two items, or add them? When the fishermen are paid for the fish, the value is shown right there. If you take that figure and then add to it the cost of the manufactured product, you are doubling the amount, because the same product in the can is manufactured for which the fishermen have been paid. How do you differentiate between those items? Do you take note of them when you are preparing the figures?

The second question is: in the account given of the expenditures of the federal government, I take it that there is included the amount of money paid to provincial governments; and if that is so, there would be two expenditures shown there. If that is the case, there would be two expenditures, because of what the provincial government spends with the moneys received from the Federal Government: In other words, you would have a double expenditure, unless note was taken of that.

Mr. LEACY: As to your first question on Fisheries, at one time I believe there was cause for concern about duplication, but I understand that has recently been corrected.

Mr. PARKER: Yes, it has been corrected for some time.

Mr. LEACY: Now, you can get the value at the fish caught and landed stage quite separate from the value after the manufacturing stage.

Senator REID: Would both be added finally in the national product?

Mr. LEACY: The net value; each portion would be added, but you would not duplicate by adding the gross amount.

Senator REID: What about my question concerning Dominion Government payments?

Mr. LEACY: The payments to provinces are not included in the national accounts under the item "government expenditures on goods and services". As a payment from the federal government to the province, they are not shown under our Federal Government expenditure. Subsequently, when the province spends the money, it is then entered in the provincial expenditures.

Senator REID: There is just one expenditure.

Mr. LEACY: There is only one.

Senator CRERAR: Let me get that point clearly. You do not include the payments to the provinces under these agreements, as expenditures by the federal government.

Mr. LEACY: That is correct, on goods and services.

Senator CRERAR: You do not include them.

Mr. LEACY: No, we do not.

Senator CRERAR: So that you get the expenditures of the federal government in any particular year, in isolation—that should be included—and they are included in the revenues for expenditures of the provinces?

Mr. LEACY: That is right.

Senator TURGEON: And it is definitely clear that what the provinces give back to the provincial authorities is taken away from their gross amount of tax collections?

Mr. LEACY: Yes. The reason for not counting these payments from the federal government to the provinces, is that in the main table of the national product and expenditure our purpose is to obtain the dollar value of production; and we include in here only those government expenditures which we consider are for production of goods and services, and we try to get them in only once.

Senator HAIG: Mr. Chairman, I would like to ask a question from the agricultural representative. What did you take last year as the basis of wheat produced in Canada, and how did you get your figures for that year?

Mr. PARKER: As Mr. Leacy said, the first figures arrived at in our balance sheet are of the agricultural industry. We get at our wheat receipts in the account from the actual sales that the farmer makes to the country elevators. Of course I am speaking about Western Canada now, Senator Haig. We have those physical figures of the marketings of Canadian wheat, and we multiply those marketings by a farm price which we arrive at through surveys; so it is only the income of wheat that actually left the farm and was sold, that goes into the accounts. But we include later on the payments received from the Wheat Board.

Senator HAIG: I know that. Let me amplify my question to make sure that you are giving me the answer I require. Let us say that a farmer, in 1952, had a crop of which he delivered 80 per cent to the elevator and put 20 per cent in his granary; in 1953 he had a similar surplus which he did not deliver to the elevator, and in 1954 and 1955 he had the same situation. At the end of 1954, let us say, he had a surplus in his granary of some 65,000 bushels, and at the end of 1955, he will have perhaps 75,000 bushels. Is that included in your figures?

Mr. PARKER: Yes.

Senator HAIG: When?

Mr. PARKER: I just gave the income part of it; the other part is carried into the accounts through farm inventories. On the farm inventories we give the physical inventory of grain on farms at the end of the year, and we value the change in it. So, if a man goes up, according to your illustration, 10,000 bushels a year, the increment in the inventories is valued at year-end prices and added into the accounts.

Senator HAIG: But the grain is still in his granary.

Mr. PARKER: Yes, still in his granary, but it is potential wealth.

Senator HAIG: And that is part of the basis of taxation on the national production.

Mr. PARKER: I would not like to answer that; I don't know whether it is the basis of taxation on national product, but it is part of the national production.

Senator HAIG: Let us get this clear. Mr. Harris, and Mr. Abbott before him, said we will tax on the national production. Last year the Minister estimated that it would be \$25 billion, and as it turned out it was \$26 billion. He then fixed his tax basis on that estimated national production, and that is why he said he could no reduce taxes this year because there wasn't considered to be enough income in 1955 to allow him, at the present tax rates, to collect sufficient money. I am not arguing that question, but I want to know what happens with respect to the grain that never puts anything into the pockets of the producers in Canada, say during the years 1952 to 1955. We have over 100 million bushels of wheat in the granaries of Manitoba, Saskatchewan and Alberta now, wheat that has never gone to the elevators at all. But that is apparently included in your estimate.

Mr. LEACY: That is right.

Senator ISNOR: Why should it not be included? Should it not be considered in the same way as stock and inventory in a store?

Senator HAIG: It does not produce any wealth until it is put into circulation.

Senator ISNOR: Certainly not; but merchandise on the shelves doesn't make any return until it is sold. The same is true of grain in the granary.

Senator HAIG: But that is not what your memorandum says. I say your handling of it is wrong, because that wheat never went into circulation. Take the farmer with 65,000 bushels, with 5,000 of it out on the Prairie and a storm comes along and blows most of it away. What happens in that case? It never gets into circulation.

Mr. LEACY: I should say there is a wastage allowance deducted before arriving at an estimate of the national product.

Senator HAIG: But there never was a loss of wheat like this before. Let me turn to another example in the field of housing. Take one house: The lumber that goes into it has already been included, as Senator Reid said, in the production of lumber by the mills, has it not?

Mr. LEACY: Yes.

Senator HAIG: The bank lends some money on the house, and all that is done is to pay that money back. The only other thing that goes into it is labour, and that has already been included in your labour estimate. So that actually the house produces nothing during that year; there is no new production. That is my argument. The only production that one might claim in relation to that house is the profit that the man who built the house made. If it cost him \$10,000 to build and he sold it for \$11,000, the actual production was \$1,000. Am I right or wrong?

Mr. LEACY: I think I can sort out the difficulty very simply. There are two ways of arriving at the total output of the Canadian economy: One is to take all the final products produced by the economy—and that is where your house comes into the final product. Secondly, and quite a different way, is to estimate the total output by adding up the cost incurred at each stage of output; you refer to the wages of the men on the construction job or the interest paid as an item of cost in the operation. These items are on the other side, on the cost side. I think, Senator, you have been talking about two things at once. I mentioned the house being in the total final estimate, and I also mentioned wages as being on the cost side. In my own thinking I keep them quite separately.

Senator HAIG: Last year I think there were about 125,000 housing units started. How much did you include in your figures of national production for those 125,000 units? Did you just charge the whole thing through at \$10,000 or \$11,000 per house?

Mr. LEACY: Yes, sir.

Senator HAIG: But you already had most of that covered in the same year by the labour and other things?

Mr. LEACY: No. The second part is not true. You see, we have our choice: We can count the house, which we do for one set of statistics, or the costs, which is for another set of statistics, and these two will add up to the same total. There is no duplication. We are showing you two ways of arriving at the same count.

Senator HAIG: Your memorandum says you took the wages.

Mr. LEACY: Yes...

Senator LEONARD: Perhaps if you said in the top table that the costs that have gone into the building of that house, labour costs and so on, including services, in the building of the house, all of which finally adds up to a figure which appears on the opposite side; then, on the second table, namely what is left at the end of the year as a result of all the labour that has been spent, there is the house costing \$13,000. Is that not straight?

Mr. LEACY: Thank you very much, Senator. You got me out of a difficult situation. That is correct.

Senator HAIG: But you did not tell me you took off the costs. Your memorandum does not say that.

Mr. LEACY: There is another way I can explain the point. The total national production is the sum of the net values added at each stage of the productive process. For instance, if you manufacture some lumber, you add in the wages at the mill; then you take the lumber to the building site, and you add in the wages at the building site; and so on, adding only the net amount created at each stage of the process of production, until finally you have added up to the final production which, as the Senator has said, is shown on the other side of the account as the value of the house.

Senator HAIG: You have already taken wages in to the wage item. You told me that?

Mr. LEACY: Yes, sir.

Senator LEONARD: As an expenditure.

Senator HAIG: But he includes it again.

Senator LEONARD: As I said, one side is expenditures and the other side is assets.

Senator HAIG: But the man started with nothing except a lot. Tell me, throughout the process of building that house is there anything that has not already been taxed under your system? Then, we have all the men who have already been taxed, because you took the total wages for that year.

Mr. LEACY: The only way I can make this clear to you, Senator, is to say that we do not count the house in the total output, if we are measuring on a cost basis.

Senator HAIG: Yes, you do. You take the total number of houses produced and charge them in with the production; I read the figures.

Mr. LEACY: It refers to the construction of a house, which is a separate thing.

Mr. RUBINOFF: Perhaps this could be looked at in the same way as we might look at the accounts of a single person. If a person were to work for a year at an income of \$5,000, we would say this was the amount of production which that person created in the year. Let us say, that out of that \$5,000 he spends \$3,000 on food, clothing and other necessities, and saves and invests \$2,000. We might say that he disposed of his income by spending \$3,000 and saving \$2,000. We could then add these two figures up and say that that person produced \$5,000. Now, there is no duplication there. We are simply looking at the same production as viewed from an income position and from an expenditure position. In fact, Table 1 shows all the various items which you have stated—wages, of the lumberman, the worker on the site, the profits made by the contractor, and so on; all the various incomes appear on Table 1. When we sum these up we get the total value of production. On the other hand, on Table 2, simply taking the expenditure on the house which is the final product, we are able to arrive at the same total expenditure we are now looking at—the way in which it is spent, rather than the way it was earned.

Senator HAIG: Your system as between year and year is reasonable; I can understand it; and if you use the same system every year through the years your comparison will be sound. But my argument is that you put in a return for labour as a general item by itself, total labour paid, but you also put in the total increased value of the houses they produce.

Mr. LEACY: Not in the same table.

Senator HAIG: Not in the same table, but in the same total.

Mr. LEACY: Not in the same total.

Mr. RUBINOFF: You might perhaps refer to page 14 in this connection,—

Senator HAIG: Let us come back to the wheat. How do you justify inclusion in the national product of wheat which has been in a granary for five years, unsold? What do you do with it? How do you justify that?

Mr. LEACY: It stays in inventories, less wastage, until such time as it is sold.

Senator HAIG: But it may never be sold.

Mr. LEACY: Then the wastage would amount to 100 per cent, and it would not be in the output total.

Senator HAIG: There are other items. What about money which the bank loans to the fellow who is doing the job? Do you include that? I presume you include the interest on that as production?

Mr. LEACY: Yes.

Senator HAIG: And the bank gets it all back. Do you include it again in the value of the building? Do you include it twice? You take the total earnings of the bank and include that as production. Am I right?

Mr. LEACY: Yes.

Senator HAIG: And then you take the man who borrowed the money and constructs the building and you put the total value of the building he produces.

Mr. LEACY: But it is a cost when he borrows it.

Senator HAIG: Do you take the cost off the total value of the building he produces?

Mr. LEACY: Yes, we add net value only at each stage of production.

Senator HAIG: Tell me what you take off to get net value? If I remember your memorandum correctly, you include all wages and interest as earned money, and you put the increase in the value of the property as earned money. Am I right?

Mr. LEACY: That is right,—in a cost estimate.

Senator HAIG: I thought so. That is what your memo says.

Mr. RUBINOFF: They are both included. They both add up to the net total.

Senator HAIG: But it is included as national production when it does not exist. My whole argument is this. I do not dispute your figures; I do not dispute the way you get your figures, but I do contend that your figures do not tell the whole truth, because you add the two figures together. For instance, the farmer has not sold his 75,000 bushels of wheat; it is lying there in his granary; he may never sell it.

Senator CRERAR: Is your point that that 75,000 bushels should not be included?

Senator HAIG: Not until it is sold.

Senator CRERAR: That it is misleading when you include it in total production?

Senator HAIG: Correct.

Senator CRERAR: Then I disagree with you.

Senator HAIG: Well, that may be. That is your privilege. You are not the first man to disagree with me.

Senator CRERAR: And I won't be the last.

Senator HAIG: But I want to know these things. Do you include the pay of the soldiers?

Mr. LEACY: Yes.

Senator HAIG: As capital earnings? Well then, we have now about 100,000 soldiers, sailors and airmen. Would it not be a good thing to increase the

number to a million, and then we would earn more money. Would not that be a good idea? What do you think of it? I think your original position is wrong. I do not think it is production.

Mr. ROWEBOTTOM: If they were military personnel, they would not be something else, which they now are. If we add a million people to the country whom we do not have before, but who are doing work, that would increase the product.

Senator HAIG: This memo shows the same thing. The witness told me that the money paid to the soldiers, sailors and airmen represents part of the national production.

Mr. LEACY: That is right.

Senator HAIG: Then, I suggest, we should have a million soldiers.

Mr. ROWEBOTTOM: No, because these men are already included in some other categories.

Senator HAIG: No, they are not.

Mr. ROWEBOTTOM: If they are not soldiers.

Senator HAIG: The 100,000 men produce nothing.

Senator TAYLOR: Oh yes, they do.

Senator HAIG: They do on a theoretical basis, in that they protect us against, say, attack by the Russians; but I do not value that very highly. Is not that correct?

Mr. ROWEBOTTOM: I cannot agree that they produce nothing.

Senator HAIG: What do they do which does our production any good? Show me where they produce any part of the national product.

Mr. PARKER: They produce a service, senator.

Senator HAIG: But this is national production which the government can tax. It cannot tax service.

Mr. PARKER: The government uses some of its revenue for paying soldiers, sailors and airmen from taxes. The payments which are made to them are regarded as a service in the national accounts. We say that is true of the incomes of soldiers, sailors, airmen, civil servants—

Senator LEONARD: Lawyers?

Mr. ROWEBOTTOM: Not in these particulars. This is all an expenditure by the government on what we term a service.

Senator HAIG: I am trying to point out that the public outside think, and I thought before I came on this committee, that what you meant by "the national product" was things Canada produces that could be sold and turned into money. Soldiers do not produce anything that can be turned into money.

The CHAIRMAN: I think this is developing into rather a futile argument, and I would ask Mr. Leacy if he would be prepared to submit to the committee a resumé of his reasoning in connection with it, in view of what has been said here today. It is quite evident that our witnesses are—I am not saying that they are not competent—but they are not prepared to answer your arguments, Senator Haig. At least, if they are, they have not convinced certain members of the committee. Maybe the witness would prefer to submit something to the committee that will clarify this matter. I must admit, Senator Haig, I am 'balled up in the head' over this too. Senator Leonard appears to be able to get a picture of it, but I cannot.

Senator HAIG: There is one further question I want to ask, which is not connected with this. Under professional earnings you include receipts of doctors, dentists, preachers, teachers and, as somebody said, lawyers. Now I happen

to know a little about the latter. A great many lawyers make money outside of law altogether, but it shows in their tax returns as lawyer's income. When the Income Tax supply that information to you, are these revenues included in their production; I mean, when you get the average for them all?

Mr. LEACY: Their income from practice is included under the item "Net income of independent professional practitioners". If they are employed, say, by a corporation, and paid a part-time salary, this would be under "wages and salaries".

Senator HAIG: I know a lawyer in my city who earns about \$75,000 by practising his profession; he also earns \$75,000 as director of various corporations. His return shows that as a lawyer he earns \$150,000, but actually he does not; he earns only \$75,000. Do you take the whole \$150,000 figure?

Mr. LEACY: Yes.

Senator HAIG: And include that for the purposes of the average all over Canada? That would be one of the items included in ordinary earnings by lawyers? That is what you said. You take the earnings of a certain number of men and average the whole profession on that basis?

Mr. LEACY: The average to which I referred excluded their incomes as directors or employees of corporations, which properly belong to the salary and wage item.

Senator HAIG: For instance, I earn something as a lawyer, and a dollar or two as a senator. I put all these receipts, of course, in my return, and it would look as though I received as a lawyer \$10,000 more than I really earn in practice.

Mr. LEACY: No sir. Your income would be shown in two places in "National income": first, under "wages and salaries," and second, under "Net income of unincorporated businesses".

Senator CRERAR: Senator Haig, I don't quite follow this. You are a lawyer; you earn certain income as a lawyer, also as a senator. Now, what tangible profit results from your activities?

Senator HAIG: Well, let us say that you are being threatened with a lawsuit for \$25,000, and you come to see me about it. I tell you to settle on the best terms you can. Acting on my advice you make a settlement for \$5,000, and thus save \$20,000,—which is pretty good; and I charge you five.

Senator CRERAR: Take myself as an example. Each senator gets a gross payment of \$10,000 a year. I come here for five months each year, and I cannot point to any tangible thing which I have produced in that time.

Senator EULER: You are very modest.

Senator CRERAR: It is assumed, and I hope it is true, that I have rendered some service, and consequently the service I rendered is included under my income, much as in the case of a lawyer. You do not produce any grain, you do not produce any lumber, but you render a service. That service is included. Are you going to ignore that altogether in the calculation of national income? I cannot think you can.

Senator HAIG: I never excluded that.

Senator CRERAR: Well, maybe I misunderstood you.

Senator HAIG: The Bureau do not question every lawyer in Canada; they ask a few in Winnipeg, in Toronto, in Montreal, and elsewhere; perhaps not more than ten or twenty in any one place, although there are probably over 400 lawyers in Winnipeg alone. If they happen to ask the fellow who makes \$150,000 a year from the sources I have mentioned, the average is considerably increased. That is what I was talking about. I cannot help it if my friend does not understand language; that is not my fault.

Senator McDONALD: I would like to find out from Mr. Leacy how he checks the reliability of the information he secures from, we will say, the corner grocers. I understood him to say that in a couple of instances, in Tables 1 and 2, the Bureau sends out a questionnaire. Does it check the reliability of the information it gets, or does it take the figures it receives without checking them?

Mr. LEACY: There is a certain amount of auditing for reasonableness, when the questionnaires are received back at the Bureau, and if the information is obviously useless it is not used in the tabulation. But the main check for reliability of the estimates comes at the time of the census, when all these stores are contacted and asked to report. In between census dates we mail questionnaires to only a small sample. At the present time it consists of 6,000, spread all over the country. This sample is scientifically designed to represent all of the stores in the country, so that the extreme measures in the averages, such as the previous senator mentioned, are only given their proper weight in the total. It is a matter of sample design.

Senator ISNOR: In fairness to the small grocery store, you have, I think, a further check; you have their sales every month, reported to the merchandise branch of your department. It receives the sales total for the previous year, say, in January 1955. At the end of the year you will have totalled that amount, and I believe that from time to time you have access to the sales returns and records supplied by that particular merchant to the Income Tax Division. So there is no question but that you have a full opportunity of checking the figures, as to whether they are reliable or not. Is not that a fact?

Mr. LEACY: We do not have access to the individual tax records. We can only check the reliability in particular groups.

Senator ISNOR: Let me carry it a bit further. Could you have at the end of a year the complete sales for a twelve-month period? No merchant keeping records is going to send in one set of figures by the month and another by the year, and still another to the Income Tax Department.

Senator McDONALD: Mr. Chairman, I should like to thank you for the information on that point. I can see that the census returns would be quite helpful.

I have another question which has been bothering me for some time. When I was with the Department of Agriculture in Nova Scotia, I found that there was a hesitancy on the part of farmers to fill in questionnaires which they received for fear they were giving information that would be used for taxation purposes. We tried to dispel that fear amongst the farmers, and I am hoping that the situation is not as bad now as it used to be. Is that so, Mr. Leacy? Is there a little more readiness on the part of the primary producers to fill in questionnaires.

Mr. LEACY: Yes. We try to assure them that their returns to us will be kept absolutely confidential and used by ourselves only; and we publish only the aggregates after having added up thousands and thousands of returns, and no one else has access to the individual returns.

Senator McDONALD: I think it would be helpful to us in getting more reliable information, if your department would assure the people from whom you seek information that what they tell you is not for taxation or any other purpose than for statistics.

Senator MOLSON: May I ask Mr. Leacy if, broadly speaking, the samples that are taken for all the hundreds of different types of information, could be said to be on the scientific basis that most polls and business surveys are taken on? In other words, is the sample a valid cross-section which in most cases produces a small and acceptable margin of effort?

Mr. LEACY: By and large, that is so, Senator. The sampling technique is a new technique, and is changing and being improved every day. But a fair portion of our information is obtained by the sampling technique because it reduces costs.

Senator MOLSON: But the basis in those cases is in accordance with the techniques generally accepted as sound.

Mr. LEACY: Oh yes. It is a specialized profession in itself, designing scientific samples.

Senator ISNOR: Mr. Chairman, I have two questions both dealing with items as mentioned in Table I and Table 2. My first question follows the questions asked by Senator McDonald about the obtaining of information. Is it necessary for you to obtain all the information that you ask for, in so far as the small stores are concerned? As I remember it, your form asks for information on wages or salaries for the month, the number of employees, permanent and casual, the number of hours and days worked in the week. In that case, I wonder how important it is to get information as to the hours and days. The large departmental stores, for instance, are now staggering their staffs, and when they tell you the number of hours and days they work, it does not give you a clear picture to pass over to the labour department as to the actual number of hours worked, in relation to the number of days shown. How important or valuable is that information to you or to the people of Canada?

Mr. RUBINOFF: May I answer that question, Senator?

Senator ISNOR: Certainly.

Mr. RUBINOFF: In attempting to find out how much wages and salaries are paid for a month, the form which is sent out usually refers only to the last pay period in the month. Now, if someone is paid by the month, you of course have only one pay period, but if they are paid by the week it becomes quite important to find out the number of days that the people work in that week. If, for example, people were paid by the week and we want to find out how much they were paid in the month, and let us say there was a holiday in that last week for which they were not paid, by multiplying by four we reduce the total wages paid for the entire month. This would be biased to the extent that the holiday may have fallen in the last week of the month. We know if there was a holiday, and so we ask how many days people worked in the last week of the month. For example, Christmas always falls in the last week of December; if people are paid less during that week, we do not want to say they were paid less for the entire month when we attempt to establish the total.

So, to this extent it is quite vital information for determining the total wages and salaries.

Senator ISNOR: You may have a point there, but I cannot follow you. As I recall the form, you ask for information for the first week and the last two weeks, and then the total for the month. Is that correct?

Mr. RUBINOFF: No, they usually ask for the last pay period in the month. One of the reasons for that is to avoid duplication. If someone were to work one week at the beginning of the month for one employer and work for another employer in the last half of the month, you might say that there were two people working, when in fact there is only one. To avoid this duplication, we count only the one pay period.

Senator ISNOR: I am bringing this matter up, Mr. Chairman, in order to draw it to the attention of the officials in the hope that they will simplify as much as possible the information that they require from retail stores throughout Canada.

My second question deals with item 2, Table 2, government expenditures on goods and services, and more particularly with respect to services. I understand services include expenditures on buildings and highways. I understand you put that down as an expenditure.

Mr. LEACY: Yes.

Senator ISNOR: Do you show it as a capital expenditure any other place?

Mr. LEACY: No, it appears only once under government expenditures.

Senator ISNOR: In other words, if Public Works builds a large building costing \$1½ million, that is an expenditure pure and simple.

Mr. LEACY: Yes, and the full amount shows immediately; it is not capitalized.

Senator ISNOR: Do you say that is good bookkeeping, as far as your record is concerned?

Mr. LEACY: It is different from private practice, but this is the actual governmental practice and it is embodied in our treatment in the accounts.

Senator ISNOR: I agree to some extent with Senator Haig, although I follow the outline as given by Senator Leonard in regard to the setting up of a double system, and showing assets against expenditures in the case of a house. But when you simply show it under one item of expenditure, running into many millions of dollars, for a building which might be sold at some future date and a revenue received from it, then I can't see how you can show it entirely as an expenditure.

Mr. LEACY: This particular treatment is a result of international conventions, and many of the debatable points which were raised previously have been discussed amongst economists and statisticians at international gatherings. The United Nations Statistical Commission discusses these issues each year, and it issues documents recommending international conventions which are to be followed by practising national statisticians. In this way we reach a broad measure of agreement on what is to be included in the gross national product and what is to be excluded.

Senator ISNOR: My last question, Mr. Chairman, is one dealing with the recent increase in the rate of interest charged by the Bank of Canada. Is that reflected in your records in any way? Let me give you an example: Because of the increase in the rate charged by the Bank of Canada, all banks throughout Canada issued a directive stating that from a certain date its rate of interest will show an increase. That increase is naturally reflected in the net earnings or profit of the business firms throughout Canada, but have you any way of following an item like that through your records?

Mr. LEACY: Yes, sir. The actual amount shown under national income is the amount of the net income of the corporations, and this is arrived at after they have paid their interest charges.

Senator ISNOR: My point is that you are adding to the overhead expenses to cover that increase. Is it reflected in any of your records.

Mr. LEACY: Yes, if it means higher expense, the net income is lowered; this is reflected in the national income.

Senator CRERAR: Mr. Chairman, with reference to the table on page 14 of the national accounts, they affect 1953—that is a calendar year?

Mr. LEACY: Yes, sir.

Senator CRERAR: You give the net national income at factor cost, which is \$19 million odd.

Mr. LEACY: Yes, sir.

Senator CRERAR: And the gross national product at market prices of almost \$24½ million.

Mr. LEACY: Yes, sir.

Senator CRERAR: Now, Items 7 and 8 indicate the amounts that are taken off the gross national product to arrive at the net national income. To what extent does depreciation over the whole economy, enter into it, and to what is indirect taxes less subsidies? Have you that information here?

Mr. LEACY: Yes, Items 7 and 8 are shown here.

Senator CRERAR: I think an explanation as to how these differences are arrived at would be of interest to the committee.

Mr. LEACY: The gross national product is the measure of the value of the total output. It is called "gross" because it is the gross without depreciation. The country produces a certain amount of goods and services during the year. Now, are we going to include in that an allowance for the wear and tear on the machinery during that year?

Senator CRERAR: I am not quarrelling with you.

Mr. LEACY: You have your choice; you can take the gross or net total. The gross total is exclusive of depreciation; the net total is net after having deducted depreciation. They are both shown in these tables.

Senator CRERAR: One further question: In arriving at the percentage of our total of all taxation in Canada as related to production, should we take that percentage against the gross national product or against the net national income?

Mr. LEACY: I would say against the gross.

Senator CRERAR: What would be your reasons for that?

Mr. RUBINOFF: It will depend on the circumstances to which you are referring. For example, during a war the important object is definitely to win, and perhaps it does not matter whether we are wearing down our capital equipment in the process of doing so. Given a total amount of production throughout the year, certainly one of the costs of producing this total production was the wear and tear on our capital equipment. But we may say that this is unimportant in view of our objective. So we might say, if we produce \$25 billions gross, nevertheless, for taxation purposes, to take away for expenditure on war purposes a certain amount can be justifiably considered as a percentage of the gross. This would be one circumstance. On the other hand, you may be thinking in terms of the incomes perhaps which are received by persons under items 1 to 5; that is, wages and income and so on; and all of this is net after depreciation; and again, depending on the circumstances, you would certainly, I would think, take percentages of tax to net national income. So it is really a yes-and-no, depending upon the objective which you have.

Senator CRERAR: Well, I found myself perplexed a bit on this point. I am a factory owner; I use certain machines in my operations. I produce a gross value of product of, say, \$25,000, but I know that I have to take into account the depreciation on my machines which produce the product. In the net result I pay, say, \$3,000 in taxes. Now, should a percentage of my tax, to arrive at that, be assessed against my gross product, or what I have left after the depreciation takes place?

Mr. RUBINOFF: Of course the tax you pay itself is based upon the net, because depreciation is a cost which can be charged off against your total operations; so that in effect, you are paying your tax upon your net income.

Senator CRERAR: If you take your over-all taxes, paid at Canadian federal levels, and assess them against your total net national income figure, you would probably arrive at, say, around 25 per cent; but if it is assessed against the net figure, which I think is the correct figure to assess it against, you are paying probably on the order of a third, or 33 per cent. I think it is of some considerable importance.

Mr. LEACY: Senator, might I add something to this discussion? I do not think we can get a complete picture of these comparisons of percentage of tax to income by referring only to tables 1 and 2 which we have in front of us; partly because there is income which is received by persons not included in tables 1 and 2. Here we are including only new production. Persons who pay taxes receive family allowances and other types of transfer payments, although it is also valid, if you are making a comparison, to include income which the government may on one hand tax and on the other hand may be paying out, back, to persons. So to this extent it is also worthwhile to look, for example, at table 3, which shows the total sources of personal income. To get some over-all picture is quite a difficult technical proposition, but I am simply suggesting that it is worthwhile to consider these other factors as well.

Senator CRERAR: This is probably the last thing I have to say. It might be worthwhile for the Bureau to try to analyse that proposition further. It does seem to me to make a distinct difference. I quite realize that these subsidiary payments, such as allowances and pensions and that sort of thing, are not a depreciable item, but I do know that the big item in the difference there is depreciation. Over the whole economy that is the biggest single item, and that means that, so far as the economy is concerned, there has been that decline in the actual value unless it has been replaced by increases elsewhere. I may be quite wrong, but it does appear to me to be a very important point.

Mr. LEACY: The senator is quite correct.

Senator CRERAR: I think economists differ in their treatment of this, but I repeat that we will find today if we take our gross national product, the percentage of over-all tax on that is probably one-third, if you take only the net product figure.

Senator SMITH: I wonder if I can ask a question on table 3, "Investment income": does that mean the net investment income; I mean, income after depreciation and taxes and all the expenses are added together, or some kind of a gross investment income?

Mr. LEACY: This investment income is net.

Senator SMITH: Then why do you, in item 8, table 1, make a special point of adding "Depreciation allowances and similar business costs", if these business costs are already added to someone's balance sheet, and you get a net income for it? Oh, that gives you the gross, then this would be the net plus what they have taken off above here.

Mr. LEACY: Yes, that is correct.

Senator SMITH: As I read a little further I got it. There is another question I have in mind. What kind of subsidies are referred to in Item 7? Wheat subsidies, cheese subsidies, that sort of thing?

Mr. LEACY: Yes.

Senator CONNOLLY (*Halifax North*): Butter!

Mr. LEACY: I would just like to add with regard to Senator Crerar's remarks that these additional details of refinement for purposes of calculating ratios of tax to some income figure are provided in other places in the accounts. When the Minister of Finance says, "I am basing my revenue forecast on a gross national product of \$28 billions," he is making a general statement. What he actually means is that there are a lot of details entering into the gross national product, such as personal income and corporate income, on which the taxes are actually levied, and he is actually using these details of personal and corporate income to make his tax forecast.

Senator CRERAR: I quite appreciate that.

Senator LEONARD: I think I have somewhat the same thought in mind as Senator Crerar has. There have been some economists who have said that there is a maximum amount of gross national production which can be taken by governments at all levels, and that at that maximum amount resistance starts, and it is a danger point. The question in our minds is, in view of the fact that we have a federal system, with governments on dominion, provincial and municipal levels, is the maximum amount of taxation in this country approaching a point in relationship to the gross national production which may be dangerous?

Mr. LEACY: I believe the British economist Colin Clark quoted a figure of 25 per cent of the national income as being the maximum portion that could be reached by a taxation policy. This sort of calculation should be refined along the lines that I mentioned earlier. One would deal separately with personal and corporate incomes. In other words, one would look into the detail behind these tables.

Senator HACKETT: I am not a member of the committee—

The CHAIRMAN: You are welcome, Senator Hackett.

Senator HACKETT: Are we dealing with federal taxation alone, or are we taking into consideration provincial and municipal taxes? These latter, I understand, do not exist in England to the same extent, and in that degree the statement which has been mentioned would have no application here.

Senator LEONARD: Just going back to Mr. Clark's references to all taxation, he was dealing with taxation on the local government stage as well as the United Kingdom stage, and he was relating, with respect to any country, how much tax that country's gross national production could bear. When we come to consider as far as Canada is concerned, we have the provincial level, which the United Kingdom has not got. So long as we have those figures we can arrive at the total amount of taxation for the whole country.

Mr. LEACY: In the United Kingdom accounts they do show the local authority charges, and a similar practice is followed in Canada; but here we have the three levels; and our subsidiary tables in the accounts do show government income and outlay at all three levels of government.

The CHAIRMAN: Are there any further questions, gentlemen?

Senator HAIG: I had some more to ask, but I have been checked off so peremptorily by two other members of the committee that I feel I had better keep them to myself. I am the only Conservative here this morning; but there is only so much time, so I quit.

The CHAIRMAN: We have ample time; there is an hour before lunch, and we will be pleased to hear your submission.

Senator HAIG: I think I will drop it. All I want to say, Mr. Chairman, to these gentlemen is that the public outside does not have the same view of this report they have. The public thinks it is the total real production, not duplicating charges over again. They think when they sell wheat in 1955, it is the actual sale that should be reflected in the product, and not the total of 515 million bushels that were produced; and they think the same about the sale of cattle, hogs and other things. As to buildings, they think it should be the actual increase in the value of the building which should be included. They have an idea that we are producing \$26 billion or \$28 billion, which is not true. If you can't sell these things, there is no use saying they were produced, because they are no good for that particular year. For instance, with respect to wheat produced in 1952 and sold in 1955, you show a duplication there, and I don't see how you can get away from it.

Mr. RUBINOFF: That is not quite correct, Senator. If the wheat is sold in 1955, cash income is increased, but to the same extent inventories are decreased, and so you get a net of zero.

Senator HAIG: The agricultural man told me that with respect to the 75,000 bushels, which I gave as an example, which was in storage in Saskatchewan, this was taken into consideration at the market price in 1952. Now, that is what was left over.

Mr. RUBINOFF: Yes.

Mr. PARKER: Excuse me, but it is only the difference between that and what was on hand the year before.

Senator HAIG: I understand that.

Mr. PARKER: It was not the whole 75,000 bushels,—it might have been only 10,000.

Senator HAIG: 20,000 was the figure I gave.

Mr. PARKER: We only take the difference.

Senator HAIG: I doubt that. It seems to me what you do is estimate what the wheat on the land is worth, and you put that into your estimate.

Mr. RUBINOFF: That is right.

Senator HAIG: And when you sell it you show that return for wheat in 1955.

Mr. RUBINOFF: That is right, but at the same time the reduction of inventories offsets it. Supposing, for example, this 75,000 bushels of wheat was reported in 1952 as production, and let us say that in 1956 this particular man has a complete crop failure; he still has that surplus wheat on his farm, which he then sells for cash income. On the other hand, we would say he reduced his inventory by 75,000 bushels, and we would say his production is zero, which in fact it was, because there was a complete crop failure.

Senator HAIG: But you have already taken its value in 1952; and irrespective of what Senator Crerar has said, the price for 1955 wheat will not be as good as it was in 1952, nor will it be as good in 1956 as it was in 1955.

Mr. RUBINOFF: We take it in 1952 at the initial price.

Senator HAIG: The initial price may not be as good; I think it was down quite considerably. But it seems to you take some of the old stuff in again, and put it into production.

Mr. PARKER: No.

Mr. LEACY: It enters only once.

Senator ISNOR: Mr. Chairman, may I pursue the question as to whether we have reached a danger point in so far as our economy is concerned. I recall the figure of 25 per cent being given; as I remember it for 1952, it was 20·2 per cent, as brought out by Senator Crerar. It will be noted that the expenditures for provinces and municipalities have risen considerably from 1945 to the present time; it dropped as compared with 1939; that is, in the provinces the percentage of expenditures dropped from 28 in 1939 to 20 in 1955, and expenditures by municipal governments over that period have also dropped considerably. But there has been a general increase on a percentage basis. Is that right?

Mr. LEACY: I am sorry, but I do not have these figures with me.

Senator ISNOR: They were given out this morning.

The CHAIRMAN: You are quoting, Senator Isnor, from the document headed "Summary of Net General Revenue and Expenditure, All Governments"?

Senator ISNOR: That is right. I would like to add the thought, if by adding our federal, provincial and municipal expenditures, as compared to revenue, are we reaching a danger point so far as our economy is concerned? Is that question clear?

Mr. LEACY: Yes, the question is quite clear, but I am totally unprepared to answer it.

Senator ISNOR: I think it is very important. I take no credit for bringing it up; Senator Leonard brought it up, but to me it is an important one which affects the future economy of our country. I think we should analyze it and have a very full statement from Mr. Leacy or his department as to the relationship of the two and whether we are reaching a danger point in our economy. Would you do that?

Mr. LEACY: I am afraid it will engage the attention of several departments. There are many debatable issues involved in answering that question, and I should imagine that it would go outside the Bureau of Statistics, which is a fact gathering organization, and involve several other government departments.

Senator ISNOR: We would only want it from the standpoint of your department, as to a comparison between Canada and other countries. I think that would be a good way of arriving at the information I should like to have.

Mr. LEACY: I could produce on very short notice a table showing a comparison with other countries, if that would meet your requirements.

Senator ISNOR: I could look it over.

Senator LEONARD: I think that would be helpful.

The CHAIRMAN: There is one matter on which I think we should have further discussion. It does not seem to me that the committee is altogether satisfied with the explanations given as to how the gross national product and the net national income are arrived at. That is certainly within your purview?

Mr. LEACY: Yes.

The CHAIRMAN: Would you undertake, Mr. Leacy, to try to clarify that in a formal statement to the committee.

Mr. LEACY: I would be pleased to do that.

The CHAIRMAN: Is that the wish of the committee that Mr. Leacy supply us with that information?

Senator TURGEON: I so move, Mr. Chairman.

The CHAIRMAN: If there are no further questions, I should like, on behalf of myself and the committee, to thank you gentlemen very much for coming and giving us the benefit of your information on this very difficult subject.

Senator ISNOR: Does that mean, Mr. Chairman, that these men will not be recalled?

The CHAIRMAN: Do you have something further to ask today?

Senator ISNOR: We naturally listened with a great deal of attention to what Mr. Leacy read to us, which was a very fine brief and gave full coverage, but we could not begin to analyze the different points raised. I should like to see it in print and then have an opportunity of asking further questions. I think this department is so big that we should not dismiss these men today.

The CHAIRMAN: I am not dismissing them. It is the committee's prerogative to call them again if there are other matters which they wish to bring up.

Senator ISNOR: For instance, we have not touched labour. I have no doubt that the representative from the labour branch will tell us what we tried to find out from one of the previous witnesses as to the effect of reduction of hours of work on production or productivity. Perhaps he could give us that information now.

Senator LEONARD: There is one other question I should like to ask the witness, which perhaps he is not prepared to answer today, but he might bring the information at a future date. It relates to the table in which he is going to deal with the total amount of taxation with respect to the gross national production, or whatever figure he relates it to, back over the years from

1954 to 1945, in order that we might see what the trend of experience has been in the growth or decrease in the relationship of taxation to gross national production.

Senator SMITH: I have one question, but I don't know whether it is in order in view of the high level of the discussion. However, perhaps one of the witnesses can make a short comment on the point. The people engaged in small businesses have been telling me for many years that they object to being, what they call, bombarded with requests for information which is used by you people to compile these very important tables and so on. Would you care to indicate just how important it is that these small business people should be compelled to deal with these many requests for information?

Mr. LEACY: I understand their point of view; I have spoken to a few of them myself. I always stress to them the importance of this information at the national level, and try to emphasize to them that it is their patriotic duty to fill out the form—it will take only five minutes, so please fill it out. We really can use it. We endeavour to keep the number of forms to a minimum and to make them as simple as possible.

Senator SMITH: What effort have you made to get that point across to the owners of small businesses? Do you have a public relations branch in your department which does that sort of thing, in order that the small man might better understand what he is asked to do?

Mr. LEACY: Each division in the Bureau has its own type of respondent, and its own method of handling public relations with them.

Senator SMITH: I am not in a small business myself and do not know what the forms require, but I am wondering whether a short covering letter with the form might not indicate the importance attached to it.

Mr. LEACY: Occasionally just the straight form goes out, and sometimes there is a special letter sent by the Dominion Statistician pointing out the need for this particular information. We have obtained a higher rate of response when such a letter has gone out.

The CHAIRMAN: Some requests I know are very peremptory; and if they are not received, in due time, they then refer to certain articles and section of the provisions of the United Nations, and say, in effect, that the little man will be beheaded if he does not get the information within a certain time.

Senator SMITH: I think your Public Relations Branch should take another look at this matter, and you could develop better reception for your forms.

The CHAIRMAN: Perhaps I should not say this at this time, but it seems to me that there is a duplication of information going to various departments. I am not suggesting that the duplication arises in the Bureau of Statistics, but there are quite a few statistical organizations getting the same material in a different way.

Mr. RUBINOFF: I don't think that is quite right, Mr. Chairman. There are certainly various organizations getting statistics, but as far as we can determine we do not duplicate each other except in a minor degree.

Mr. ROWEBOTTOM: To a very considerable extent the demand for information comes from the people who supply it. In other words, business wants the information; they come to us and ask us to provide it on this, that, and the other thing, and in order to do it we get the raw data from them. To a very considerable extent it is a two-way street, with raw material coming from business to the Bureau and analyzed data in the form of statistics going back to business in the form in which they want it for their operations.

The CHAIRMAN: Gentlemen, are there any further questions? If not, we will adjourn, and the next meeting will be on Thursday morning next, at 10.30.

APPENDIX A

PUBLICATION OF DEPARTMENTAL REPORTS AND OTHER MATERIAL
COSTING LESS THAN \$5,000—FISCAL YEAR 1954-55

Department	Amount
Agriculture	\$140,000.00
Air Transport Board	
Board of Transport Commissioners for Canada	8,352.00
Chief Electoral Officer	593.00
Citizenship and Immigration	78,493.35
Civil Service Commission	680.00
Defence Production	1,142.00
External Affairs	8,000.00
Finance	10,548.45
Fisheries	11,706.39
Fisheries Research Board	33,290.00
Insurance	8,553.00
Justice	5,514.00
Labour	26,550.00
Mines and Technical Surveys	89,003.00
National Film Board	15,185.00
National Health and Welfare	130,648.00
National Library	9,704.00
National Revenue—Taxation Division	24,469.62
Northern Affairs & National Resources	143,095.00
Post Office	11,729.91
Public Printing and Stationery	1,005.17
Public Archives	4,585.00
Public Works	428.00
Royal Canadian Mounted Police	3,302.00
Secretary of State	2,546.00
Bureau of Statistics	105,519.00
Transport	28,480.12
Veterans Affairs	3,468.00
Canadian Maritime Commission	556.00
Fisheries Prices Support Board	284.48
National Research Council	21,965.00
Unemployment Insurance Commission	17,862.00
Total	<u>\$947,257.49</u>

APPENDIX B

OTTAWA, April 17th 1956.

MEMORANDUM TO THE SENATE FINANCE COMMITTEE

Provision of Funds in Main Estimates, 1956-57,
on Behalf of Indians and Eskimos
Administration
and Operation

	Capital	Total
Indian Affairs Branch \$16,514,465	\$ 6,186,529	\$22,700,994
Indian and Eskimo Health Services 15,983,621	1,336,200	17,319,821
Eskimo Affairs and Indian and Eskimo Education in the Yukon and North- west Territories 1,736,245	2,340,748	4,076,993
	<hr/>	<hr/>
	\$34,234,331	\$44,097,808
Social Security Payments	\$ 9,863,477	8,400,000
	<hr/>	<hr/>
	Total	\$52,497,808
		<hr/>
Indian population of Canada (Band Census of 1954)		151,558
Eskimo population (estimated)		8,800
		<hr/>
Total Indian and Eskimo		160,358
		<hr/>

The totals pertaining to the Indian Affairs Branch and to the Indian and Eskimo Health Services are taken directly from the Vote Section of the Main Estimates, 1956-57, since the entire function of these units relates to Indians and Eskimos. The figures listed for Eskimo Affairs and Indian and Eskimo Education in the Yukon and Northwest Territories have been arrived at on the basis of a detailed analysis of the Votes of the Northern Administration and Lands Branch of the Department of Northern Affairs and National Resources. The reason for this is that this Branch has duties in the north other than those directly pertaining to Indians and Eskimos so that Vote totals cannot be used without allowing for this.

It might be noted that the Indian Affairs Branch is responsible for Indian education in the provinces, whereas the Department of Northern Affairs and National Resources is responsible for the education of both Indians and Eskimos in the Yukon and Northwest Territories. Thus the costs of Indian education in the provinces are included in the first item in the above table.

Social Security Payments have been estimated and are approximate only.

APPENDIX C

TABLE I.—COMPARISON OF PROVINCIAL GOVERNMENT ESTIMATES OF REVENUE AND EXPENDITURE WITH "NET GENERAL REVENUE AND EXPENDITURE EXCLUDING INTERGOVERNMENTAL TRANSFERS" AS PUBLISHED IN "COMPARATIVE STATISTICS OF PUBLIC FINANCE" FISCAL YEAR ENDED MARCH 31, 1956

(Thousands of Dollars)

	Revenue				Expenditure			
	Provincial Estimates			Com- parative ¹ Statistics	Provincial Estimates			Com- parative ¹ Statistics
	Ordin- ary	Capital	Total		Ordin- ary	Capital	Total	
Newfoundland.....	38,846	4,995	43,841	15,233	38,369	21,208	59,577	42,257
Prince Edward Island.....	8,694	463	9,157	3,352	7,723	3,189	10,912	8,766
Nova Scotia.....	54,529		54,529	30,164	54,401	16,958	71,359	61,492
New Brunswick.....	53,706		53,706	30,676	53,668	7,444	61,112	48,649
Quebec.....	331,857		331,857	330,117	281,106	50,096	331,202	323,868
Ontario.....	385,897	54,675	440,572	227,762	385,032	183,987	569,019	486,453
Manitoba.....	58,475		58,475	28,755	58,319		58,319	50,720
Saskatchewan.....	79,993	19,813	99,806	65,748	79,972	19,813	99,785	96,099
Alberta.....	171,875	5,566	177,441	126,308	121,725	58,238	179,963	153,774
British Columbia.....	194,522		194,522	150,116	212,059		212,059	196,766
Totals per Comparative Statistics.....				1,008,231				1,468,844
Totals per Provincial Es- timates.....			1,463,906				1,653,307	

¹ Taken from Comparative Statistics of Public Finance as outlined in our letter of March 19, 1956.

TABLE II.—PROVINCIAL GOVERNMENT ESTIMATES OF REVENUE AND EXPENDITURE FOR FISCAL YEAR ENDED MARCH 31, 1957

(Thousands of Dollars)

	Revenue			Expenditure		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Newfoundland.....						
Prince Edward Island.....	9,395	985	10,380	8,584	3,911	12,495
Nova Scotia.....						
New Brunswick.....	57,937		57,937	57,880		
Quebec.....	374,267		374,267	317,636	56,465	374,101
Ontario.....	483,322	76,950	515,272	437,554	210,423	647,977
Manitoba.....						
Saskatchewan.....	87,172	20,215	107,387	87,147	20,215	107,362
Alberta.....	202,864	5,897	208,761	131,888	60,634	192,522
British Columbia.....	224,537		224,537	258,427		258,427

A comparison of the previous year's provincial Estimates with the figures which have been produced in this Division by making adjustments to the provincial Estimates for statistical purposes (including the elimination of intergovernmental transfers for the purposes of combined government statistics) will reveal the magnitude of the variation between the two sets of figures. The degree of difference between the two sets varies from province to province depending on the methods of setting up the provincial accounts (e.g. on a "gross" or "net" basis) and the coverage of funds (e.g. whether all capital disbursements including loans and advances are shown or only expenditures on fixed assets, etc. or whether special funds are included or not by the province).

1956

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1957.

No. 6

THURSDAY, MAY 3, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESS

Major Gen. H. A. Young, Deputy Minister, Public Works Department.

APPENDIX

D—Definition of Gross National Product and Expenditure.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956

STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly (<i>Halifax</i>	Howden	Smith
<i>North</i>)	Isnor	Stambaugh
Connolly (<i>Ottawa West</i>)	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

*Ex officio member

ORDER OF REFERENCE

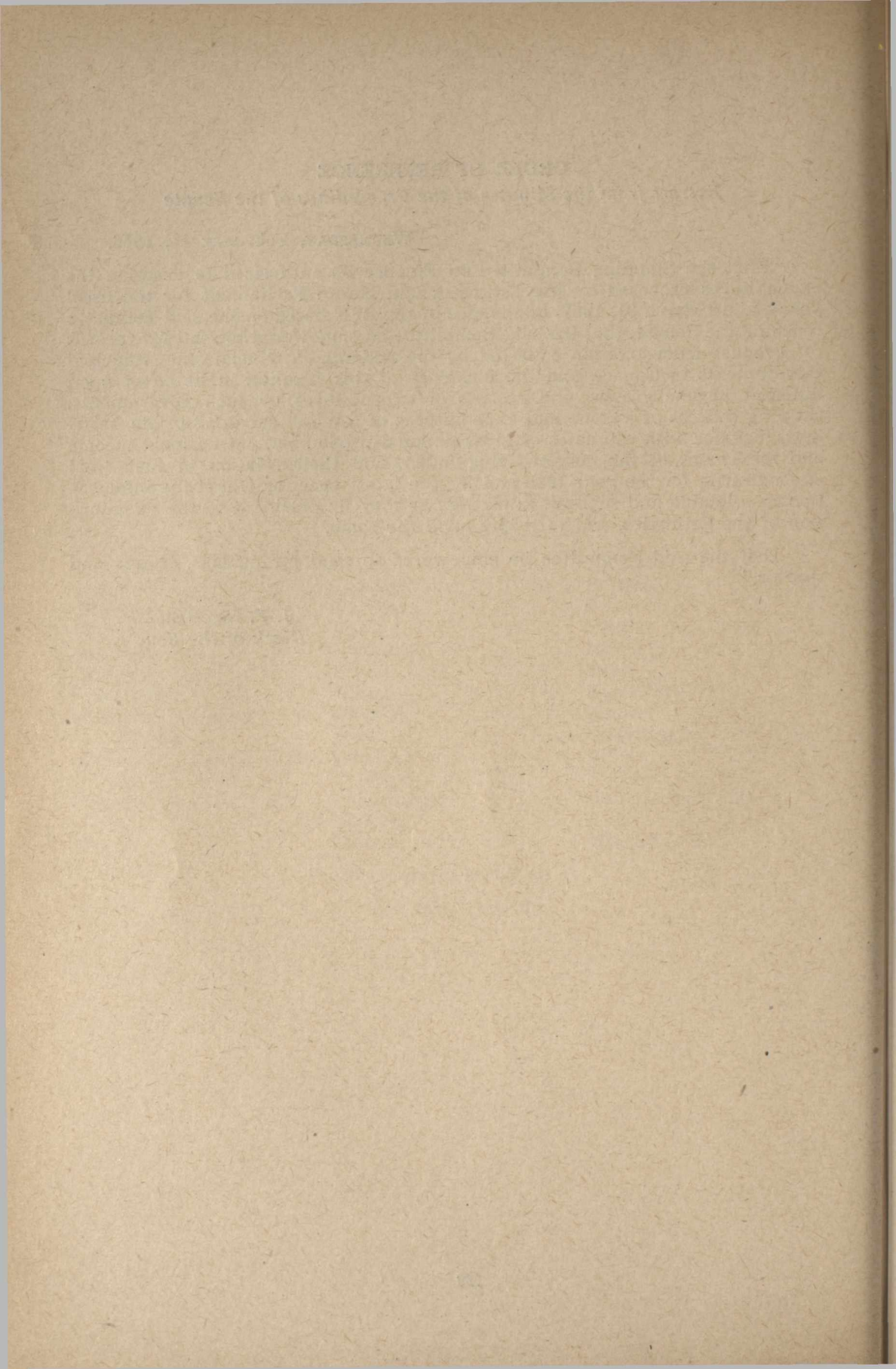
Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, February 15, 1956.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

J. F. MacNEILL,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

THURSDAY, May 3, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators: Hawkins, *Chairman*; Aseltine, Barbour, Connolly (*Halifax North*), Crerar, Dupuis, Golding, Haig, Howden, Isnor, Leonard, McKeen, Molson, Paterson, Smith, Taylor and Turgeon—17.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

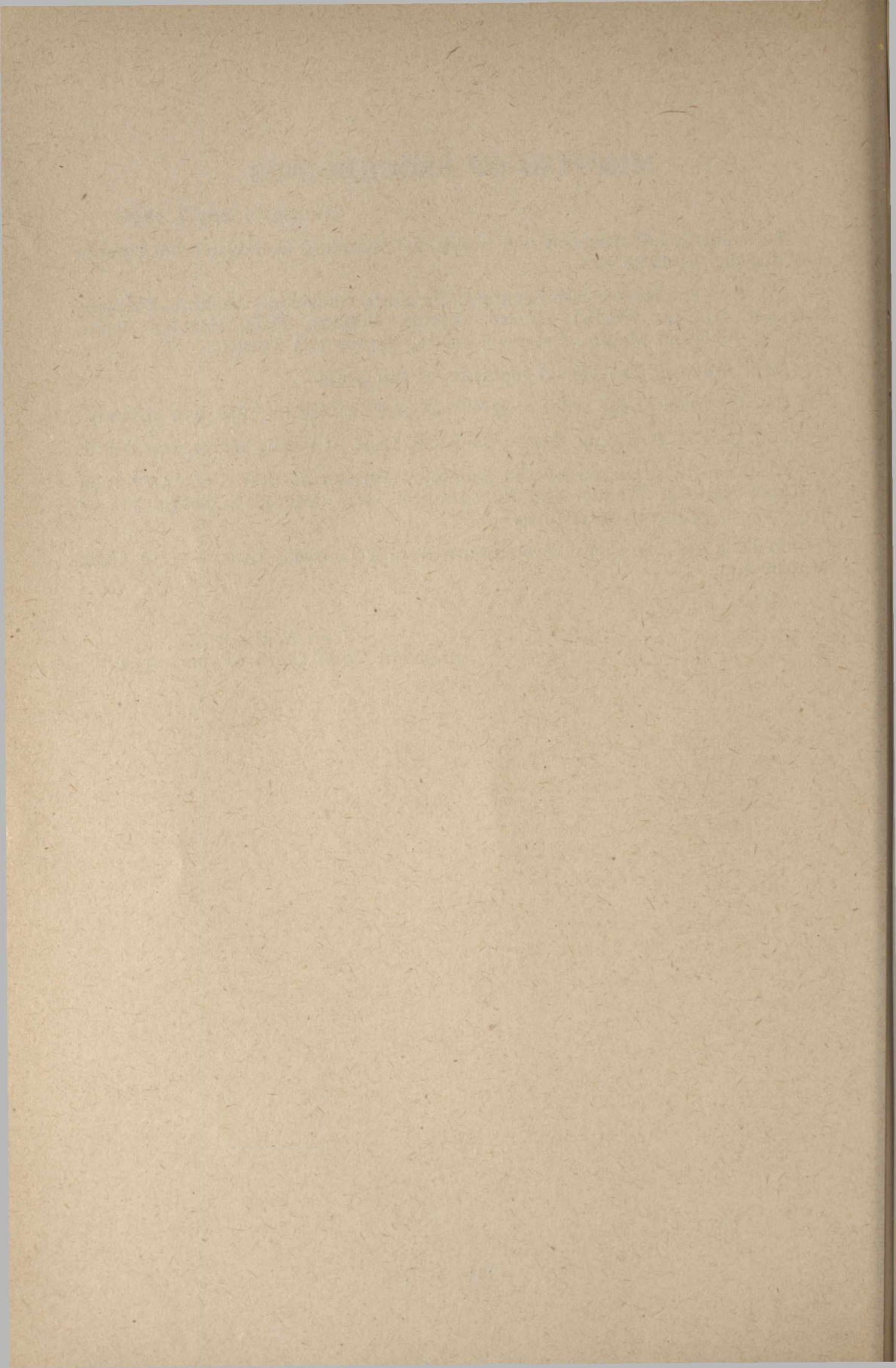
Maj. Gen. H. A. Young, Deputy Minister, Dept. of Public Works, was heard.

A statement prepared by the Dominion Bureau of Statistics, "Definition of Gross National Product and Expenditure", was ordered to be printed as Appendix D to these proceedings.

At 11.45 a.m. the Committee adjourned until Thursday next, May 10, 1956, at 10.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.



THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, May 3, 1956.

EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator Hawkins in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum: I will ask you to come to order, please. You will recall that at the last meeting we had officials here from the Bureau of Statistics; and it was suggested to Mr. Leacy that he might prepare a statement in connection with both the gross national product and the net national income, giving some information as to how these were made up. You will recall there was a good deal of discussion with him, and for my part, and I think this is true of a good many of the senators, I was not entirely satisfied with the evidence. He has submitted this morning—as a matter of fact, it came to me just half an hour ago—that statement I asked for. You will also remember that there was some discussion in connection with taxation in Canada, the United States and the United Kingdom on all levels. He has submitted a comparative statement showing taxes direct and indirect, as a percentage of the gross national product at all levels of Government. I glanced over this and I presume that it is quite a good statement in the way of a technician's report. I am going to ask the secretary to distribute this material, and I would also ask that the documents,—that is, the figures of gross national product and expenditure; the taxation in Canada, United States and the United Kingdom at all levels of Government; and the percentages—be printed as an appendix to today's proceedings.

Senator CRERAR: In the record?

The CHAIRMAN: Yes. Does that meet with your approval?

Hon. SENATORS: Agreed.

The CHAIRMAN: Gentlemen, we have with us this morning Major-General Young, of the Department of Public Works. It will be remembered that Mr. Deutsch was examined in great detail in connection with this matter, especially having to do with the recommendations made in 1952 to the Government as to the activities of the Public Works Department. Just to refresh your memories, I may mention that we asked Mr. Deutsch as to the departments in which Public Works did all construction, maintenance and procurements, departments which performed these activities under statute, rather than through Public Works; methods of procurement, and for what departments Public Works did this; and rental, and the advisability of owning instead of renting public accommodation for the various departments. We have evidence that by statute certain departments carried out these activities themselves, and we tried to inquire from Mr. Deutsch, but did not get any definite statement, as to what departments are continuing to perform these activities: when new buildings are built and the old ones remain in good condition; what is the policy in connection with the disposal of such old buildings or the utilization of them for other government services. Then, although I realize that this is

a matter of policy, I thought you might like to question General Young in connection with the allocation of interdepartmental estimates. You will recall that there was some discussion of this, for instance, in connection with the Post Office, to which Public Works supply a great many services, the expenses of which are charged to Public Works instead of to the department itself. There was also some discussion and some comment in connection with Public Works performing activities on public buildings for other departments in remote areas, and it was suggested that it might be more advisable to get the department concerned to do it if they had the staff on the spot, rather than have Public Works do it. Generally speaking, there are two schools of thought in our committee on that question. I think Senator Crerar said that that was the logical thing to do; some others thought maybe it was not. The discussion of this matter came up, I believe, in connection with Defence and also Northern Affairs.

What is your wish in connection with General Young's activities here today? Should we proceed right away to ask him questions or should he make a statement first with respect to the items we examined previous witnesses on?

Senator HAIG: Mr. Chairman, did you advise General Young of the subjects that we were to discuss?

The CHAIRMAN: Yes.

Senator HAIG: Then I would suggest that he make a statement at the outset covering the subjects we want to ask questions about.

Hon. SENATORS: Agreed.

The CHAIRMAN: I am sure everybody knows Major General Young.

General YOUNG: The first item mentioned related to certain departments carrying out their own construction. For the past two and a half years, since Mr. Winters and I went to the department, we have been endeavouring at the direction of the Government to correlate in Public Works all construction activities with the exception of the departments of Defence and Transport. This has been something that could not be undertaken quickly, for one of the first requirements was a reorganization of Public Works to the end that it could take on this work. There were basically two divisions at the time but it was not organized in a way that the department could take on the work. It took us over a year to implement that organization and develop operating branches designed to expand and take on work. We now have four such operating branches. We have our building construction branch, which is responsible only for the construction of buildings. We have now a new property and building management branch which looks after real estate property, rentals, leases, maintenance, and that sort of thing.

We felt that the engineering side was so complex and diversified that two engineering branches were required, one operating with harbours, rivers, docks, dredging, and generally anything relating to marine work. The other branch is called the Development engineering branch. It relates to roads generally and their development, bridges, the testing of materials, international and inter-provincial bridges.

Stores and accounting was expanded from a small division more or less into a branch to the end that it could handle a great amount of the purchase of stores and equipment for Government departments. The Department of Northern Affairs and National Resources had a very comprehensive architectural set-up and did all their own work. That has been completely transferred to us. The Unemployment Insurance Office had a set-up of their own. Leasing and provision of accommodation has been completely transferred to us. Construction work in the Department of Citizenship and Immigration is now in the process of being transferred to us too.

We are doing practically all of the Royal Canadian Mounted Police work now, and we are doing some for the Department of Transport with respect to buildings where they ask us to take on building construction.

We think we have made progress but we feel there is still room for a further improvement in centralizing Public Works.

I might give the committee some idea of the expenditures we have made on behalf of various departments in the past year: the Royal Canadian Mounted Police, nearly \$3 million; the Department of Agriculture, \$2 million; the Department of Veterans Affairs, \$7,700,000; the Department of National Health and Welfare, \$1,700,000; the Department of Citizenship and Immigration, \$1,250,000—which will be increased now as we are taking over—the National Research Council, \$200,000; the Federal District Commission, \$200,000; the Department of Fisheries, \$170,000, and \$25,000 for a small job for the Imperial War Graves Commission in connection with a monument, and \$80,000 for the Department of Transport. Those figures are about treble what they would have been two years ago.

Senator HOWDEN: Is this a new venture on the part of Public Works?

General YOUNG: Yes, but it has been at the direction of the Government. The Prime Minister and the Minister of Finance directed Public Works to correlate construction.

Senator HOWDEN: Was this undertaken after some study or did you just decide to try doing all your own work?

General YOUNG: I think it really resulted from a recommendation of this committee in 1952. It seems to me that is the way the ball started to roll, and when Mr. Winters and I went to the department we were instructed to prepare the department for the taking over of construction. We have indicated to other departments that we can take on even more work now. It is only recently that we have felt confident enough to do so, but I think we have now arrived at the time when this can be done, even to the extent of including penitentiaries, and other construction.

Senator HAIG: What about the Post Office?

General YOUNG: Well, the statement before me relates to activities of other departments. The Post Office has always been considered ours. Federal buildings generally have always been under Public Works, and Public Works has always carried out the construction.

Senator CRERAR: Has it always been the case? I have observed in the past advertisements in newspapers from one department or another department calling for tenders to build a public building, and stating that plans and specifications were available from the department and it would come out of Public Works. Now, that is a bad practice and, as a matter of fact, it is quite contrary to the Public Works Act, but I gather from what General Young has said to us, Mr. Chairman, that practice is on the way out.

General YOUNG: That is correct, sir.

Senator CRERAR: I have one or two other questions to ask. The different departments, in their request to Parliament for funds, estimate and put in their estimates the amount that Public Works is required to do.

General YOUNG: In so far as general buildings are concerned, it is completely divided. You have the Public Works carrying the vote for federal buildings and post offices—there may be a combination of the post office and federal building—but Public Works carry that vote. For instance, the federal building in Winnipeg serves several departments, and that vote is carried in Public Works.

Senator CRERAR: Let me illustrate more directly. The Department of Agriculture, we will say, wants to put up a science building at the Experimental Farm in Saskatchewan.

General YOUNG: That would be in Agriculture, and they transfer the funds to us if they want to build it.

Senator CRERAR: You put up the building, which is for Agriculture also; you direct the building and they give you the money?

General YOUNG: That is correct. Sometimes they do construct their own. But in an increasing way we are doing that work.

Senator CRERAR: What about the National Parks?

General YOUNG: In the National Parks, we are doing all major construction of new buildings, capital construction on roads and major repair. Minor maintenance is still done by the department. They supply the funds for us, where we do the work.

Senator CRERAR: Yes, I think that is a desirable thing. Twenty years ago the Department of Natural Resources was set up, and provision was made for an engineering and surveys department, because the Department of Natural Resources at that time were responsible for surveys on the Atlantic and Pacific coasts. But I definitely have come to the conclusion that as far as I am concerned all these main structures everywhere should be under Public Works requirement, because that is the department which has the corps of engineers and so on, to carry it out. I have one further question. How far do you go in External Affairs, for instance, when they want to put up a building in say Rome?

General YOUNG: We have not gone very far in External Affairs. We do provide maintenance of buildings in Washington, rental accommodation in New York, and we are presently administering most of the leases in London, England, but not all. I would say roughly about two-thirds. Trade and Commerce, External Affairs and National Defence have their own. As you perhaps know, Mr. Chairman, we are in the process of constructing an office building in London, England, and that will be administered by us and will terminate all these other leases.

Senator TURGEON: Will that do away with the leaseholds?

General YOUNG: Yes, although it will take perhaps ten years to get rid of them all. But apart from supplying a small amount of accommodation in Washington, New York and London, we have not been called upon and we do nothing for External Affairs.

Senator CRERAR: That is a matter of arrangement, as to how it can be done most economically. For instance, if repairs were needed to the embassy in Rome, there would be quite a bill of expense involved for the Public Works Department to send someone there for that job.

General YOUNG: They have an architect in Paris who looks after their buildings.

Senator McDONALD: Mr. Chairman, General Young said in his opening remarks that his department was now doing work for all departments except Transport and Defence; a little later I understood him to say that they were commencing to work for these two departments. I should like to express the hope, and I am sure it was the hope of the members of the committee in other years, that the Department of Public Works could take over the work for all departments. I am wondering if that is the intention; and also, when you do take over these other departments, do you take over their staffs, at least the most competent members.

General YOUNG: Yes. For instance, when we took over the Department of Northern Affairs we took over the staff that was involved. Actually, they had mostly vacancies because of the shortage of engineers, but they transferred their staff and vacancies to us.

With regard to Transport and Defence, I feel I cannot answer that question. We do all they ask us to do. Frequently Defence will ask us to construct a dock or jetty for the Navy.

Senator HAIG: I should like to ask General Young a question, but first let me give an illustration. About four years ago you started to acquire land to build a new Post Office in the city of Winnipeg.

General YOUNG: Yes.

Senator HAIG: Who looked after the acquiring of that land?

General YOUNG: We did.

Senator HAIG: And you completed that building?

General YOUNG: Yes.

Senator HAIG: What about the old Post Office?

General YOUNG: Well, when we complete the new building the question arises as to the use of the old. We made a very careful study to determine whether or not we can decrease our rentals by modifying the old building so as to use it. If we have leaseholds in that area we make every effort to see if we can use the old building in some way or another. Failing that it is of course declared surplus.

But the situation in Winnipeg created a very interesting study. When the new building is completed we will have left out on leaseholds the Unemployment Insurance Commission and the Income Tax Department. The obvious thing to do was to use the old Post Office for these two groups. However, our study showed that the old Post Office was not suited to ordinary office accommodation; it was going to cost us something to the order of \$750,000 to take over the old building and make it suitable for ordinary office use. Secondly, the Unemployment Insurance Commission objected most strenuously to being placed on Portage Avenue.

Senator CRERAR: You say they objected to being placed on Portage Avenue?

General YOUNG: This was a factor. They objected to being located on Portage Avenue because during the months of January and February men would be standing around outside; that is to say, you cannot hope to provide accommodation for all the men during the peak period. During nine months of the year you will find practically no one in the Unemployment Insurance office, but during January, February and March, it is packed solid inside with a line-up outside.

Senator HAIG: Who makes the examination into the location of the site?

General YOUNG: We do, naturally, sir. We have to be guided though by the department we are servicing in the selection of sites. Generally we have to select a site which is acceptable to them. If they say that our post office cannot operate in that location or it is most disadvantageous to perform their service there. Sometimes we do not agree and indicate that according to the economics it will be necessary for them to accept. But by and large we try to meet their wishes. We had two factors to consider in the Winnipeg post office, one, the terrific cost of conversion and secondly the undesirability of locating the Unemployment Insurance Office on Portage avenue—they preferred Notre or Sherbrooke street in order to get them away from the Main street. There were no other uses for the building just then, other than those two. Deleting unemployment insurance made it uneconomic to spend this three-quarters of a million dollars on the building.

Senator HAIG: There is another building behind the post office that was built by the Government to increase the post office facilities. That, though, is not the same kind of a building as the main post office building?

General YOUNG: I know.

Senator HAIG: Could it be used for department purposes?

General YOUNG: It is not big enough to fit either one.

Senator HAIG: When you come to buy the land for the new post office who does that? Is there a regular department to do it?

General YOUNG: First we get reports from all Government departments as to the amount of space they want in the new building. I think in former times that that was taken very literally and requirements were built to suit them. We have now a departmental committee consisting of my Assistant Deputy, two architects and an engineer. They review the department's estimates of space required. We have a section now that is being developed as an authority on what space should be allocated. We have only had it going a year. That department assesses people working, the type of work to be done, and say to the post office, instead of wanting 40,000 square feet, our opinion is that all you need is 30,000 square feet. We gather all information possible and then write to our district architect and tell him that a building of an approximate size is to be built which will require a property of such and such a size for the new building. Working with the local officials of the department concerned, that is the Regional Supervisor of the Post Office Department, the District Architect in consultation with them makes a survey and provides normally about three or four alternative sites. We study those and we say for some reason or other site No. 1 is out of the picture but sites Nos. 2 and 3 seem to have possibilities. Then we try to get valuations. Generally we have to go out and get professional appraisers to give us the appraised values of these properties. We use that information to decide which one is more economical and satisfactory and then we proceed to acquire it.

Senator MCKEEN: There is one question Mr. Chairman, that I had in mind. General Young says that they would build this agriculture building. I would like to ask him if he has an engineer and architectural staff to do that work, or are the plans for the whole thing handed over to him after the Agriculture Department has decided upon it.

General YOUNG: Frequently the project has been handed to us half done, but now we are getting them to come to us initially with perhaps very rough sketch plans. We have been in trouble with two or three buildings in the past year with other departments which sent us the plans and specifications which were impractical. One department wanted heavy structural steel away up in the far north where you could not get steel in.

Senator MCKEEN: This committee recommended that there be a curtailing of waste motion and lost time in doing this work, that one department should take over all engineering, architecture and building under their control. Is it your idea to carry through so that when a department wants a building for a certain purpose your architects and engineers would make the plans, draw up the specifications after that department tells you what they want?

General YOUNG: Yes. The plan is working very well with one department, the Department of National Resources and Northern Affairs. That department has no technical staff, with the exception of one officer who works with us. Agriculture on the other hand still have a staff of their own. We have not taken Agriculture over completely. They have a small staff who do a certain amount of this work and sometimes come to us with the plans half made, but we are trying to discourage that.

Senator ISNOR: Mr. Chairman, I would like to pursue the thought expressed by Senator McDonald and Senator McKeen in regard to the taking over by Public Works of all departmental construction. I very well recall the discussions which took place in 1954 and 1952. I think Mr. Murphy at that time stated he was anxious to meet the wishes, if possible, of this committee in having his Department of Public Works take over all engineering and construction work largely because it was within the scope of the Act.

Senator McDONALD: As a matter of savings.

Senator ISNOR: As a matter of savings, yes. Now I want to ask a question: You are familiar with the estimates of your own department, the engineering, construction, architecture features. How do those compare with the similar features of the Department of Defence for the same items?

General YOUNG: I am afraid I could not answer that Senator Isnor.

Senator ISNOR: How would it be in the matter of construction of the buildings involved, in dollars and cents?

General YOUNG: As between Defence and ourselves?

Senator ISNOR: Yes.

General YOUNG: I am afraid I could not give you the answer. Their construction program is different. They have camps and their camp construction is tied up with their capital buildings. I could try and get it. Treasury Board may have a better analysis.

Senator ISNOR: I think it is important to examine those two items, one, the cost of that particular branch of work as compared with your estimates, and see which is the greater. I think it is the thought of all members of this committee that in time you should take over all construction work as outlined in the Public Works Act. I want to ask this question: It refers to the evidence given recently by Mr. Leacy. You no doubt read the evidence. If I recall when you construct a building you have a total cost before you and you enter that as the capital expenditure.

General YOUNG: Yes.

Senator ISNOR: And you list that from year to year, giving the amount spent, the location of that building and the date: In other words you could tell me right away, at least on very short notice as to when such and such a building was constructed and the cost as shown, as a yearly expenditure?

General YOUNG: Yes.

Senator ISNOR: Have you read the evidence given by Mr. Leacy in regard to his handling of the construction of a building?

General YOUNG: I have not seen it.

Senator ISNOR: He stated that when a building was constructed they immediately termed it an expenditure, and no further thought was given to the capital expenditure.

General YOUNG: I think that is correct.

Senator ISNOR: I wonder how you reconcile these two statements.

General YOUNG: The Department of Finance have, I think, an inventory value in the financial statement of Canada.

Senator ISNOR: It is pretty difficult for a man like myself to reconcile those two facts,—one, shown as a capital expenditure and carried as an asset down through the years; and you might dispose of one of those buildings?

General YOUNG: That is right.

Senator ISNOR: And the revenue would be coming into your department, or the consolidated revenue.

General YOUNG: It would go to the Receiver General.

Senator ISNOR: In any case, it would be revenue coming in to offset that capital expenditure; while on the other side of the ledger, or in another set of books operated by the Department of Finance, that item is not shown as a capital expenditure, but is at once written off as an expenditure?

General YOUNG: I think that is substantially correct.

Senator ISNOR: I am outlining this for the thought, Mr. Chairman, that when you are making your recommendations, in view of the confusing statements—one made by General Young and one by Mr. Leacy—we should be able to have a clear picture in the future as to whether it is a capital expenditure. I certainly believe it is a capital expenditure. I think General Young has intimated it is a capital expenditure; and the other branches of the Government show it entirely as a capital expenditure, and no further thought is given to the matter. I just want to make that observation, with a view to further thought.

The CHAIRMAN: Gentlemen, I think our friends who have to go to the other committee have gone. I have interrupted you, Senator Haig.

Senator HAIG: I do not altogether agree with the last speaker. I do not think the department should worry itself about where the charges are to be made in the books of your department, Mr. Young. I was anxious in 1952, and I am still anxious that all the primary construction work should be done under one department, that is, the acquiring of land, the building of new buildings, the drafting of plans on the advice and with the co-operation of the department concerned. I am quite agreeable to your other suggestion, that when an old building is no longer useful for a post office, your department should have the right, with advice from wherever you need it, to recommend to the Government what should be done with the building. I agree with all that procedure. In 1952, as the honourable senator from Churchill will remember, when we found out that so many departments were doing the same kind of thing, we asked why there could not be one department with trained men for the work. You might have to pay more money, but you would get men trained to do this kind of thing. I think it would be nice to do what the honourable senator from Halifax says. I am not questioning it, but I want to put the emphasis where it belongs. The construction, the initial work, the dealing with it, is in your department—just where we want it.

General YOUNG: With all due deference to the rights of Crown Assets it would be helpful if we had more freedom in the disposal of property—making changes. Frequently we could make good deals of trading properties in that position.

Senator HAIG: Another question I would like to ask—I don't think it comes under the things we suggested—relates to roads. The Government has just put through a good roads bill; I think it has been passed; and naturally we are all terribly interested. I do not mean politically interested, but we are interested because we think it is a real Canadian enterprise. Has that project been built up in your department?

General YOUNG: The Trans-Canada highways?

Senator HAIG: Yes.

General YOUNG: We are now developing a highways division. Mr. Williams is the chief engineer. Under that branch we have all the highways for which the federal government is now responsible.

Senator HAIG: That includes, first, the Trans-Canada Highway?

General YOUNG: I will come back to that in a minute; the roads in national parks, the roads in the Northwest Territories and the Yukon, and where we have participation in development works, with provincial governments, and mining companies and ourselves sharing a third. They all come in this Highways division. The Trans-Canada Highway is completely in our control.

Senator HAIG: There is a certain man I could ask, but he will never tell me, so I will ask you. Manitoba built a cut-off from Winnipeg to Kenora. It used to run north about eight miles, then east and back again. Now they are running straight east from Winnipeg, and the highway now on the

north side of the Assiniboine River is to run on the south side of the Assiniboine River. Does your department keep track of it, inspect it and follow it as it goes along?

General YOUNG: Yes. The province submits to the Minister its proposals on the route and they are analyzed by our engineers. If in our opinion there is a better route costing less money, we go back to the province and suggest to them that the change be made. In the case of Manitoba, for instance, you may recall that they were going through the centre of Winnipeg, down Broadway to Portage Avenue, and we suggested that they might consider by-passing Winnipeg with the main highway.

Senator HAIG: That is what they are doing, too.

General YOUNG: Well, we kept suggesting it to them, and finally they adopted it. But all factors being reasonably equal, we accept what a province puts forward.

Senator HAIG: You use that same policy in every province?

General YOUNG: The same principle.

Senator HOWDEN: What would you do with the former route? Let it go to seed? I have in mind that part of the Trans-Canada Highway that led out to Baie St. Paul.

The CHAIRMAN: That is on the north side of the river.

Senator HOWDEN: They spent a lot of money on it. Are they going to ditch it?

Senator CRERAR: That is a matter for the provincial government.

General YOUNG: If the provincial government has designated a route and it is submitted to us, we normally accept it. If for local reasons they want to change the route and we consider the alternative is reasonable, we take a credit on what has been paid on the original highway.

Senator HOWDEN: Manitoba wants to change the route, because on the north side it is drowned out every spring.

Senator BARBOUR: I would like to ask General Young about the disposal of the post office in Charlottetown when the new building will be completed. I do not imagine they will have any other offices to begin with. The local government have a priority right to buy.

General YOUNG: No sir. We try to make, first, an analysis, as regard the departments for which we are responsible. Then we generally check with Transport or Defence. If they have no requirements we declare it surplus to Crown Assets. But if in the meantime we are advised that the municipality is interested, we put on the declaration "The City of Charlottetown is interested in acquiring this property". We cannot go any further. For instance, the City of Winnipeg is anxious to acquire the old post office building as a library. There we also have the Canadian National interested, and the C.B.C. We are trying to get some idea to be helpful to Crown Assets.

Senator BARBOUR: Then, with regard to the Trans-Canada Highway, you are acquainted with the problem of Hillsboro bridge?

General YOUNG: That is right, sir.

Senator BARBOUR: Are your engineers working on that at the present time?

General YOUNG: We are working on that at the present time to determine whether or not the piers of the existing railway bridge can be repaired to carry the highway.

Senator BARBOUR: Then, are you going to be able to fit that bridge into the 90 per cent that you are allowing now—

General YOUNG: That is under discussion at the moment, sir.

Senator BARBOUR: I hope you will be successful.

The CHAIRMAN: That is a deep way around!

Senator MOLSON: Mr. Chairman, I would like to refer to some of the earlier meetings of this committee when we were discussing the function of Public Works with relation to other departments. It was when Mr. Deutsch was before the committee. At that time it appeared that in the case of many Government departments the charges for construction and building operations did not appear in the estimates of those various departments because the Department of Public Works was including in its own estimates the figures covering those items. The Post Office Department was given as a prime example. It emerged that annually there were millions of dollars shown in the estimates of Public Works which perhaps more normally should have been charged to other departments. I would like to ask General Young if there has been any thought given to putting these charges where they belong or whether, if no change is contemplated, Public Works is going to cover many millions of dollars which might normally be charged to other departments?

General YOUNG: No. There have been discussions on it. We have had discussions with officials of the Treasury Board on the general principle of whether each department should carry the money for its accommodation and hand the money over to us to build, or whether to go to the other extreme and have everything put in Public Works and then have it broken down on an accounting basis so that it could be shown at any time. However, no progress has been made. I believe Treasury Board feels that it would be preferable to have the money in each department and you could look at a department and see what that department is spending. Nothing very concrete has developed. It is a policy matter.

Senator MOLSON: Apart from it being a policy matter, doesn't it present other problems from an administrative point of view?

General YOUNG: I do not think from our point of view it would make any difference whether all the money was in Public Works and in an accounting way charged to the various departments or whether it is in the respective departments. Psychologically I think there is frequently a feeling in a department that they would like to spend their own money. They feel "Well, we are handing over \$2 million to Public Works and we have sort of lost control of it and they may not be as careful as we would have been".

Senator MOLSON: It is not just the spending but a question of the allocation of the charges. Let us forget construction work for a minute and turn to routine operations. When you do that it does change the figures very substantially. For example, there are millions of dollars under the heading of Public Works but that money is not for your department. It is for other departments.

General YOUNG: We are a service department and whether it is shown in our vote or in the vote of another department, it is not for us to say.

Senator MOLSON: But when you come to routine operation it is a little different than construction.

General YOUNG: For instance, we rented some space in Montreal from our federal building accommodation to the St. Lawrence Seaway Authority. We worked out what the rent should be. We did not know offhand. We went about it as though we were a private firm, estimating the cost, amortization, what we would normally pay for insurance, maintenance, and that sort of thing. We based our rental to the Seaway Authority on that. That is what you would like to see done with all departments?

Senator MOLSON: Yes, with all departments.

General YOUNG: In other words, we would charge the Post Office Department say, rental each year based on capital and all these other factors?

Senator MOLSON: Yes, and in the case of construction you would charge the whole amount of the building.

General YOUNG: It would not create any difficulty for us but it has not been done.

Senator LEONARD: May I ask one question pursuing the matter of extension of the jurisdiction of the Department of Public Works and taking Defence Production as an example? Let us assume we are not discussing a question of policy. General Young, from your experience in the army, Central Mortgage and Public Works, would you say that from a practical and feasible standpoint your department would be competent to do a job such as the acquisition of the Gagetown Military Training Centre?

General YOUNG: Yes, we could have taken on Gagetown. We would have to have six months' warning but we could have taken it on.

Senator McDONALD: I am not altogether satisfied with the answer I got to my question. I do not think it is General Young's fault but I have to take it, it is still not the policy of the Government for Public Works to do the construction work for Defence and Transport, is that right?

General YOUNG: Yes. If I have to say yes or no, the answer is yes.

Senator McDONALD: Probably because of the special needs.

General YOUNG: In the case of Defence it is possibly because Public Works was not prepared and organized to take it on in 1950 when the rapid extension of Defence started. I think that is the reason they embarked on their own construction program to the extent they did.

Senator McDONALD: And also I suppose because up to the present time you would not have had sufficient staff to do the work of all departments?

General YOUNG: That is right.

Senator CRERAR: I would like to ask a question just to clear up an impression I got from the witness a moment ago. Do you charge the Post Office Department rental for the new Post Office Building?

General YOUNG: No, sir. They are not charged a cent for anything.

Senator CRERAR: That brings me to another point. General Young probably should not be asked for his opinion but the conviction has long been in my mind that the Department of Public Works should be the landlord for all the other departments. That is, if a public building is to be erected it should be erected by the Department of Public Works and a fair amount of rental and depreciation on the building should be shown in the estimates of the department for whom the building was erected. As it is today we do not get a correct appraisal of the cost, say, of the Department of Agriculture because buildings are handed to the department or are provided for them—that is a better term. They do not pay any rent nor do they pay maintenance and upkeep. That could be included in rent. I think that is the simplest way. We cover amortization and all those things.

Senator CRERAR: Quite, but the result of that is that the fees, the expenditures do not show in the departments, and they are proper expenditures that should show in the departments. I know that is a question of policy.

General YOUNG: Under the same principle which operates with respect to the seaway, which I mentioned, sir.

Senator CRERAR: I do think, Mr. Chairman, that further consideration by the committee should be given to this. The expenditures within a department are fictitious, or rather incomplete expenditures, and as the mechanism of government has become so all-embracing and so wide, I think it is highly

desirable that parliament and the public should be able to get what the full expenditures in any department are. This is a very important question. I might even go so far as to require that every department should submit a balance sheet of its expenditures, just the same as the Finance department present a balance sheet once a year, covering the whole fiscal operation of the Government.

The CHAIRMAN: I think the question you are proposing is a matter of policy.

Senator CRERAR: Oh, quite.

The CHAIRMAN: On the other hand, one of the reasons the Committee met was to clarify some of the evidence we have already had, and that was one thing we were all concerned about, this question you brought out. I think it would be quite proper to ask General Young if he could see any particular difficulties in the way, which would be administrative question. I will permit that question, if you ask it in that way.

General YOUNG: I see no administrative difficulty for us in assessing rentals to each department. A concrete example is illustrated in this way. If we constructed a federal building, then we would state what the rental was, and if each department carried its own estimates, the cost of that rental in our federal public building would present no great difficulty.

Senator GOLDING: Mr. Chairman, did we not have a summary of estimates of what the rentals would amount to? Was that not given to us at an earlier meeting of the committee?

The CHAIRMAN: I think a summary of the cost of the services the Department of Public Works rendered was given.

Senator GOLDING: Particularly with regard to the Post Office?

The CHAIRMAN: That was the Post Office Department only.

Senator GOLDING: That is right.

The CHAIRMAN: I think it amounted to about \$13 million, if my memory serves me correctly.

Senator McDONALD: It seems to me that Senators Molson and Crerar have suggested ideals to work towards which we should keep in mind.

The CHAIRMAN: Any further questions? I think Senator Aseltine was concerned about the gross national product, at one of the earlier meetings, when we had before us a representative from the Bureau of Statistics. I mention this, because Senator Aseltine was not able to be here at the meeting when that representative was here.

Senator ASELTINE: I was just reading this brief. I was wondering about the grain on hand on the farms. At the present time, or at the end of last year, we had several hundreds of millions of bushels in storage. Was that included in the gross national product?

The CHAIRMAN: General Young, of course, is not the man who dealt with that, but I would like to make a comment, if no further questions are to be asked of General Young. In connection with that, we had before us last Thursday four or five representatives from the Bureau of Statistics, and I do not think we were altogether satisfied that there was sufficient explanation given to the committee on just how they arrived at that gross national product and the net national income, and the difference between the two. I had planned to have Mr. Marshall from the Bureau of Statistics here today, but he is absent from the country. Is it the wish of the committee that we have Mr. Marshall here at a later date?

Senator ASELTINE: I think so. I would like to ask him quite a few questions along those lines.

Senator BARBOUR: There has been some talk in the Commons and in the legislature of Prince Edward Island about a causeway to link Prince Edward Island to another province. I would like to ask General Young if he has been asked the cost of such a causeway?

General YOUNG: Yes. We have had a submission from the Premier of Prince Edward Island, and we are now making a preliminary study of the project. One of the important factors with respect to that project will be acquisition of rock. The economics carry or fall on the cost of rock, and we will be giving some preliminary study to the question of rock availability. In addition to the rock, of course, there has to be a study of the currents, and the effect of tides, and so on.

Senator BARBOUR: If the causeway should be built there, would it be built by the Department of Transport or the Department of Public Works?

General YOUNG: I think it should be Public Works, but I cannot really say.

Senator CRERAR: General Young, can you tell us anything about the progress of the Canso causeway?

Senator ASELTINE: There has been some progress along the lines I suggested in 1952, has there not?

The CHAIRMAN: I would say from the evidence this morning that progress has been quite encouraging.

Senator ASELTINE: I am pleased to know that the department has taken some of the suggestions offered by our committee.

The CHAIRMAN: Does anyone else wish to question General Young? A question arose concerning the procedure in remote areas. It will be remembered that there was quite a discussion here on that point, and the answer was that it was easier for that department to do it rather than Public Works, if somebody wanted to build in a remote area. There was also a question from Senator Smith, as I recall, that there were two departments doing the work on one site recently in his constituency.

General YOUNG: I think we have made considerable progress in that regard too. It was common practice in many of the remote areas of the Northwest Territories and the Yukon to have two or three departments all working on construction. Competition and local labour entered into it. Two years ago we instituted a building construction committee; it is a sub-committee of the advisory committee on northern development, and I am chairman of the committee. In the fall of the year, approximately November, when the estimates are being prepared, I assemble a meeting of the senior construction representatives of all Government departments that have any interest in the north, and there we pool or list every project down to the small building, from large buildings, schools and hospitals, for all the various centres in the Northwest Territories and the Yukon. After the estimates have been approved, in the spring—normally, as soon as the estimates have been approved by Treasury Board—we hold another meeting and we allocate on a big sheet of about seven or eight pages all projects, the responsibility of each department. Take Aklavik, for instance. There may be four or five departments wanting construction. We appoint one department. Normally, all things being equal, Public Works takes it on. We come to another, where Defence have a big project on; there are two or three small projects; they are handed over to Defence to build, maybe Northern Affairs, maybe Transport. Another may be a big airplane base, non-service; there, again, there is construction for several departments, and we allocate the responsibility to the Department of Transport. So now, in all the northern remote areas, normally Public Works, Transport or Defence are responsible for all construction that

goes on in the centre. That arrangement works very well. We put it into effect last summer and we hope it will be even better in the coming year. It is not yet perfect by any means.

The CHAIRMAN: That is a pretty fair picture of what you are trying to do. We will see later what has been accomplished. Any further questions?

Senator HAIG: I think we can thank General Young for coming here, and thank him very much for the way he has explained these things to us.

The CHAIRMAN: I most heartily concur in that. General Young, I want to carry that appreciation to you.

I think that is all we have for today. We are rather stymied. But I was not too sure if General Young's presentation and the discussion would take the full session.

As to the next meeting, for Thursday, May 10, I have asked the Honourable Mr. Gregg to come here, with reference particularly to the Annuities Branch of the department; and at 11.15 I have asked the Hon. Walter Harris to come and be prepared to discuss with you the superannuation fund of the Civil Service. I hope there will be a good attendance, and that the members will be prepared to ask what questions they think are necessary.

Senator ASELTINE: Annuities are still under the Department of Labour, are they?

The CHAIRMAN: Yes.

Senator CRERAR: I suggest that in the matter of annuities it would be useful to the committee if the department could prepare a statement showing the cost of this scheme from the beginning, including the total expense of administration, and the amount that has been paid into the fund to keep it solvent. I know that these amounts are substantial, although at the moment I am not sure what they are. Such a statement would be very interesting. The expense of the Annuities Branch, according to the estimates, and exclusive of any rental for the space it occupies, is well over a million dollars a year. I think we ought to get the details of what this service has been costing the country, and what it is costing today.

The CHAIRMAN: I have indicated that these will be some of the matters that will come up, but I will have another communication go to the department or to the Minister.

Senator CRERAR: The information could easily be put together.

The CHAIRMAN: Or at least I will draw to the attention of the Minister what the minutes show in connection with the questions you ask.

Senator TURGEON: If the statement could be sent to us in advance it would be helpful.

The CHAIRMAN: I will ask the department if that can be done, and will suggest that they do it.

Senator HOWDEN: We can't read the statement and listen to the witnesses at the same time.

Senator CRERAR: It would be a good thing to have the same information as it affects the superannuation branch. I think we have kicked in large amounts to maintain the solvency of the superannuation fund.

Senator GOLDING: One reason for the present position of the fund is that at the beginning the Government received these lump sums but did not keep up its payments.

The CHAIRMAN: I purposely asked the Hon. Mr. Gregg to come first, and intimated to him or to his secretary as near as I could what I thought would be asked of him.

—The committee adjourned.

APPENDIX D

Statement for Senate Finance Committee

DEFINITION OF GROSS NATIONAL PRODUCT AND EXPENDITURE

Prepared by Research and Development Division
Dominion Bureau of Statistics
April 29, 1956

The pivot of national accounting is the measurement of the nation's output during a period of time. The question arises "What is output?"

All newly-produced goods and services of the market economy, that is, which are bought and sold for money, are included in the term "output", as used in contemporary national accounting terminology. In a number of cases, however, the definition is broadened to include production for which there is no corresponding money flow, involving "imputation" of income and expenditure. The main categories included in this class are farm production consumed on the farm, imputed rents of owner-occupied houses, board and living allowances received in kind by employees and certain transactions of financial intermediaries. All these imputations have a counterpart in the market economy which provides a reasonable basis for their valuation. Thus, farm production consumed on the farm is valued at prices for which it could otherwise be sold by the farmer; rents of owner-occupied houses are based on comparable paid rentals; income in kind received by employees is valued at cost to the employer. Since only output currently produced is measured, capital gains and losses are excluded; these do not represent a return for the current use of economic resources. Production represented by increases in inventories is included. Changes in stocks of grain held on the farm are valued at initial prices, and adjusted for feed, seed and wastage allowances.

In the earlier stages of national income development in Canada measurement of output was not only the pivot but the almost exclusive focus of the statistician's attention. Thus, attempts were made to measure the nation's output by subtracting certain outlays from estimates of gross production of goods and services. A little later, the nation's output was identified with various concepts of national income. Although in the more advanced stages of national income measurement, this total was distributed by industry, by province, and even by factor shares, main emphasis was still put on single overall aggregates of economic activity.

A new departure in national accounting began in Canada in 1944, in line with similar developments in the United States and the United Kingdom. The new departure consisted in a shift of emphasis from measurement of single aggregates to construction of interrelated summaries of the constituent transactions.

Measurement of total output remains still a primary target; but the task is accomplished, not by direct assault, but through an encircling movement which brings into view the setting from which output of different size and composition emerges.

The basis of the new approach is simply the fact that underlying production and distribution of goods and services is a network of transactions; and the realization that if these transactions can be combined and summarized into classes having economic significance a great deal of valuable information on the functioning of the economy is produced. Further, since there are two sides to all transactions—expenditure of one group is matched by corresponding receipts of another group—it should be possible to construct an accounting system for the economy which portrays flows of money between the major groups in the economy.

These considerations lead to the following procedures: to begin with, we set ourselves the task of measuring, in terms of current dollars, and without duplication, the market value of goods and services produced in a given period, say a year, by Canadian factors of production. In line with the two-sidedness of transactions, this task can be accomplished in two different ways. One way is to add together all costs arising in the production of goods and services. For the economy as a whole, these costs consist first of factor costs: that is to say, the earnings of the factors of production; wages and salaries, profits, interest, net rent and net income of unincorporated business. The sum of these factor costs is the *Net National Income*. To arrive at the total which measures production at market prices, it is necessary to add non-factor costs, i.e., depreciation allowances and similar business costs, as well as indirect taxes less subsidies. This total is called the *Gross National Product*.

Another way of measuring the market value of goods and services produced by Canadian factors, without duplication, is to add together all final sales made in this period, adjusted for changes in inventories. For what is produced must be disposed of, either by sales or addition to inventories. Four significant types of sales can be readily distinguished: sales to consumers, sales to governments, sales to business on capital account (gross domestic investment) and sales to non-residents (exports). Since total sales include the value of imported goods and services and since the purpose here is to measure only production of Canadian factors, imports of goods and services are deducted from the grand total of sales.

It bears emphasis that only final sales are counted in this enumeration. All sales to consumers (personal expenditure on consumer goods and services), to governments (government expenditure on goods and services) and exports (of goods and services) during the year are automatically counted as final. Sales to business are treated as final only if they remain within the business sector at the end of the period under consideration—as capital formation, that is, investment in construction and equipment or inventories. Inter-business sales of commodities and services which are resold to persons, governments, or non-residents, are not counted separately since they are automatically included already at the point of purchase in these three sectors. In this manner, double-counting is avoided.

Since they measure the same thing—output of goods and services—Gross National Product and Gross National Expenditure must add up to the same total. If all enterprises and other economic units in the economy were to publish accurate accounts on a uniform basis, the two statistical totals would in fact be equal. These conditions are not fulfilled in practice. National Accounts must summarize transactions of enterprises that do not keep accurate accounts on the same basis, together with transactions of households, farms and small concerns, many of which do not keep accounts at all. For these reasons, some discrepancy between the two totals is inevitable, but considering the overall magnitude involved it is interesting to note how close a balance is in fact achieved.

Taxation in Canada, the U.S. and the U.K.

1954

(All levels of government)

	Canada Can. \$ million	U.S. U.S. \$ million	U.K. £ million
<i>Taxes¹</i>			
Direct Personal Taxes	1,426	32,800	1,397
Direct Corporation Taxes	1,164	17,100	1,001
Indirect Taxes	3,001	30,300	2,476
Social Insurance Contributions	395	9,600	532
Total Taxes	5,986²	89,800	5,406
<i>Percentage Distribution of Taxes</i>			
Direct Personal Taxes	23·8	36·5	25·8
Direct Corporation Taxes	19·5	19·0	18·5
Indirect Taxes	50·1	33·8	45·8
Social Insurance Contributions	6·6	10·7	9·9
Total Taxes	100·0%	100·0%	100·0%
<i>Gross National Product at</i>			
<i>Market Prices³</i>	<i>24,148</i>	<i>360,700</i>	<i>17,843</i>
<i>Taxes as a Percentage of Gross</i>			
<i>National Product at Market Prices</i>			
Direct Personal Taxes	5·9	9·1	7·8
Direct Corporation Taxes	4·8	4·7	5·6
Indirect Taxes	12·5	8·4	13·9
Social Insurance Contributions	1·6	2·7	3·0
Total Taxes	24·8	24·9	30·3

¹ Direct personal taxes are on a collection basis, while direct corporation taxes are on a liability basis.

² Excludes \$58 million of withholding taxes in 1954 on dividends and interest paid to non-residents. The income on which such taxes are levied is not included in Canada's G.N.P.

³ The U.S. and U.K. G.N.P. has been adjusted to conform to the same concepts as the Canadian G.N.P.

Sources—Canada "National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual 1955", D.B.S.

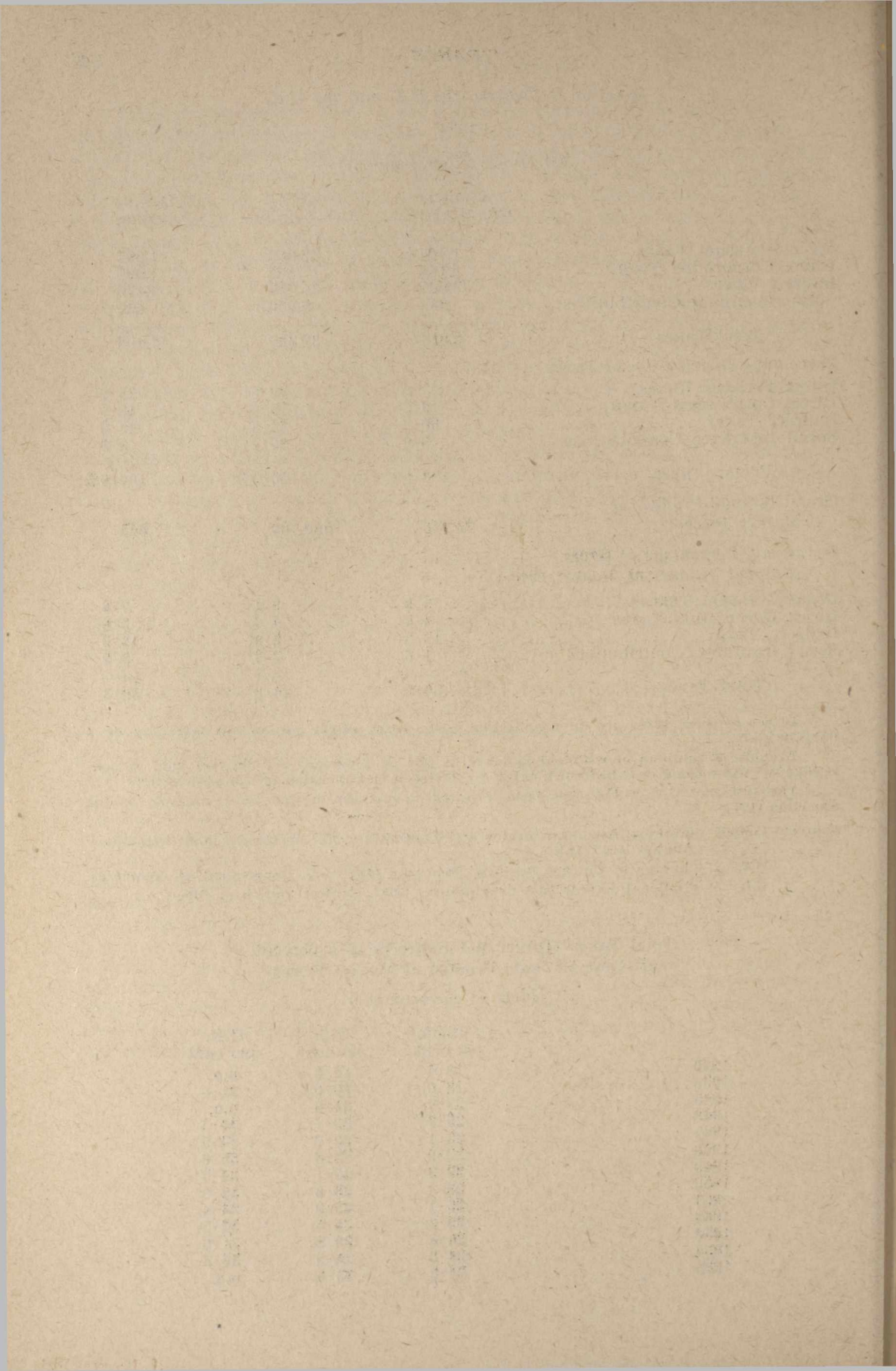
U.S. "Survey of Current Business, February 1956", U.S. Department of Commerce.

U.K. "National Income and Expenditure, 1955", Central Statistical Office.

Total Taxes (Direct and Indirect) as a percent
of Gross National Product at Market Prices

(all levels of government)

	Canada per cent	U.S. per cent	U.K. per cent
1929	13·4	10·8	n.a.
1938	18·0	20·6	21·0
1945	23·7	24·8	n.a.
1946	25·8	23·7	34·5
1947	25·1	23·8	34·5
1948	22·9	22·8	35·6
1949	22·3	22·1	34·5
1950	22·3	23·8	32·8
1951	25·1	25·9	34·4
1952	25·3	26·4	32·5
1953	24·8	26·2	31·0
1954	24·8	24·9	30·3
1955	24·5	25·6	n.a.



1956

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1957

No. 7

THURSDAY, MAY 10, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESSES:

The Honourable Milton F. Gregg, Minister of Labour.
Mr. C. R. McCord, Director, Annuities Branch, Department of Labour.
The Honourable Walter E. Harris, Minister of Finance.
Mr. J. J. Deutsch, Secretary to the Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956

STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly (<i>Halifax</i>	Howden	Smith
<i>North</i>)	Isnor	Stambaugh
Connolly (<i>Ottawa West</i>)	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

* Ex officio member

ORDER OF REFERENCE

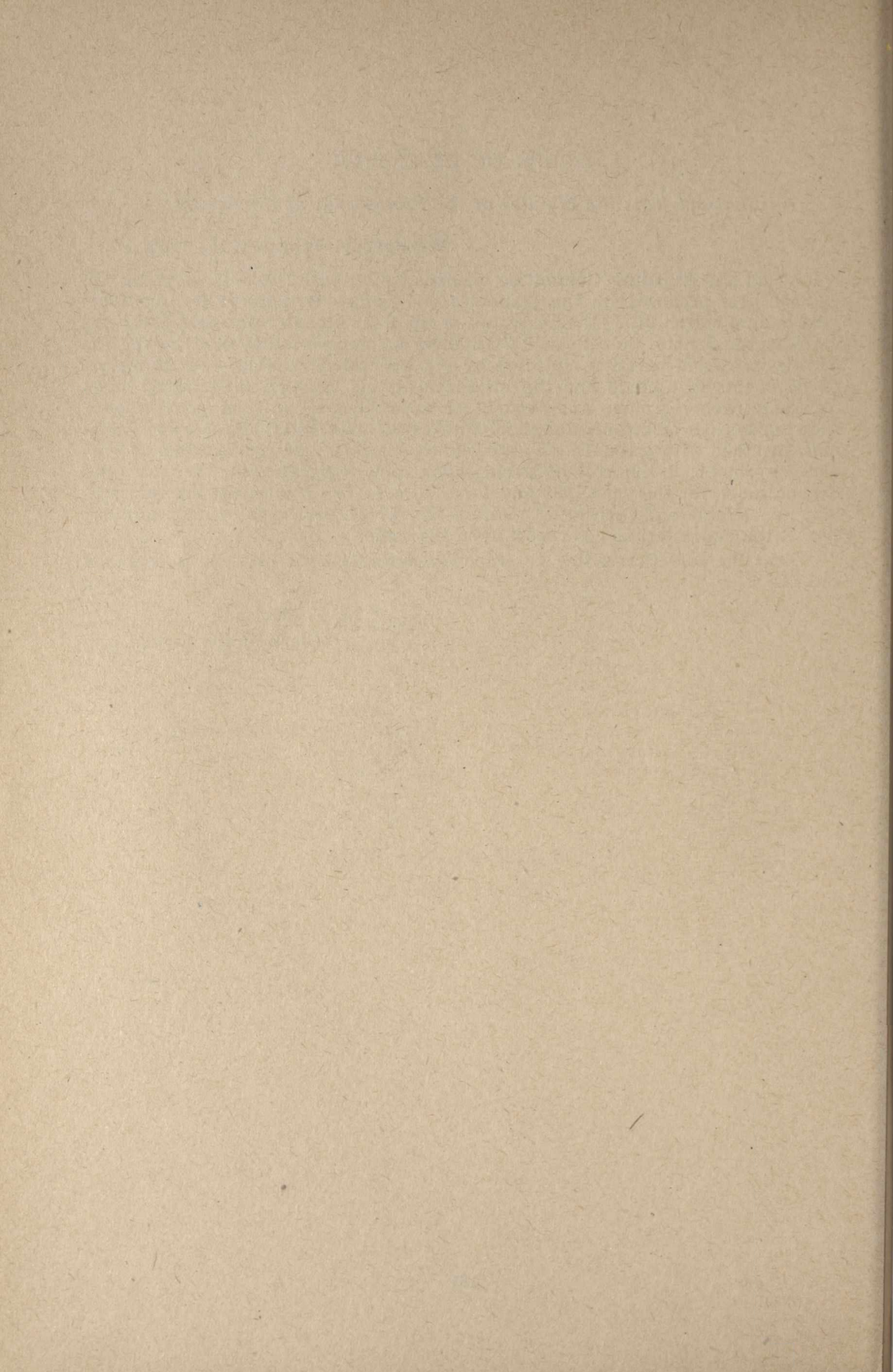
Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, February 15, 1956.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

J. F. MacNeill,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

THURSDAY, May 10, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present:—The Honourable Senators Hawkins, Chairman; Aseltine, Barbour, Burchill, Connolly (*Halifax North*), Connolly (*Ottawa West*), Crerar, Gershaw, Golding, Haig, Howden, Isnor, Leonard, Molson, Reid, Taylor, Turgeon, Vien and Woodrow—19.

In attendance:—The official Reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

The following were heard:—

The Honourable Milton F. Gregg, Minister of Labour.

Mr. C. R. McCord, Director, Annuities Branch, Department of Labour.

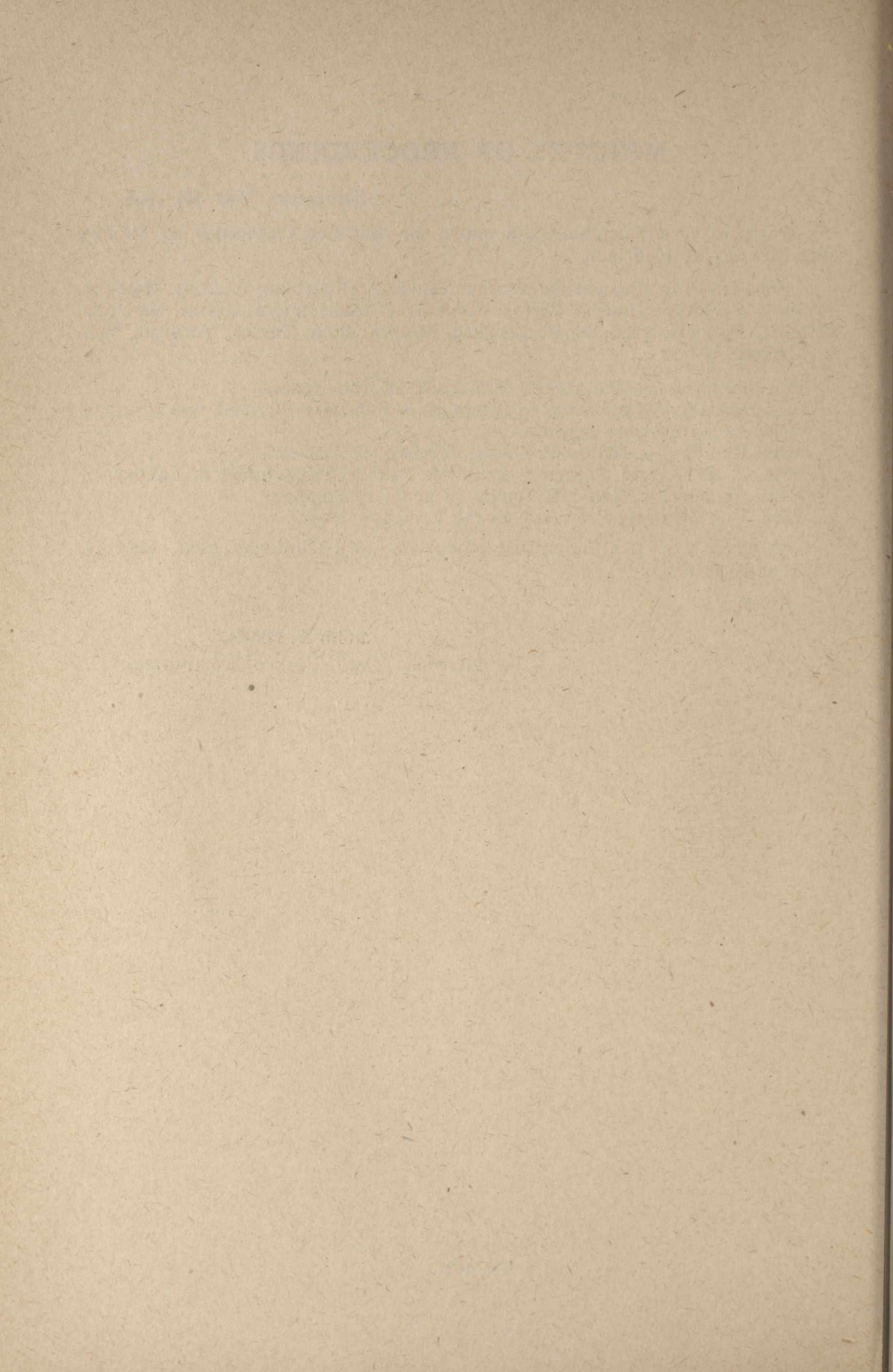
The Honourable Walter E. Harris, Minister of Finance.

Mr. J. J. Deutsch, Secretary to the Treasury Board.

At 12.15 p.m. the Committee adjourned until Thursday next, May 17, 1956, at 10.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.



THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, May 10, 1956.

EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum. I will ask you to come to order. We have with us this morning Honourable Milton F. Gregg, V.C., Minister of Labour, and as you can easily imagine Mr. Gregg is a very busy man. He is rather anxious to get through this morning by 11.15, but he has indicated that he will be very happy to come back at any time we would require him for cross-examination or further discussion. I indicated to Mr. Gregg what the line of questioning would be today and I think he has a prepared statement.

Hon. M. F. GREGG (*Minister of Labour*): Mr. Chairman, I am very happy indeed to have this opportunity of appearing before your committee. I had only one opportunity, since I have been a member of cabinet, to appear before a Senate Committee, and I remember it with a great deal of pleasure.

It has been indicated to me by you, Mr. Chairman, that you would like to discuss the matter of Government annuities, and with that advance knowledge I have done the usual thing that cabinet ministers do, namely, get together a manuscript, covering some things that have been said on other occasions and at other places. I am now entirely in your hands, sir, as to whether you would like me to read my prepared manuscript.

The CHAIRMAN: I think it would be the wish of the committee to have you read your statement first, and then the meeting will be open for questions.

Hon. Mr. GREGG: Then I will not elaborate on my statement as I go along, but will make whatever explanation that is necessary later.

As you know, annuities are administered by a branch of the Department of Labour; it was not always so, but came about a few years ago for special reasons.

The statute under which the Annuities Branch operates was enacted in 1908 and cited as "The Government Annuities Act, 1908". The preamble to the Act reads as follows:—

Whereas it is in the public interest that habits of thrift be promoted and that the people of Canada be encouraged and aided thereto so that provision may be made for old age; and whereas it is expedient that further facilities be afforded for the attainment of the said objects; therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows—

And the Act follows.

From the beginning, the advocates of this activity on the part of the Government urged that aggressive steps be taken to publicize the availability

of these contracts. In the early years a number of instructors or lecturers were employed on a full-time basis to visit different parts of the country for this purpose. Various other methods of advertising were used. Leaflets and booklets were distributed and articles were carried by Government publications and newspapers. The employment of soliciting agents was considered even in the Parliamentary Debate before the passage of the Act but the Branch had no field representatives until about 1927. At that time efforts to publicize Government Annuities were intensified and the compensation of full-time agents on a commission basis was begun. The number of contracts traceable to efforts of agents has increased over the years and now approximately 90% of all contracts issued are credited to the efforts of agents.

The Parliamentary Committee on Old Age Security, on whose recommendation the Government enacted the Old Age Security Act providing for universal old age pensions, included the following in their unanimous recommendation:—

Mr. Chairman, I know that honorable senators will scan this part closely because in the absence of any other mandate on the record we in the Department of Labour feel that this one, which is the last recorded one, stands as the unanimous will of Parliament, and our actions have been guided very closely to the terms of this paragraph I will now read. That resolution was this:—

It is also important that the provision of basic Old Age Security should do nothing to weaken the incentive of the individual to provide through personal saving for his old age. Moreover, every facility should be offered to make it possible for the individual to make regular contributions for this purpose. The committee reviewed the operations of Government Annuities and believes that their purchase should be encouraged and that the merits of this particular form of saving should be made more widely known by a suitable campaign of advertising and by other methods designed to facilitate their purchase.

As of March 31, 1955, there were in force and under administration by the Annuities Branch 159,532 individual contracts and 190,129 certificates under 966 group contracts, a total of 349,661 contracts and certificates; payment of annuity is being made under 68,130 of these contracts and certificates.

The Annuities Fund as at the end of March 1955 was \$864,543,038.00 and the net receipts for the year were \$68,594,250.00.

Two classes of contracts for the purchase of annuities are authorized under the Act:

- (a) Contracts entered into by an individual for the purchase of an annuity for the life of one person or two persons jointly,
- (b) Contracts entered into with an employer for the purchase of annuities for employees of the employer registered under the contract.

The individual contracts are of two types:—

1. *Immediate Annuities*, purchased with single sums for which annuitants receive periodic payments commencing at once.
2. *Deferred Annuities*, purchased with either single sums or several sums paid over a period of time for which annuitants receive periodic payments commencing at a future date in amounts calculated on the value of the purchase payments made, accumulated at interest to the date when the annuity payments begin.

Group Contracts may be entered into with employers to give effect to approved employee retirement pension plans, and these would fall into the category of deferred annuities in that they are purchased with the idea of the annuity commencing at a date in the future when the employee retires.

With the enactment of the Old Age Security Law, the Annuities Branch took the necessary steps to provide annuities that would reduce by \$40.00 a month at age 70. The cost of such reducing annuities is correspondingly lower than the cost of ordinary uniform annuities. Immediate annuities are available on this basis. New contracts for deferred annuities offer the option, at maturity date, of taking an adjusted annuity reducing by the amount of Old Age Security payments. Authority was secured to offer the option under old contracts as they mature. Provision is made also for temporary annuities of not more than \$40.00 a month to age 70, to help stretch limited resources to the point where Old Age Security payments commence.

In 1913 the maximum annuity purchasable was changed from \$600 to \$1,000, and in 1920 to become \$5,000. In 1931 it was reduced to \$1,200 and the maximum has continued in that amount since.

Until 1925, the minimum annuity purchasable was \$50 a year, at which time the minimum was reduced to \$10 a year and has continued in that amount since.

The rate of interest at which rates for annuities are calculated was 4% to 1948; 3% April 19, 1948 to March 31, 1952; and 3½% from April 1, 1952, to the present time.

The interest rate is established by regulation under the Act and as a matter of Government policy is based as nearly as practicable on the average return yielded by Government of Canada long term Bonds.

The mortality tables at present in use are the British Annuity Tables contained in "The Mortality of Annuitants, 1900-1920" published by the Institute of Actuaries and the Faculty of Actuaries in Scotland, known as the "a(f) and a(m) Tables", with reduction of three years of age. Mortality tables were last revised in 1948 but in accordance with an established policy a further study has just been completed and is presently being examined. The practice is to conduct these studies every five years.

Each year the Government Annuities Fund Statement includes an item "Amount Transferred to Maintain Reserve". In the main this results from contracts entered into prior to the rate changes in 1936 and 1948 and maturing within the current year. The valuation basis has been to carry the deferred contracts as a liability, being premiums plus interest, which at maturity is equal to the liability of the vested annuity should the authorized rates at issue and at maturity be similar. In the case of deferred contracts issued prior to 1948 and currently maturing, the accumulated value of premiums is less than the amount calculated to maintain the reserve. In time all of these contracts will have matured and any further deficiencies will depend upon the mortality basis then adopted as appropriate.

The administration costs of the Annuities Branch for the fiscal year 1954-55 is 1.68% of the net premium income for that year. Included in this figure is the estimated rental value of office accommodation in public buildings and leased premises provided by the Department of Public Works, value of postage and cost of issuing and mailing of approximately 700,000 annuity cheques in the year. The costs of these services do not appear in the expenditure of the Department of Labour, but do, nevertheless, represent a cost to the Government in connection with Government annuities.

On the same basis the administration costs for the previous four fiscal years were:

1950-51	1.49%
1951-52	1.59%
1952-53	1.66%
1953-54	1.59%

of premium income.

In relation to the total Fund, or assets if you will, the cost of administration is but a fraction of 1%. For example, for the fiscal year 1954-55 the administration cost as a percentage of the total Fund was .117%.

The Annuities Branch consists of six divisions and is located in No. 5 Temporary Building, Preston St. and Carling Avenue. These divisions are: Group, Actuarial, Individual Contracts, Accounts, Sales and Administrative Service and Legal.

There is a staff of 174. This is a reduction of 38 since 1949-50 even though there has been an increase in the volume of work. The reduction in staff was possible through the development of improved procedures. Contracts and certificates under administration are 100,000 or approximately one-third more in number than in 1949-50 and there are 30,000 more cheques being sent out each month, or double the number in 1949-50.

The total expenditure for administration of the Annuities Act from 1908 to the end of the fiscal year 1954-55 amounts to \$11,101,521.54 and the total amount transferred during the period to maintain the reserve is \$31,368,689.60.

With respect to the amount transferred each year to maintain the reserve, this is affected by the number of contracts maturing during the year, the premium rates at which these contracts were sold, and the general mortality experience during the fiscal year. Consequently, the amount to be transferred varies from year to year. For example, last fiscal year the amount transferred was \$371,000.00 but it would appear from preliminary figures that no transfer will be required for 1955-56. In fact a small surplus is indicated.

The transfers to maintain the reserve are in connection with contracts sold prior to 1948 under which the annuitants are living longer than the rates provided for.

Mr. Chairman, that is the end of the story at the moment.

The CHAIRMAN: Honourable senators, it would be in order to ask questions now.

Senator CRERAR: Mr. Gregg, one thing that bothers me, and I think some other members of the committee, is that the Government here is engaged in a service that had much to commend it when it was first introduced almost fifty years ago, but this service is rather unnecessary now because of the fact there are many other avenues available to people who wish to buy annuities. Frankly, the question is should the Government be in a business that is costing the taxpayers substantially each year when the service it is giving is available to people through other avenues?

Your report indicates, for instance, that since the inauguration of government annuities in 1908 the administration costs have been over \$11 million. That does not wholly reflect the administration costs either, for the \$11 million does not include anything for rent, postage and items of this kind which in the normal business would be charges that would have to be made. In addition to that, you have had to subsidize the annuities fund to keep it solvent to the extent of over \$31 million over this period. Even last year you found it necessary to take in \$371,000 to keep it solvent. Now, it does seem to me at this time of stress and strain, when taxation is undeniably heavy in this country, that it requires a considerable stretch of the imagination to justify the continuation of this branch that appears to be endeavouring to expand its activities as much as possible. For instance, the largest item for \$1,071,000 is, of course, for salaries and wages, which is \$477,000 odd. But you pay commissions to agents of \$330,000; that is your estimate for that. Then in order that you may as energetically as possible carry on this branch, which is costing the taxpayers money every year, you spend, or propose to spend, \$110,000 in publicity—in other words, in trying to interest people to buy the annuities from the department, which is costing the taxpayers, on a very conservative

estimate, well over \$1 million a year. Now, Mr. Gregg, I do think it is very difficult in these times to justify the continuation of this service. It is not as if people could not get it elsewhere, for they can. At the time this service was inaugurated in 1881, there was a great deal to justify the Government going into the sale of annuities to encourage savings and perhaps to induce people to make some provision against the needs of old age, but those needs have long since disappeared, and I for one do think that this branch should be cleaned up. I realize that for a time, perhaps for several years, some sort of staff will have to be carried on to liquidate it, that is, to pay out the annuities that may run over a long period of time, unless some arrangement could be made to do that otherwise, that if that were done that part of it would very easily be transferred to the Department of Finance.

Now, that briefly is the outline of my views on the matter. I am quite sure the Minister knows more than anyone of us around the table that we do not want unnecessarily to burden the taxpayers of Canada, but that in effect is what we are doing, and I am bound to say that we in latter years have developed rather free and easy approaches to the spending of public money, and as far as I am concerned, Mr. Gregg, I do not like it.

Hon. Mr. G8577: Well, Mr. Chairman, I notice Senator Crerar is about to leave. About the only serious objection I have to make to what he has said is the statement that the Department is pushing these annuities as aggressively as possible. We certainly are not doing that.

Senator CRERAR: I am sure I did not say as aggressively as possible. I think I said that you are spending \$110,000 in publicity.

Hon. Mr. GREGG: Which for a business of this kind is our interpretation—

Senator CRERAR: What would happen if you did not spend anything on publicity at all?

Hon. Mr. GREGG: Well, one thing that would happen, I think, is that we would be violating the last express wish of parliament, including the Senate.

Senator CRERAR: You are referring to the pensions' committee?

Hon. Mr. GREGG: The unanimous report of parliament. I take parliament very seriously, sir.

Senator CRERAR: I have always taken the report of that committee with a very liberal grain of salt.

Hon. Mr. GREGG: But Mr. Chairman the report of that committee was received—

Senator HAIG: What year did the committee report?

Hon. Mr. GREGG: 1950. It was the father and mother of old age pensions; this is completely knit into the problem of old age security, and was discussed as a part of it. If the Department of Labour in this year 1956 had no annuities branch, and it were suggested to me as Minister of Labour that we should have such a branch for the purpose of encouraging thrift, I would of course tell such a person to go over and see the Minister of Finance. But, Mr. Chairman, the Parliament of Canada expressed its will then, and has expressed it down through the years since. I read the *Hansard* on this subject through the time when you, Senator Crerar, and others around this table were members of the government; it has continued to be the expressed wishes of the various governments of Canada, that this should continue, and they outlined as their expression of guidance this resolution.

Now the question arises as to what is to be done: Should we liquidate at once and sell out to the insurance companies or, as has been suggested, should we allow it to peter out over a period of perhaps forty years, to retain under the Department of Finance or the Department of Labour a liquidating service, which is going to cost the taxpayer something.

Senator HAIG: Let me interrupt you, Mr. Gregg. Why was the act passed originally?

Hon. Mr. GREGG: It was passed in accordance with the opinion of the P.M., which I read.

Senator HAIG: What did the Postmaster General of that day, Mr. Mulock, give as his reason for introducing the measure?

Hon. Mr. GREGG: I can't give you it word for word, but it was built around the expression "for the encouragement of thrift as a guard against old age."

Senator HAIG: Because there was very little annuity or old age pension business in those days.

Hon. Mr. GREGG: There was no old age pension.

Senator HAIG: And labour had very little promise of superannuation at the age of 65 or indeed at any age. It was to give those people some support, is that not so?

Hon. Mr. GREGG: That is true.

Senator HAIG: That is why it was put in.

Hon. Mr. GREGG: Yes.

Senator HAIG: Why should five or six professors at a college in Toronto or elsewhere say they are applying for \$1,200 annuity, and want you to double the amount? Why do they want you to do that? They can go to an insurance company and get another \$1,200.

Hon. Mr. GREGG: I can't speak for them, but I can speak for the government and say that it does not propose to double the amount.

Senator HAIG: Why? If \$1,200 is a good thing, is not \$2,400 a better thing?

Hon. Mr. GREGG: If we are to conform with this principle, for the encouragement of thrift, which is implied in the speeches, for the benefit of the low wage earner, he can't afford . . .

Senator HAIG: But he is not the fellow who is buying annuities now.

Hon. Mr. GREGG: Under the company pension plans a great many are bought. Perhaps there is not the large proportion of persons who buy individual annuities for themselves, but as I say, under the company pension plans it has become part of business, and is the only reason for this branch being placed under the Department of Labour.

Senator HAIG: I suggest to you that the biggest sales today are made to school boards, municipalities and business men—people who can buy annuities more advantageously than they can invest their money elsewhere. Take for instance the school board of Winnipeg: About ten years ago it purchased annuities for half the amount of its superannuation needs. Why did it do that? Just because it was cheaper for them to buy annuities than to handle the superannuation by other means; of course, the government was handling its annuities at a loss. May I ask you, why you cut down the commission to agents in 1937?

Hon. Mr. GREGG: I was not here in 1937.

Senator HAIG: But your records would show. I say the reason was because the agents were making too much money. I know a man in Winnipeg who was given a job by Mr. Bennett in 1932 to sell government annuities, and by 1935 he was making \$15,000 a year.

Hon. Mr. GREGG: No, not in 1935.

Senator HAIG: Perhaps it was 1931 or 1932.

Hon. Mr. GREGG: 1932 was I think the date of the changeover.

Senator HAIG: He sold annuities worth \$5,000 and \$6,000 to rich people, not to the poor man; it is not the poor man who is buying government annuities today.

Hon. Mr. GREGG: That of course is not happening now, Mr. Chairman. At that time, I think it only fair to state the record would indicate that when it was on a \$5,000 basis shortly after the First World War. The motive was not to encourage thrift in the raising of that figure, but rather because the government wanted some money and this seemed a good method of getting it. But that is not a factor today.

Senator HACKETT: Is it not a fact that at their inception they were self-sustaining, but they have become beneficial and burdensome upon the taxpayer as time went on?

Hon. Mr. GREGG: No. From the beginning the administrative costs have been paid by the taxpayer. What has been referred to as the stabilization of the fund, or the drawing upon the taxpayer's money for that purpose, came about when the annuities began to mature in large numbers because the medical profession enabled people to live longer than was expected at the time the annuities were sold. That situation called for the stabilization of the fund to a degree that was not anticipated by the actuaries at the beginning.

Senator HACKETT: Are you quite certain that at the inception the burden was to be borne out of taxes?

Hon. Mr. GREGG: Costs of administration, from the inception down to the present day.

Senator HAIG: You sell the annuities now to earn 4 per cent?

Hon. Mr. GREGG: $3\frac{1}{2}$ per cent.

Senator HAIG: That is what you sell at now, but up until recently it was 4 per cent?

Hon. Mr. GREGG: Up until the change took place, yes.

Senator HAIG: In addition to that, you paid the cost of management.

Hon. Mr. GREGG: The cost of administration.

Senator HAIG: At the time you were paying 4 per cent people were getting 3 per cent on their government bonds.

Hon. Mr. GREGG: No, not for a long term; at least, if they were the Finance Department officials were wrong, because the policy has been adopted with a view to not changing this interest rate too frequently. You will see how difficult it would be to administer the fund if the interest rate changed frequently. Over the long term the Department of Finance has advised us as to the times when we should change the interest rate, trying not to do it too often.

Senator HAIG: I suggest to you that you were selling annuities to earn 4 per cent at a time when I could buy government bonds bearing 3 per cent. You were paying one per cent more than the government was getting for its bonds. Secondly, you sold it on an annuity table that was then out of date. Of course, it is not used now—you have changed it; but until a few years ago, you sold annuities that were supposed to mature at 70 and the men and women who had them lived until 75. There was no arrangement to meet that situation, and that is what is costing us the money. For instance, I have given my children government annuities which I bought back in 1930; the reason I did that was because I could get more interest on them than on any other investment.

Senator REID: Mr. Chairman, I think there is one point that should not be overlooked today. When the Act was put into effect there was no old age

security plan and it was a very laudable piece of legislation, but of late years employers are beginning to take advantage of the low rates. I am sure it was never intended, taking into consideration the terms of the old age security payments, that employers would come in under the Annuities Act and take advantage of the people of Canada by taking up contracts for groups of their employees. There are 190,129 certificates under group contracts compared to 159,532 individual contracts. I think that fact stands out very clearly to those who have given any study to it at all. The early aspect of this legislation has changed. Employers are now making provision under this Act for the retirement of their employees, coming to the Canadian government and putting their employees under this scheme. I also notice something that is rather striking. Until the year 1925 the minimum annuity purchasable was one for \$50 a year, but the minimum now is \$10 per year. Surely you are not issuing any annuities for \$10 a year. \$10 a year would be nothing at all today considering the buying power of the dollar. How many contracts have been issued for \$10 up to \$50 a year? Surely there are no people so poor that they can only pay for a \$10 a year annuity.

Hon. Mr. GREGG: Perhaps Mr. McCord could comment on that.

Mr. C. R. McCORD (*Director, Annuities Branch, Department of Labour*): Mr. Chairman, in the matter of the \$10 annuity, that was a minimum one which could be paid. There would be cases where people would pay some money into the fund and then discontinue payments on the contract, and when it came time for that annuity to mature, to put the department in a position where they could refund that money and call it no contract this minimum was set. Otherwise a contract would have to be issued for a small amount, maybe \$8 or \$9, which would incur a considerable administration cost. That minimum was established purely to get rid of these very small nuisance amounts that might be in the accounts. Originally the minimum was \$50 but it was felt that there might have been some people who would actually want \$50 a year.

Senator REID: How many contracts are there in force from \$50 up?

Mr. McCORD: I am sure I do not know, sir. I can tell you that of the 68,000 annuitants collecting annuities at this time approximately 24,000 are for \$300 or less.

Senator John J. CONNOLLY: What happens, Mr. Chairman, when the amount paid in would produce an annuity of \$10. Is the balance cancelled?

Hon. Mr. GREGG: It is refunded, that is to say anything producing an annuity under \$10 a year is refunded, but any amount over a \$10 a year annuity is not refunded, and that is a disadvantage, if it is a disadvantage, on Government annuities compared to annuities issued by private companies. You cannot pay a refund on a Government annuity.

Senator HAIG: Suppose that I contracted for an annuity 30 years ago and paid the first payment and did not pay any more on the contract until I just about reached the age 60. Could I then pay up all the arrears with interest and have the original contract stand?

Mr. McCORD: On those contracts issued prior to 1948, yes.

Senator HAIG: Yes, the examples I am giving were contracted before 1948. You say I can pay up and get the benefit under the original contract?

Mr. McCORD: That is right.

Senator ISNOR: Mr. Chairman, I differ somewhat with the thoughts just expressed by one or two of the senators. Like them I have been critical in the past as to the net return to the Government or in other words the cost to the people of Canada in regard to the administration cost, but when you remember

the object as stated in the first page of the brief read this morning, to encourage thrift, and the class of person to whom this legislation was directed, I think the background of this is good and I cannot agree with Senator Haig in respect to the earnings of salesmen who go out and sell these contracts. In fact, it might tend to cut down the overhead if you were to have more salesmen selling these contracts. In fact, this is one of the criticisms, that they are not enterprising enough in going out and selling these contracts. It is the principle however, that I am talking about, of having salesmen go out more aggressively and sell annuities. I would suggest that the \$110,000 you are spending at the present time in advertising might be increased, and if you were to increase that it would add largely to your gross revenue and that would certainly have the effect of cutting down your overhead. That is ordinary business practice. I think if the policy was altered along that line, that these contracts were more largely publicized, the same as is done by the Government when they have a campaign or bond selling, that would be a good move.

I particularly had in mind asking the minister whether he has figures which would show the amount of group insurance sold to firms who enter into contracts with labour organizations, with the employers paying a portion and the employees also paying a portion. Have you any figures that would give that information?

Hon. Mr. GREGG: You mean to compare the amount sold by the department to individuals and to firms?

Senator ISNOR: First by the Government through your department and secondly, the total sold by individual insurance companies.

Senator LEONARD: Mr. Chairman, may I ask the minister the meaning of the words in his statement dealing with "a(f) and a(m) Tables, with reduction of three years of age. Does that mean the rates are calculated as if the annuitants would live three years less than the tables would indicate?

Mr. McCORD: Three years less than actual age.

Senator LEONARD: Which is really an extension of the longevity by three years?

Mr. McCORD: That is right.

Senator LEONARD: Has the department made any attempt to calculate the amount required to put the fund on a sound basis with respect to the nature of maturity contracts where they were based on tables that are now out of date?

Hon. Mr. GREGG: That was indicated in the statement. Last year the estimate of some past year went wrong and there was an amount necessary to bring the fund, on account of the payments that had to be made, up to the point where it was considered it should be. This year we are hoping that for the first time for some time that that will not be necessary, and I think it is the hope of the branch that if there is a necessity for a stabilization fund in the years immediately ahead that it will be very small. Is that right Mr. McCord?

Mr. McCORD: As these old contracts mature that is when we establish the amount necessary to maintain the reserve for those maturing contracts. I think the question the senator is asking is as to how much the liability will be for these old contracts that are yet to mature?

Senator LEONARD: That is right. You admit that the tables upon which they were based were inadequate. Now, if you were to provide now for the full amount of reserve that is required what would the amount be? Is the fund in balance?

Hon. Mr. GREGG: That will depend upon life expectancy and many other factors. But go ahead.

Mr. McCORD: At the moment a lot of people are still paying into their annuities. There are many that are deferred, and persons are still paying premiums. In consequence it would be pretty difficult to establish just exactly how much would be needed. I think a rough estimate has been made that over the years something of the order of \$40 million would be required to liquidate all of these old contracts.

Senator LEONARD: \$40 million is an additional liability to take care of the contracts now unmatured, issued prior to 1948, over and above what is in the fund?

Mr. McCORD: Yes, that is the case. Mark you, we do not know how much these annuities will amount to when they are finally paid off; and that again is spread over the next 40 years.

Hon. Mr. GREGG: May I just say, Mr. Chairman, that we will bring a reply to Senator Isnor's question at the next sitting.

Senator ISNOR: I want to pursue that, and ask a simple question; what is your position in regard to income tax reductions in the issuing of this group insurance? Do you make the allowance to the employer?

Mr. McCORD: You are referring now to the premium payments made?

Senator ISNOR: Yes, right.

Mr. McCORD: On the approved pension plan the premium payments made by both the employer and employee are exempt, but when the annuity becomes payable the whole annuity is taxable.

The CHAIRMAN: Gentlemen, I had agreed to release Mr. Gregg at 11.15. He has indicated that he would be very pleased to come back at a future sitting; and I think that later we will decide if we will need him. I want to thank you, Mr. Gregg, on behalf of the committee.

Hon. SENATORS: Hear, hear.

The CHAIRMAN: I would ask Mr. McCord to stay in case some questions are asked later.

Now, Mr. Harris, I ask you to speak to us. It is not necessary for me to introduce Mr. Harris. Prior to his coming here I have given him an indication of what your queries to him may be. Mr. Harris, too, is rather tied up today. I suggested that he might give a brief resume on the query that I have presented to him, and that maybe he, too, later could come again if there was any necessity.

Hon. WALTER E. HARRIS (*Minister of Finance and Receiver General*): Mr. Chairman and honourable senators, while I admit that we have other engagements, I do not think there is anything more important than finance in the Government of Canada, and I am prepared to discuss it at any time. My understanding is that you wish to know something about the superannuation fund, and I have a short statement to make. After that, I must confess, as I am not familiar with the details to the point where I can answer any direct questions without help, I have it here.

The total amount standing to the credit of the superannuation account on March 31, 1956, was about \$804.8 millions. Of this amount \$615.8 millions represents contributions made by employees and the Government, including interest at 4 per cent per annum, less benefits paid. The \$615.8 millions includes also \$175 millions representing special contributions appropriated by parliament toward making up the accumulated deficiency in the fund. The remaining \$189 millions which is shown on the Government balance sheet as a deferred charge is the present unamortized deficiency. The total of \$804.8 millions shown in the superannuation account constitutes the approximate actuarial liability of the Government with respect to future superannuation benefits for all public servants covered by the Act. This account is not

a cash fund, but represents only an accounting record of the Government's liability with respect to the transactions or operations under the Superannuation Act, and is shown as a liability in the statement of the Government's assets and liabilities. The cash paid into the account as the result of contributions by employees is credited to the Consolidated Revenue Fund.

Senator REID: Two years ago I put on the order paper an inquiry asking for the amount of collections and contributions by those under superannuation, and the amounts paid out. To my surprise, over a period of ten years, the contributions and the payments almost equalled each other. I never could understand why we had to put up millions to the Fund if we are not paying out more in superannuation than we collect. Why do we put millions of dollars into some hypothetical fund?

Hon. Mr. HARRIS: Mr. Deutsch tells me that the statement for last year, for example, that is the fiscal year 1954-55, shows total receipts from employees and contributions, interest and the like, matching contributions from the Government, of \$98,967,716.02, and the disbursements for annuities, gratuities, return of contributions and so on, \$22,067,287.14. So we have an excess of receipts over disbursements of \$76,900,428.88.

Senator REID: I have not got an answer yet. What I am trying to find out is, if our receipts are greater over the years than we are paying out under superannuation, why should we put into some hypothetical fund a hundred and some million dollars, which we did a few years ago? This was to make up some deficit in the Superannuation Fund. I never could get that clear. I thought there was an actual cash deficit, but as I looked back over ten years I found that the contributions by employees are greater than the amount paid out in that period.

Hon. Mr. HARRIS: But as I indicated in my statement, senator, there is still a deficiency of \$189 millions in the theoretic obligation of the Government.

Senator REID: It is all Greek to me. I give up.

Senator HAIG: As I understand it what is done is this. Say a person enters the Government service at the age of thirty. He will pay into the fund for thirty-five years and will be eligible for superannuation at the age of sixty-five. Now, you will want him to have contributed to the fund enough money which, when matched by a similar Government contribution, will cover his normal life expectancy after retirement. Is that the basis upon which you proceed?

Hon. Mr. HARRIS: That is the situation.

Hon. Mr. HAIG: I agree with what the Government is doing. I do not agree with what Senator Reid has said. The way the Government handles it there is no debt left to some future generation to pay for a benefit someone else has enjoyed. I like the statement made by the Minister just now. First of all I would like to ask the Minister what period is taken to fix the superannuation for retirement at the age of sixty-five? Is it the last ten years?

Hon. Mr. HARRIS: Yes, but it is the best ten years.

Senator HAIG: And one-tenth of that?

Hon. Mr. HARRIS: Two per cent a year multiplied by the number of years of service up to thirty-five years of service.

Senator HAIG: If an employee worked for the Government for forty years would it be 80 per cent?

Hon. Mr. HARRIS: No, it is cut off after thirty-five years of service.

Senator HAIG: Then it would be 70 per cent?

Hon. Mr. HARRIS: Yes.

Senator HAIG: When the Government increases the salaries of civil servants as it did on April 1st, I presume it calculates beforehand what the fund will have to get, and that liability is shown in the account next year?

Hon. Mr. HARRIS: That is right. There is a provision in the act that we must do that within a year.

Senator CRERAR: Although I have been knocking around Ottawa for a good many years I find myself still somewhat ignorant on matters regarding Government administration.

Senator HOWDEN: Who doesn't?

Senator HAIG: That is not our fault, Senator Crerar. Don't blame us.

Senator CRERAR: No, I would be the last person in the world who would put any blame on you. When the principle of superannuation was initiated and accepted it was on the basis that the employee would make a certain contribution per year on the basis of salary, that the Government would make an equivalent contribution to the fund, and that the Government would pay the cost of administering the fund. Am I right in that?

Hon. Mr. HARRIS: Quite so.

Senator CRERAR: Now, if we assume that conditions had remained stable, that is, that the scale of remuneration at the time the fund was put into effect had remained stable, the fund itself would have remained solvent all down through the years.

Hon. Mr. HARRIS: There is no question about that.

Senator CRERAR: Very well. As the years progressed, and particularly in the last ten years, we have had an insidious and consistent inflation in our economy and it has been found necessary to increase the salaries of civil servants. I find no fault with that. Nevertheless that has disturbed the basis upon which the fund was established in the first instance. Now, are we likely to reach any termination of subsidies to the fund? It would seem unlikely to me, if we get more inflation. Within the past few weeks the Government has given quite a substantial increase to the civil servants. I am not quarreling with that at the moment at all. I am just stating it as a fact. But that increase is bound to throw out of balance the basis upon which the fund was calculated prior to that time, unless the Government does one thing which it has not done so far. It could tell the civil servants when they get increases, "Well, now, if you are going to participate in a pension based on the new scale of your remuneration then you must pay an equivalent amount into the fund so that the fund will be able to meet its obligations to you when you retire; and the Government will do the same thing." But that is not being done, Mr. Harris, is it?

Hon. Mr. HARRIS: No, we are not asking the civil servants to pay a larger sum than the continuing percentage of the new salary.

Senator CRERAR: You are asking the taxpayers to pay it?

Hon. Mr. HARRIS: We hope Parliament will support a vote to the fund of an amount equivalent to the additional liability. As you know, under the statute that is required to be done within twelve months of the time the increase is made.

Senator CRERAR: Would there be anything unfair to asking the civil servant to continue paying under the old scale if he is satisfied to draw a pension commensurate with the old scale or to make a larger contribution based on his new scale of pay if he wishes to draw a pension commensurate with the new scale?

Hon. Mr. HARRIS: It would be too much for the Government to ask the civil servants to do that.

Senator CRERAR: That is not my question. My question is: would there be anything unfair to it?

Hon. Mr. HARRIS: Oh, yes, you would have a superannuation fund which would have more variations than it has at the present time. We would not want that.

Senator CRERAR: Really, that is not a very strong argument. I do not see anything wrong in what I suggest.

Senator GOLDING: What percentage do they pay now?

Hon. Mr. HARRIS: Six per cent. Mr. Deutsch has reminded me that one of the conditions of employment when a civil servant enters the Civil Service is that he will receive a superannuation benefit based on the salary of the best ten years. When he enters we assure him of that. Now, then, to answer your question, Senator Crerar, it would require us to decide as a matter of policy that that would not be a condition of employment, that the condition of employment would be as you have indicated—

Senator CRERAR: It could be very easily remedied so that you can give him a choice.

Hon. Mr. HARRIS: I would not agree to the word "easily".

Senator CRERAR: I want to be good-natured about this, of course, but what we are doing in effect is that every time the civil servants get an increase in remuneration we are asking the taxpayers to make a contribution. Is that not true?

Hon. Mr. HARRIS: That is essentially correct.

Hon. JOHN J. CONNOLLY: Could that one point be explained a little bit more, as to why every time there is an increase there is a further drain on the taxpayer in connection with the superannuation fund?

Mr. DEUTSCH: With the permission of Mr. Harris I would explain that the actuarial basis of the fund is such that an employee contributes 6 per cent of his salary and the Government matches that with a 6 per cent contribution, and then pays 4 per cent interest on the accumulated fund. And that is on the assumption that the average employee will progress from his initial salary in an average sort of way until he retires—his salary goes up as he gets promoted. There is an assumption in the actuarial calculations about how the average rate of progress will take place. Now that is all very well until you change the whole level of salary—lift the whole thing up, say 10 per cent. All the contributions in the past have been made on salaries approximately 10 per cent lower, and when he retires his retiring salary is roughly 10 per cent higher and he gets benefits for the years preceding the increase roughly 10 per cent higher for which he never made any contribution. That is where the deficiency arises.

Senator VIEN: But from year to year when the salaries increase the same percentage out of the increased salary is paid by the employee?

Mr. DEUTSCH: Yes, but the actuarial assumption is that the extent to which salaries increase is related to a man's promotion in the service, as he might be expected to be promoted, as he stays in the service, and does not take account of a general increase. If everybody's salary goes up on a flat basis, say 10% then benefits go up, automatically for the whole service; whereas the contributions were based on salary levels, say, 10 per cent lower, and that is where the deficiency arises.

Senator HAIG: Mr. Harris, when he is given an increase in salary you have to make up this shortage to catch up?

Mr. DEUTSCH: That is right.

Senator HAIG: That is part of the consideration?

Mr. DEUTSCH: That is right.

Senator John J. CONNOLLY: May I ask this question? These figures Mr. Harris has been giving in connection with Civil Service superannuation, does that include defence force pensions too?

Mr. HARRIS: No, it does not; just Civil Service.

Senator CONNOLLY: Perhaps, it is not right to ask this, but is there a similar deficiency in that Fund?

Mr. HARRIS: No. The other fund is all right.

Senator CONNOLLY: Are there any other funds besides the Superannuation and the Defence Forces of the Government?

Mr. HARRIS: The R.C.M.P. as well.

Senator CONNOLLY: What is its position?

Mr. HARRIS: The present deficit is about \$2 million in the R.C.M.P. fund, but we will be making a contribution towards it this year as we will be in this other case.

Senator VIEN: How is it that in the National Defence superannuation fund the same takes place? There are increases in salaries, and how is it that the deficiency is not felt there?

Mr. DEUTSCH: By the time we set up Defence services we had become familiar with this deficiency business, and as a result, we have been making a somewhat higher contribution for years. As a regular charge every year, we contribute about 10 per cent instead of 6, that is the Government does, not the individual.

Senator CONNOLLY: In other words, if the deficiency position has been realised a number of years back under the Superannuation Act and the same procedure had been followed away back, then you would not have this deficiency?

Mr. DEUTSCH: No. You see, Civil Service salaries started to be put up in general, after the war, about two years after the war, and that is when this thing developed, and at the time we got around to making arrangements for Defence services fund, we realised this factor was present, and then we took care of it year by year by contributing around 10 per cent a year, rather than 6 per cent, and that in fact has kept the fund sound.

Senator BURCHILL: I have only one thing to say, in connection with Senator Crerar's point. I think it is only fair to state that every industrial corporation has pension funds, which are either contributory or non-contributory, and every one of them that I know anything about has had to do the very same thing as the Government has done. It is the only thing that can be done.

Mr. HARRIS: That is why I disagreed with Senator Crerar's use of the word "easily".

Senator HOWDEN: I would like to ask this, for the sake of information. When these Civil Servants are superannuated, I know that in the flying field, the age is 40. I was wondering about policemen and those engaged in military service.

Mr. DEUTSCH: Well, in the military service, retiring ages are related to the ranks. I think the lowest rank is 20 years service, and then the higher ranks a little longer, but if a man has passed a certain rank at a certain age, he can be retired, and that varies with the ranks.

Senator HOWDEN: What about the R.C.M.P.

Mr. DEUTSCH: The same general principle applies.

Senator LEONARD: I have a question to ask the Minister which deals with the supplementary death benefit plan, which was recently put into effect. I ran across a case a little while ago of general application whereby the act is being rather rigidly enforced, and the application had to be within thirty days of the time of retirement. The man I have in mind had made his application prior to retirement, on his six months' leave, and it was turned back then his application in the thirty day period was lost, and now he is ruled as not being entitled to the policy. I was hoping the Minister would give some information on that.

Hon. Mr. HARRIS: I have a resolution on the Order Paper at the present time with regard to a bill that will deal with that particular matter.

Senator LEONARD: Thank you very much.

Senator MOLSON: Mr. Chairman, may I ask a question of a more general nature, not on this particular subject?

The CHAIRMAN: Oh, I think so, yes.

Senator MOLSON: In some of the earlier meetings of the committee there was some discussion on the allocation of the cost of various departments. For example, it came out that Public Works was assuming a large load in its estimates, which were items that could easily have been charged to other individual departments, and there was quite a considerable amount of discussion on that subject. I was wondering if it would not be beneficial to have an allocation of charges that could be arrived at fairly readily shown in the estimates under those individual departments, rather than sometimes appearing as a lump sum in some departments such as Public Works. I admit that is rather a difficult example.

Hon. Mr. HARRIS: Well, perhaps the senator would be good enough to give me an item he thinks ought to be transferred. I admit that Government administration is confusing to one who must learn the ways about, but as a general principle Public Works Department does a great many things which are not strictly construction, but which they do as a matter of convenience and which can be done better by Public Works than the department concerned. Our charwomen who clean the offices do so at the expense of Public Works and not at the expense of the department concerned.

Senator MOLSON: Well, items like rental, for example. I am not dealing specifically with construction.

Hon. Mr. HARRIS: Well, the Government rents offices throughout the country, and Public Works, of course, has to do the renting. Now, if it is concentrated in the one department which itself is responsible for construction and the costs of a building and the rental which should normally be obtained for a like space, I should think they would be more efficient in determining whether or not another rental would be within the proper limits. As a matter of fact, when the item comes before Treasury Board, even Treasury Board has its opinion as to whether this particular rental figure is a proper one, and if, for example, Public Works did not think it was, it would not come to us.

Senator MOLSON: I was not questioning the method of administration, but rather the figures that appear in the estimates. In other words, if the Post Office is getting value of \$13 million worth of space, should not that amount be shown under the Post Office instead of Public Works?

Hon. Mr. HARRIS: Well, if anyone wishes to determine the actual cost of the Post Office, it of course could be broken down and you could arrive at the cost of postal service, even if the rental for the Post Office building is paid by Public Works. I don't think it presents any real difficulty. Perhaps it would to a

complete outsider who would have to obtain this information, but the accounts are such that you could determine it in a given time.

Senator GOLDING: It always costs something to get that information, does it?

Hon. Mr. HARRIS: There is some cost to it, but in my view it is something that should be borne gladly by the taxpayer in order to avoid the possibility of spending too much and not being able to find out where it goes.

Senator CRERAR: We don't always have the Minister here, and perhaps I could ask him a question which arose out of a previous meeting. I may say this is not a new idea with me; it was one I entertained strongly when I had a share of the responsibility in the administration. Would it not be more accurate if each department had to budget and pay rent and maintain the premises it occupied for its own purposes? In that way, the Department of Public Works would in effect be a landlord for all the other departments. The advantage, it seems to me, would be to put some restraint upon the departments in the spending of money. I am quite sure, with your experience as Minister of Finance and serving on the Treasury Board—and I had ten years' experience on it—that the difficult thing is to hold the departments down. If a department had to budget for and pay to Public Works Department proper charges for the premises occupied, I think over a period of time it would create a new atmosphere with respect to spending. Then, if a department wished to enlarge its premises it would have to provide the money for it through the estimates. It does seem to me that government has become such a huge and complicated business, that it would be definitely advantageous to apply some elementary sound business principles in its administration.

It is for that reason that I suggest that a serious study should be made at this time as to what can be done in the future. This proposal would simply mean that you would say to any particular government department, henceforth you are going to pay rental for all space you occupy, you will pay for the cost of services, and you will prepare an estimate to cover that cost to be presented to Parliament. It would not mean that the money would go outside the consolidated revenue fund, but it would give a true and proper reflection of departmental costs.

Hon. Mr. HARRIS: I think Senator Molson had much the same idea. I perhaps did not explain my position clearly enough in answering him. Your suggestion is one way of doing it, and it might be the better way. However, the way it has been done in the past has put into the hands of Treasury Board the scrutiny of Public Works' activities with respect to rentals and cost of maintaining buildings.

Senator CRERAR: An almost insuperable task.

Hon. Mr. HARRIS: That may be so. However, it is believed that Treasury Board can discharge its obligations better when it deals with one department which is doing all the renting across the country; on the other hand, if Treasury Board had to deal with eighteen departments of government, and had to convince one department that the cost it intended to incur in erecting a building was out of line with what another department was paying, you would have a merry-go-around amongst the various ministers. So, it is felt that to have all the management in the one department allows you to make a comparison, and I believe that in practice it helps to keep costs down. Certainly, some departments have to be dealt with separately, but if it is just a case of showing actual costs separately, I don't know that that is necessary. Of course, if it would have the effect of reducing costs, I am all for it.

Senator CRERAR: I think it would.

Senator HACKETT: Mr. Chairman, I should like to ask the Minister if there is a distinct fund into which people who are not civil servants and not affected by some employer-employee relationship, pay?

Hon. Mr. HARRIS: I don't know of any.

Senator HACKETT: I was thinking of the ordinary individual who buys an annuity for himself or a member of his family.

Hon. Mr. HARRIS: Yes, the Department of Labour has its annuity branch.

Senator HACKETT: I was merely seeking to know if there is a fund which is distinct from the relationship of employer-employee; if, for instance, an individual who is not a civil servant and who is not embraced in a pension plan, wants to get an annuity to be used in any way, does such an individual acquire a contract separately?

Hon. Mr. HARRIS: That can be done by buying an annuity through the Post Office or from a department salesman.

Senator HACKETT: I want to know if that fund is actuarially sound today, and if you have to pay into it as well as into the other fund by reason of the increase in longevity.

The CHAIRMAN: Senator Hackett, we had a discussion on that principle before Mr. Harris came in.

Senator HACKETT: I want to get an answer from Mr. Harris, if I may.

Hon. Mr. HARRIS: That also shows a deficit, but I have not the details with me.

Senator ISNOR: I don't wish to delay Mr. Harris, but I would like his comment in regard to a statement issued by the government in respect to capital expenditures by business firms. As you know, each year a business firm issues a statement showing its assets and liabilities. As I understood from previous witnesses, all capital expenditure in connection with construction is immediately written off. I cannot reconcile that with the practice carried on by insurance companies or banks who issue every year their capital expenditures. I should like Mr. Harris to comment on the wisdom of that policy.

Hon. Mr. HARRIS: I don't know how I can reconcile it for you, Senator, if you feel that we ought not to write it off. We have written off capital costs immediately over a good many years, and I think it is a very sound practice.

Senator ISNOR: In other words, if you spend \$50 million or \$60 million in 1956 for buildings, you immediately write that off and you have no asset to show in the future. What are you going to do with it if you sell 25 or 50 per cent of that building?

Hon. Mr. HARRIS: It goes through the Crown Assets Disposal Corporation and the money comes into the consolidated revenue fund.

Senator CRERAR: That is accelerated depreciation!

Senator ISNOR: I see. I suppose that is about the only answer I can get.

Senator BURCHILL: Mr. Chairman, just before Mr. Harris leaves, and to clear up the point raised by Senator Hackett: Is there no other fund to take care of annuities outside of the fund that is administered by the Department of Labour?

Hon. Mr. HARRIS: That is the only fund we know of.

Senator HACKETT: There is, I understood, a separate fund, the one concerning which you said you did not have the details here, the fund which is not represented by purchases in the Civil Service, one which is not effected by the

employer and employee contracts, but the individual who has bought an annuity and who has paid for it; that I understand from you is a separate fund, and I asked you how it stood and you said there was a deficit and you were not prepared this morning to discuss it.

Hon. Mr. HARRIS: That is correct, senator.

The CHAIRMAN: Gentlemen, if there are no other questions, Mr. Harris would like to be excused. He has intimated to me that he is quite busy today. On behalf of the members of the committee I would like to say a few words of appreciation to him for the information he has given us. Mr. Harris has already indicated if for any reason we wish to question him again, or if there are any inquiries to be made of him at any later date he would be pleased to come here again.

Hon. SENATORS: Hear, hear.

The CHAIRMAN: Now, if there are any questions about matters of detail of administration that you would like to have answered, Mr. McCord is here. He is the Director of the Annuities Branch of the Department of Labour. We also have attending this morning Mr. Deutsch, Secretary of the Treasury Board and also Mr. Clark. These gentlemen will be able to answer any questions of details you would like to know about.

Senator REID: Mr. Chairman, I wonder if I would be imposing if I were to press for an answer to a question I asked previously. At a previous meeting I was given a very logical answer but it seems strange to me that the Government has to put into the superannuation fund \$150 million, which they did a few years ago, when to all appearances that fund was carrying itself very well and building up a reserve of money each year, and yet in spite of that the Government was called upon to bolster the fund by \$150 million. I am sure there is an answer and if there is I would like to have it.

Mr. DEUTSCH (*Secretary, Treasury Board*): Mr. Chairman, Senator Reid's question is a perfectly logical one because the fact is we have been collecting more money year by year than we have been paying out.

Senator HOWDEN: Do I understand you correctly when you say that you have been collecting more money than you have been paying out?

Mr. DEUTSCH: Yes, in cash, Senator Howden. The actuaries calculate this liability. They calculate what the fund will have to pay out when the individuals now making contributions will be in retirement. They calculate that at that time the fund will have received so much money over the period they are at work, and when they are superannuated there will be so much money to pay out. The actuaries base this calculation on how long a man will live, being of a certain age today, and they have tables showing how long on the average a man of a certain age will live. They add up what all these liabilities will amount to when the employees are superannuated, and they say when we come to that point the fund will only have so much money. That can be calculated. So much money is contributed every year by the employee, and that is matched by the Government and the two are added together and compared to the sum total of the liabilities that will then exist.

Senator REID: When a civil servant retires a new one takes his place and starts paying into the fund and the new one will continue to pay into the fund for anywhere up to 30 to 40 years. What I mean to say is, the retirement of a civil servant does not leave a vacuum of non-payments—payments are made into the fund by the new civil servants each year.

Mr. DEUTSCH: If the civil service were completely static from now on that is to say if it never grew in size, that it was composed of the same number of people, at the same salary scale, then a sort of static calculation could be made

on this basis, and on that basis there would be this deficiency. It is on that static basis that this deficiency exists. But if the civil service keeps on expanding and more are coming in than are going out on retirement, you may go on for a long time before you reach the final liability stage. This is an actuarial and statistical calculation. If the civil service keeps on expanding and more are coming in than are going out, then you may never have to face up to the actual liability. Of course at some time in eternity we might because it would have to end somewhere. The situation in the United States is a very interesting one to compare with ours. Their system as applied to the old age pension scheme is different to ours. Here in Canada we pay \$40 a month and we put the money in the fund every year, that is to say the money that is needed. Each year Parliament votes money for the fund equivalent to what has been paid out. In the United States however, they do not do that. They have the same system there for old age security as we have for our civil service superannuation fund. They use payroll deductions for the groups covered in the United States, and they number something like 50 to 60 million people. Each pays in a contribution and the Government matches it and in that way the fund is built up. This fund is gigantic, it is something like \$30 billion. They actually calculate the potential liability which will exist at the age of retirement and build up a fund to cover that liability. That is exactly what we do in the civil service, but as long as you keep on expanding you may always be collecting more cash than you pay out.

The CHAIRMAN: I think that is a very satisfactory answer. Senator Molson has a question.

Senator MOLSON: Mr. Chairman, in Mr. Gregg's submission I read: "The administration cost of the Annuities Branch for the fiscal year 1954-55 is only 1.68 per cent of the net premium income for that year. Included in this figure is the estimated rental value of office accommodation in public buildings and leased premises provided by the Department of Public Works, value of postage and cost of issuing and mailing approximately 700,000 annuity cheques in the year". Would the witness explain how these additional items are made up?

Mr. McCORD: We made an estimate of these various items. Rents, for example, accommodation in Government-owned buildings and also buildings rented by Public Works for our offices, for the last fiscal year, ran about \$90,000. The value of "frank" postage, that is mail mailed out from headquarters on which we do not pay extra postage, is \$35,000; and the cost of the writing and printing and enveloping annuities cheques runs about \$28,000. In other words, about \$153,000 are the costs that are not included in our estimates. The total estimated expenditure, departmental estimates, was \$1,012,800, or, adding the two together, \$1,165,885. Our premiums of that year were \$70 million, and the percentage was 1.66. Does that answer your question?

Senator HAIG: I just want to help Senator Reid out. If he will take his mind back to the time in Canada when a number of these fraternal societies were established, he may know that if you joined such a society you paid, besides membership fees, \$2 every time a member died. In the town I lived in the society took in about twenty-five new members every three months, and only about four died during the same time, so they were making money pretty fast. People said, "This is fine, but the amount you old people have been charging us to pay life insurance is all wrong. We have been paying \$12 a year and we get \$2,000 insurance if we die." But times changed; people stopped joining the societies, but the deaths went right on just the same, and at the end of the road the province of Manitoba had to pass a law whereby they put up the necessary cash, or these societies would have closed up and all the people who had been paying for years would have lost the money they paid. As long as people keep joining these things and taking out new policies, okay, but the day may come

when we shall get machines, through this process of automation, which will do the work of forty people, so that, instead of having 4,000 people working in a particular department, there may be only 400.

There is only one question I wanted to ask Mr. McCord about the annuities. You say that you hope that this year there will not be very much shortage in the actual annuities expenses as compared with what you receive. Is not this anticipated change caused by an increase in interest rates on securities?

Mr. McCORD: No.

Senator HAIG: Are not your assets bringing in bigger money? Can you not buy Province of Ontario bonds at $4\frac{1}{2}$ per cent, and Dominion bonds, guaranteed, at $3\frac{1}{2}$ per cent?

Senator BURCHILL: Since Monday.

Senator HAIG: I know that, but they can buy them, and they will be bought cheaper yet. Sixty million dollars worth of bonds were issued the other day at $4\frac{1}{2}$ per cent.

Senator LEONARD: They are all gone.

Senator HAIG: There will be more. Don't have any uneasiness about that. Do not these changes increase your profits a little on investments?

Mr. McCORD: The annuities fund is not investing in outside bonds or debentures of any kind. We are guided by the interest rate on Canadian Government bonds. The thing that brings about this possible surplus this year with respect to these old contracts, that is, contracts issued prior to 1948, is the mortality experience this year. While we have lost money, or have had to apply monies towards meeting liabilities on contracts maturing this year, there have also been a lot more deaths on certain contracts maturing this year than had been anticipated. The result is that we expect there will be a small surplus this year as compared with some \$350,000 we had to put in last year to keep the fund solvent.

Senator GOLDING: From the time that this scheme was launched, was it not expected that the Government would pay administration costs?

Mr. McCORD: That is right.

Senator GOLDING: What was the situation when the scheme was started? Was there much competition in the sale of annuities by insurance companies, or anything of that nature?

Mr. McCORD: Well, as a matter of fact, sir, back in 1908 I do not know that there was any competition.

Senator GOLDING: Well, that is what I thought. That is what I want to know.

Mr. McCORD: I do not think there was any competition in 1908.

Senator REID: I have a question with regard to commission paid. I understand that when an ordinary individual takes out an annuity, the agent responsible can receive up to \$50 per contract. With regard to group contracts, where an agent handles 50 to 100 at a time, instead of having to go out on the street and try to get clients one at a time—say that a company is putting a hundred of its employees under a group scheme—what commission does the agent receive?

Mr. McCORD: Correction, senator. A representative today receives a maximum of \$100 on an individual contract. That is his maximum commission. However, with respect to a group contract his maximum commission is \$600. This is based on the amount of money. It is not necessarily the number of individuals covered. It can be twofold,—partially the number of individuals covered, and the amount of premium money received.

Senator REID: And the amount of 1.68 per cent as administration costs, does that take in the commission pay?

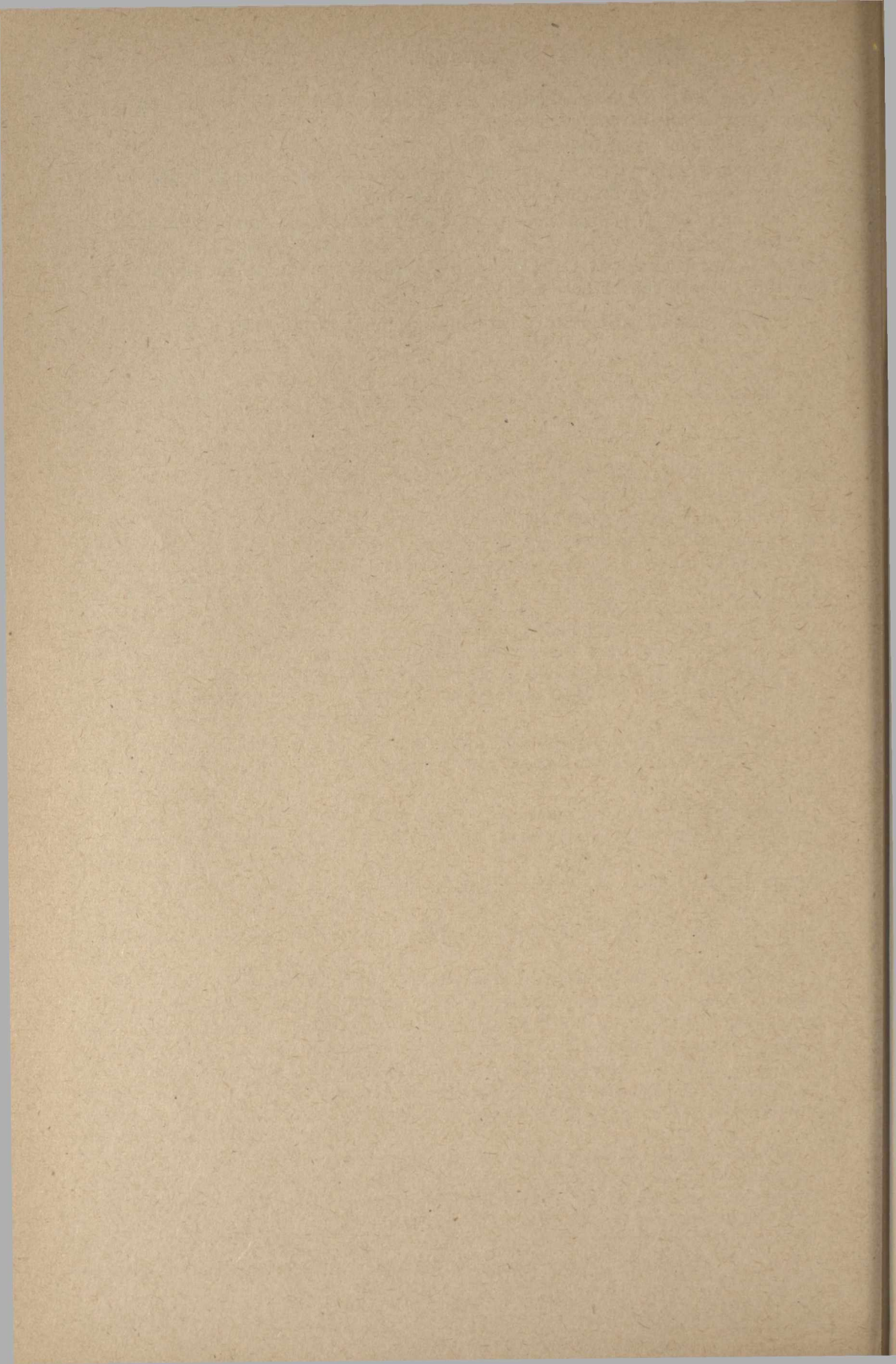
Mr. McCORD: It includes that.

Senator GERSHAW: Who gets the commission when a person writes to the Annuity Branch wanting to purchase an annuity?

Mr. McCORD: If the person deals directly there is no commission paid.

The CHAIRMAN: Thank you. Are there any more questions? I want to extend to Mr. Deutsch, Mr. McCord and Mr. Clark our thanks for the information they have given us here today.

The committee adjourned until Thursday, May 17, at 10.30 a.m.



1956

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1957.

No. 8

THURSDAY, MAY 17, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESSES:

Dominion Bureau of Statistics

Mr. Herbert Marshall, Dominion Statistician; Mr. S. A. Goldberg, Assistant Dominion Statistician; Mr. C. V. Parker, Director, Agriculture Division; Mr. F. H. Leacy, Director, Research and Development Division; Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division.

APPENDICES

E—Comparison of Consumer Prices and Average Weekly Wages. Annual Averages for Canada, 1952-55.

F—National Income and Gross National Product and Expenditure, 1949.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956

STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly (<i>Halifax</i>	Howden	Smith
<i>North</i>)	Isnor	Stambaugh
Connolly (<i>Ottawa West</i>)	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, February 15, 1956.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

J. F. MacNEILL,
Clerk of the Senate.

CHAPTER I

THE HISTORY OF THE UNITED STATES

CHAPTER I

The history of the United States is a story of growth and expansion. It begins with the first settlers who came to the shores of the continent. They found a land of vast resources and fertile soil. Over time, the colonies grew into a powerful nation. The American Revolution was a turning point in the country's history. It led to the birth of a new nation, one that was founded on the principles of liberty and justice for all. The United States has since become a global superpower, with a rich cultural heritage and a strong economy. Its influence is felt around the world, and its values are admired by many people. The story of the United States is a testament to the power of human ingenuity and the pursuit of a better life.

CHAPTER II

MINUTES OF PROCEEDINGS

THURSDAY, May 17, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Hawkins—Chairman, Aseltine, Barbour, Bouffard, Golding, Haig, Howden, Isnor, Leonard, Stambaugh, Taylor, Turgeon and Vien.—13.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

A statement on financial accounting, prepared by Major General H. A. Young, Deputy Minister of Public Works, was read by the Chairman.

The following officials of the Dominion Bureau of Statistics were heard:—

Mr. Herbert Marshall, Dominion Statistician.

Mr. S. A. Goldberg, Assistant Dominion Statistician.

Mr. C. V. Parker, Director, Agriculture Division.

Mr. F. H. Leacy, Director, Research and Development Division.

Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division.

A comparison of consumer prices and weekly wages, prepared by the Labour and Prices Division, D.B.S., was ordered to be printed as Appendix E to these proceedings.

A table showing national income and gross national product and expenditure, referred to by the Dominion Statistician, was ordered to be printed as Appendix F to these proceedings.

At 11.45 a.m. the Committee adjourned until Thursday next, May 24, 1956, at 10.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, May 17, 1956.

EVIDENCE

The Standing Committee on Finance which was authorized to examine the estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator Hawkins in the chair.

The CHAIRMAN: Gentlemen, we have a quorum, so would you please come to order. It will be recalled that General Young, the Deputy Minister of Public Works, appeared before the committee on May 3rd. At that time he was asked to submit a report at a later date in connection with financial accounting, particularly as to whether buildings are shown in the estimates or in the financial statements of the Department of Finance as current expenditures or as capital expenditures. I have his statement here now and I would like to know whether you would like me to read it into the record now or have it shown in the proceedings of the day as an appendix.

Senator HAIG: I suggest you read it.

The CHAIRMAN: Very well. I had written to General Young asking him to prepare the statement and in his letter he said:

I wish to refer to your letter of the 7th of May, and the statements made by me before the Standing Committee on Finance on the 3rd of May, 1956.

This relates to a query on the matter of financial accounting. You remember at that time he gave a statement and he said: "I am not too sure about this." His statement is as follows:

1. I find on reviewing the statement I made before the Senate Finance Committee with respect to accounting, that the Department of Finance does not maintain an asset account covering projects constructed by Public Works. This means, in effect, that the statement I made before the Senate Committee is not strictly correct. It would be correct to say that the Department of Public Works considers all expenditures on the same basis. I refer in this connection to capital outlays such as construction of new buildings, and current expenditures such as those that relate to maintenance repair and wages. The Department has, of course, a record of the original cost and of subsequent maintenance or changes on all buildings and structures for which it is responsible.

2. In private business, there is no doubt that an expenditure on a building would be treated as a capital expenditure. This is not the approved accounting treatment in the Federal Government at the present time. The outlays on new buildings, for purposes of financial accounting, are simply treated as current outlays.

3. It may, however, be noted that in the Department of Public Works, proposed outlays on such things as new buildings, wharves, breakwaters, and dredges, are examined with particular care, with a view to ensuring that the Government gets value for its money. As you will appreciate,

we have to keep in mind that an expenditure on a new structure or piece of equipment involves not only the initial cost, but it also brings in its train all the consequent maintenance and repairs during its lifetime.

4. Expenditures in Public Works, as in other Departments, are reported by the Treasury Officer to the Department of Finance, under the "Summary of Standard Objects of Expenditures and Special Categories for the Estimates".

5. One further point may be made. When any building or piece of equipment becomes surplus to the needs of the Department, it is turned over to Crown Assets Disposal Corporation. On sale, it is that Corporation rather than the Department of Public Works which receives funds and that Corporation eventually hands over any revenue from sale to the Receiver General of Canada.

6. In the National Accounts, as prepared by the Dominion Bureau of Statistics, expenditures on new buildings are also treated as current outlays, as already explained by Mr. Leacy in his evidence on the 26th of April, 1956.

7. I think you will see from the foregoing that in fact there is consistency between the outlays on new buildings by the Department of Public Works and the information supplied by the Dominion Bureau of Statistics with respect to National Accounts.

Senator ISNOR: Mr. Chairman, are you going to allow us to comment on that report?

The CHAIRMAN: Very definitely.

Senator ISNOR: Now?

The CHAIRMAN: Yes.

Senator ISNOR: In view of the fact that I was perhaps the one who raised that question in the first place, and as Mr. Leacy outlined the procedure in so far as his department's position is concerned, I again raised it with General Young to ascertain if the Department of Public Works treated it in the same manner. I now learn from the letter which you have read, as well as from one that I received from Mr. Leacy—which I might say was a very fine letter—that this practice or policy dates back to 1920. It might be a good policy but it is not in keeping with the general practice as carried on by commercial firms. I am wondering if I am wise in pursuing it further. That is a matter for the committee to decide and for the Chairman to include in his recommendations or otherwise in the report which he will be making later on. It seems to me, however, that we should have something more definite, for in General Young's letters he covers two items. First of all he covers capital expenditure. A new building is a capital expenditure. We all recognize this. Then he deals with "Repairs to Buildings" which naturally comes under an expense account. I have no fault to find with the second part of his contention but I do feel we should examine and explore as to whether the policy is correct or if it should be revised in view of the general practice. I do not need to tell you about national income or national revenue and the manner in which this is dealt with. They definitely laid down a policy that one is a capital expenditure. The other was scrutinized with great care as to whether it should be charged as an expense for repairs, etc., or a portion of it carried as a further capital expenditure. It all depends on the life of the repairs. I think we will of necessity, at a later date perhaps, have to decide as to whether we should make recommendation in respect to that.

The CHAIRMAN: You are aware, Senator Isnor, that there has been a great deal more evidence in connection with this. Mr. Deutsch dealt with it.

Senator ISNOR: Yes, of course. He just confirmed the policy, and the Minister of Finance nodded his head the other day and said, "That is the policy," and

brushed us off in that way. I do not say that to be unkind, but that is what happened. Mr. Leacy gave a thoroughly full explanation and the background of the policy. Now, if that policy started in 1920 and has been continued and never been re-examined, I think perhaps we would be justified in dealing with the question either today or at some future time before the report is made up, as to whether we deem the policy that is now being pursued a sound one.

Senator HAIG: I would just like to say a word about this question raised by the senator from Halifax. There is a lot to be said in favour of his statement that the department should keep a capital account. I admit that quite candidly. But I have another thought in connection with it, not contradictory at all. We have attempted in this committee through the years to get all this expenditure for buildings and rentals and repairs under one department, that is, The Department of Public Works. We have been trying to do that so that it would be done more efficiently; and you know, sir, I am sure we all agree—and I think every member who was on the committee before will agree—that we have made great progress, because we have received very hearty co-operation from the present Minister of Public Works, and also from General Young, the Deputy Minister.

Now, the furthest I would go with the question raised by my honourable friend from Halifax would be this, that we would recommend that the Department consider whether it is advisable to carry these reports of public expenditures from the capital account in an account or not. I would not go further than that at this time. The other day I listened to the debate in the House of Commons, and came to the conclusion that there was something to be said for it. This was the first time in my experience here that I had heard a Minister of Public Works able to get up and say definitely and clearly what he was getting money for. It was not five or six or ten ministers trying to get money, but just one, and telling the house how. I like that policy very much. I personally want to encourage the Minister, and also to encourage the deputy minister, and I would like to see if they cannot cover all phases. My honourable friend from Halifax raises a good point, but I would not go so far as to recommend that it should be done, but just that it be considered, and if in their opinion this ought to be done. That would raise the issue, and probably a year from now, if we are all here, we could then ask the Minister, or if not the Minister, we could ask the deputy minister, what are the results of their consideration of our recommendation. Then we would be in a position, if we did not like the results of their consideration to suggest what could be done. I am pleading with this committee that we do not put in a firm recommendation until we get from the report what ought to be done.

Senator ISNOR: I should like to make a brief comment. I quite agree with everything that Senator Haig has said in regard to that. I thought I made it clear that I was only suggesting that we consider at some future time the view of making a recommendation and along the lines just now suggested by Senator Haig. That is all I ask. I want to see the items brought under one heading, namely, The Department of Public Works. I was glad to hear the praise Senator Haig had for the Deputy Minister from Nova Scotia, if I may be allowed to put that in.

The CHAIRMAN: Any further comment?

Senator BARBOUR: I would like to ask the honourable senator from Halifax what point there would be in having this all carried forward. It would be a good deal of expense to keep an account of capital expenditure. The money has gone, and the buildings are there. I cannot see where the benefit would be.

Senator HOWDEN: Just so long as it is a record of the debits and credits on that building....

The CHAIRMAN: One of the ideas behind Senator Isnor's suggestion is that it would show the proper cost of government; as a matter of fact, those estimates do not show the proper cost of government for the year 1955-56.

Senator ISNOR: That is one of the points.

The CHAIRMAN: Yes, and it would bring it into line with accepted accounting practice.

If there are no further questions, may I say when I discussed Mr. Marshall's visit here I asked him to prepare a comparative statement of wages and cost of living over the past four years. This was prepared by Mr. Greenway, Director of Labour and Prices Division. It is a short memorandum, and in the circumstances I would suggest that it be shown as an appendix to our report of today's proceedings. What is your wish in the matter?

Some SENATORS: Agreed. (*See Appendix E*)

The CHAIRMAN: We have with us today Mr. Herbert Marshall, Dominion Statistician; and with him is Mr. Goldberg, Assistant Dominion Statistician; Mr. Rowebottom, Prices Section, Labour and Prices Division; Mr. Leacy, Director of Research and Development Division; and Mr. Parker, Director of Agricultural Division.

Our original idea was to get from your Department, and now particularly from you, Mr. Marshall, the method by which the gross national product and the net national income are compiled.

Mr. HERBERT MARSHALL: Mr. Chairman and honourable senators, I would like first to make a few introductory remarks as part of the background.

The national accounts are widely recognized as a most important indicator of the economic health of the nation. Particularly since World War II. An immense amount of co-operative effort has gone into the examination of concepts, definitions and pertinent statistical methods with a view to making these accounts as accurate as possible.

Experts in this field of statistics from the United Kingdom, United States and other countries with highly developed statistical systems have participated in these discussions, and Canada also has participated. The United Nations Statistical Commission, on which Canada is represented and the statistical office of the United Nations have been very active in this work. The purpose of the United Nations' effort is (a) to promote the use of the best methods in connection with national income; (b) to achieve international comparability in the national accounts of the nations; and (c) to help other countries underdeveloped statistically to improve their statistical systems, so that they can produce reliable national accounts.

This latter purpose is one which is rather a long-run project, because the national accounts draw from almost every field of statistics, and those countries which are highly developed statistically, have sufficient data to build up detailed national accounts. Many of these other countries are seeking technical assistance to help in their statistical development.

I think what I have said should be of interest, because it indicates the importance of national accounts, and also the great complexity of the compilations which is evidenced by the fact that experts all over the world have been getting together to discuss concepts, definitions, etc., in order that they may have a meeting of minds on the most efficient methods to do this work. Our participation in these discussions has been of great help to Canada in the development of our national accounts.

A further reason why I say this to you is that I would not want you to think that when we are working on national accounts in the Bureau that we are operating in an ivory tower. We realize that we are in a period in which there is greater demand for high quality statistics; and that requires a great

deal of thinking about concepts, definitions, etc. So we are only too anxious to have these opportunities to discuss the matter with other national experts in order that we may be able to arrive at the best method of doing this difficult job.

Well, that is all I want to say by way of introduction. I shall now try to deal with the questions in which I think you are particularly interested.

What we have to do in compiling the national accounts is to find out the total value of all the goods and services produced during the year by Canadians, avoiding any duplication. We do this in two ways. One way is to sum up all the various earnings received, and the other way is to add up the value of all final sales made. Now, why do we use these two methods? Well, one reason is because each method furnishes us with component totals which are extremely useful for economic analyses. If you look at this table here you will see there are numerous sub-totals under each head. (*See Appendix F*) That is national income and gross national product and gross national expenditure, and these give information of much value to those who are interested in the national accounts.

Another very important reason, however, is this: these two approaches measure exactly the same thing—the value of production of new goods and services—and they are valuable for this reason, that the two ways give us an automatic check on the reliability of our overall results.

You are interested in the relationship between gross national product and net national income. The net national income is the sum of all wages and salaries, corporation profits and other earnings from investment, and the net income of unincorporated business enterprises. But we want to get a larger total than that, we want to get the gross national product, and that is simply the sum of this net national income plus depreciation allowances and indirect taxes. We start the year with a certain amount of capital equipment: we have natural resources; we have a labour force. Because the labour force works on the natural resources, and with accumulated capital in the form of plant and equipment, there results a flow of goods and services for our use, and we set ourselves the task of measuring the value of these new goods and services produced during the year by Canadians. One way of accomplishing that is by estimating the national income and adding to this depreciation allowances and indirect taxes.

The national income is really the compensation to labour, capital and enterprise for producing new goods and services. The market price of these goods and services includes all of this compensation—wages and salaries and interest and so on—and in addition the market price includes depreciation allowances to cover the value of capital equipment used up in the course of production and the Government levy in the form of indirect taxes reduced by subsidies. That is as brief a statement as I can make of the relationship between the gross national product and the national income.

Then, I think, some of you are interested to know the relationship between the gross national product and the gross national expenditure. Gross national expenditure is attained by the alternative method of measuring the value of goods and services produced during the year by Canadians. In this case, instead of being concerned with incomes, we are concerned with sales, and we simply add all final sales of goods and services, allowing for imports and for changes in inventory. For what is produced must either be sold or added to inventories. The total obtained in this way is called "gross national expenditure".

Four classes of sales may be distinguished: sales of consumer goods and services to persons; sales of goods and services to governments; sales to business of capital goods; and sales, that is, exports of goods and services, to other countries. The grand total of these sales includes imports of goods and services,

and since it is our purpose to measure production of Canadians only, we deduct imports of goods and services from the grand total. That is to say, when we add together all the final sales which take place in Canada, there are sales of goods which we have imported, which we did not produce, so therefore we have to deduct the imports of such goods and services.

One additional item which must be included to bring this grand total to the value of goods and services produced during the year is the adjustment for changes in inventories. If we start our year with inventories, those inventories may be part of the sales in that year, and in that case we must deduct them from the grand total of goods and services produced in that year, because they were not produced in that year, they were produced previously. On the other hand, it may be that some of the production of the current year may not have been sold but may have accumulated as inventories, and in that case we must add the increase in order to arrive at the grand total. This is necessary in order to make the gross national expenditure total comparable with the gross national product total. I have mentioned already that by compiling a table by gross national product and gross national expenditure methods we have a check on the accuracy of our results.

I think there is one other matter that came out of the evidence at the last meeting at which representatives of the Bureau appeared. A point was raised by Senator Haig in connection with the inclusion of inventories of grain in our national income and gross national product.

The point is that for some purposes you want to know the net income of farm operators from farm production exclusive of the value of inventories added or deducted in the current year. Therefore, in future our officers who are working on the national income will put an asterisk against this item, and have a note at the bottom of the table stating the amount of the change in inventory so that if you want to deduct it you can do that.

As a matter of fact, we have other tables in which that item can be picked out, but I think for any person studying these main tables it would be convenient to have the note for ready reference.

Mr. Chairman, that is all I want to say by way of introduction. I thought that perhaps other questions might be asked, and I have with me several experts from The Bureau of Statistics. I do not expect to answer all the questions myself, but I have Dr. Goldberg here, for example, who had a great deal to do with the development of these national accounts; and Mr. Rowbottom, and Mr. Leacy, and Mr. Parker. We will try to do everything we can to answer questions that are put to us.

The CHAIRMAN: Thank you, Mr. Marshall. Now, gentlemen, this is open for discussion.

Senator BARBOUR: I should like to ask a question. In this 1949 table of National Income and Gross National Product, you show \$1½ billion from farm operations and farm production. Could you tell us what the figure would be for 1955, say, when the gross national product was around 26 or 27 billion?

Mr. MARSHALL: We have it here in this document which you had the other day. (National Accounts, Income and Expenditure, fourth quarter and preliminary annual, 1955). On page 15 you will find that the accrued net income of farm operators from farm production was \$1,421 million. The figures in the table given you this morning (*See Appendix F*) are merely illustrative.

Senator BARBOUR: And that is less than it was in 1949, when the gross national product was \$16 billion.

Mr. MARSHALL: It was \$1.5 billion in 1949, according to this table here.

Senator BARBOUR: Well, it was less. When the gross national product was \$26 or 27 billion the amount from farm operations and farm production was

less than it was in 1949 when the gross national product was \$16½ billion. Then the farmers of Canada must be the only ones that keep the cost of living where it is; they carry the whole load, is that right?

Mr. MARSHALL: Well, I do not think I would like to give an opinion on that off-hand. That is a pretty complex question, and we would have to do a lot of investigation on it. I am sure it is helping to keep it down.

Senator BARBOUR: I think it is ninety-nine per cent of it. What percentage would your officials figure that the farmers are carrying of this load?

Mr. MARSHALL: Well, I'm afraid I cannot answer that question off-hand myself. Mr. Rowebottom, have you any views on that?

Mr. ROWEBOTTOM: It might be of some interest that the prices of both farm and non-farm commodities for the past three to four years—

Senator BARBOUR: But I was figuring on income.

Senator HOWDEN: The farmer is not the only producer; there are many other forms of production, I should imagine.

Mr. MARSHALL: As far as retail prices are concerned they have been pretty much on the level for some time, so that other prices besides farm prices certainly have not been going up to influence the consumers' price index.

Senator TURGEON: What is the relationship of items 4 and 5 to the figures of 1949 with those of the latest you have? Is there much difference between the two items?

Mr. MARSHALL: In 1955 the figure for net income of non-farm unincorporated business is one billion seven hundred and fifty-three million. So that in that sector there has been an increase in output.

Senator HOWDEN: That would cover all your forms of production other than farmers?

Mr. MARSHALL: That is unincorporated business.

Senator BARBOUR: What is the latest report on that?

Mr. MARSHALL: For 1949 the net income of non-farm unincorporated business was one billion four hundred million.

Senator VIEN: Have you a statement showing these figures in comparative tabulation from year to year?

Mr. MARSHALL: We have.

Senator VIEN: Could we have it?

Mr. MARSHALL: Well, we have 1954 and 1953 here.

Senator VIEN: That would be helpful.

The CHAIRMAN: That was distributed at a previous meeting, Senator.

Mr. GOLDBERG: I will give the senator a copy now.

Senator VIEN: Thank you. On looking at this document, I see that that is exactly what I had in mind.

Senator HAIG: Mr. Chairman, may I say here that although I am interested, as I see it, this is not vital to our investigation—how much income the farmers had, or how much the manufacturers or somebody else had. All I am interested in is that the income that you put in the national product is income. In that regard, I raised the question the other day, and one of your young men whom I questioned did not give me a clear answer. It may be that I am stupid and could not understand him, I don't know. He said that you include in the national income all the money you pay the armed services. Well, I would like to know from you just what they produce that we could consider paying our debts with.

You are telling us that we produced \$26 billion for so many million last year, and therefore the Minister of Finance said the taxes are so and so, and we are going to produce so and so.

Senator HOWDEN: They produce defence, that is safety.

Senator HAIG: There was a day when we had no army at all, and I cannot see that the armed forces produce any more than when we had no army. I see no difference.

Mr. MARSHALL: If they had not been in the army, they would, of course, have been producing something else.

Senator HAIG: But they are not producing anything at any time.

Mr. MARSHALL: I think that statement is certainly open to question, because I think it is generally conceded that the army does perform a service. They have a specific job to do. You are well aware of world conditions and you know that we cannot afford to be undefended and be without an army or air force. That surely is a service. After all, I wonder if you could not carry this argument into other directions too? A person who is an entertainer does not produce a material product but surely he gives a service that we pay for. Perhaps in relation to some scales of value we pay too much for it. The situation is that we have to pay for the service given by the members of the armed forces, and certainly in any orthodox system of developing national accounts you consider what is done by the armed forces as a service, and we have to evaluate it.

Senator HAIG: You claim that the money we pay to members of the armed forces should be included in national production. I would say mathematically that we could just increase the number of soldiers and instead of having 100,000 we could have a million. Well, then, we would produce a lot more. When we get a little unemployment we could increase the army to two million and so on until we get it up to ten million. Then we would be a rich nation under that system. Russia does not think that. Maybe Russia is wrong but I am scared to death they are not. They are cutting down their armed forces.

Mr. MARSHALL: I would ask you this—

Senator HAIG: Just wait a minute, please. They are cutting down their forces and the only reason they are doing so is that they cannot carry on their other business otherwise. I am persuaded you are completely wrong in that item. You mentioned entertainers. That brings up another point. I am not sure of the facts but it is said that happy people make better workers than unhappy people. People who enjoyed lovely entertainment last night feel more like working today. That is what has been said and that may be true. I know that two nights ago I sat up until 4 o'clock listening to the debates in the House of Commons, and I was not as alert the next day as I would have been had I gone to bed at 11 o'clock. Probably if I had been entertained by lovely music I would have been much better off the next morning. As I say, I sat in the gallery of the House of Commons listening to the debates until 4 o'clock and as a result I was pretty dull the next day. I am not accusing the members of the other house for making me dull. What I want to get at is this. I think your estimates should show just what is produced. I am willing to accept your statement about the work done by people in connection with the products of the mines and forests, and the manufactured articles and the products of the farm.

Senator ASELTINE: Wheat.

Senator HAIG: I knew somebody would say wheat. He admits now there has been a little trouble over wheat because sometimes they put it in and sometimes they take it out, and I thank him for that. But to come back to

my point, I cannot see any reason on earth why you should put in under national production an item that does not produce anything at all. It may produce good will or a feeling of security, but I do not think that enters into it at all. The complaint is that we have not got enough defence protection and that we need more airplanes and things of that nature. I do not pretend to know anything about that at all. I have no judgment in the matter. But I know wheat will grow on the prairies whether we have a thousand airplanes or ten thousand, just as long as we have the right kind of weather in May, June, July and August. The members of the armed forces have nothing to do with that. Fishermen on the Atlantic and Pacific coasts are not concerned with whether the army has 10,000 or 100,000 men. I don't know what the army, navy or air force gives you as far as production is concerned. Do not misunderstand me. I am not criticizing the forces. They are an expense but they are not producers. I want to know why you put it in as a production.

Senator LEONARD: May I just ask a question at this point? Mr. Marshall, when you come to your gross national expenditure under item 1 you show Personal Expenditure on Consumer Goods and Services in 1949 as \$11 billion. Then you show under item 2, Government Expenditure on Goods and Services as \$2.1 billion. I assume these two items are expenditures on intangibles which disappear during the year and do not leave any item of a tangible character at the end of the year. Is that correct?

Mr. MARSHALL: No, not in the case of Government expenditure on goods and services.

Senator LEONARD: Government expenditures do leave a tangible?

Mr. MARSHALL: It has the capital items in it as well as the current.

Senator LEONARD: But a personal expenditure entirely disappears during the year? This statement of gross national expenditure breaks down the national income into two categories. One category consists of intangibles that disappear during the year, such as entertainment or the armed forces, and the second category consists of tangible goods represented by the products of the farm, mine, forest and factory. Is that correct?

Mr. MARSHALL: Not altogether. With respect to Personal Expenditure on Consumer Goods and Services, a consumer might buy wheat and this is not an intangible. There are tangible goods which would be consumed in the same year but when you come to Government Expenditure on Goods and Services, the practice of the Government has been to include capital goods and consumer goods in the one total. But so far as our own records are concerned we do separate these in another table. You could if you wished get out of this book the figures which pertain to the capital expenditures of the Government, and if you wanted to you could deduct them from this item here—Government Expenditure on Goods and Services. I can tell you in addition that because of the interest which has been displayed here in this matter and in other quarters as well, we are just considering whether or not in the future we will show them separately in these main tables. You can get at them through some of the subsidiary tables but it would make it quite clear if we separated them in the main table.

The CHAIRMAN: Mr. Marshall, would you like to deal with Senator Haig's comment now?

Mr. MARSHALL: Senator Haig has a definite point of view on that and all I can say is that we have a different point of view. You see, soldiers after all do get income, and since this statement is made on the basis of earnings and various other factors which include wages and salaries, where else could we put the salaries they receive? It is a logical development to put them in this table. Certainly, I think we must consider that the Army and the Air Force

are performing a service, and we are justified in classifying them as we do; therefore, their remuneration ought to be included in the national accounts.

You argue that if it is true that they are performing a service, then why not have a million of them, and that would increase the gross national product. In reply to that I would say if we had a million men in that field they would take away from our strength in other productive processes in the country. Therefore, those amounts would go down, and would be offset by the million men in the armed forces. We would not gain anything. As a matter of fact, I would ask myself, how could we produce enough goods and services in the country, if we had a million soldiers, to supply our own needs and meet the needs of the soldiers and the Canadian population.

Senator HAIG: One further question. Does Great Britain follow the same method as you do?

Mr. MARSHALL: Yes.

Senator HAIG: And the United States?

Mr. MARSHALL: The same.

Senator HAIG: And any other countries you know of includes the soldiers, sailors and airmen as part of their production?

Mr. MARSHALL: Yes. This is a standard practice recommended by the United Nations.

Senator HAIG: It is all covered in the same way.

Mr. MARSHALL: Yes.

Senator ASELTINE: Even though they don't produce anything in the way of goods?

Mr. MARSHALL: Yes.

Senator BARBOUR: May I ask one question about wheat. When you make up the farm income, say for 1955, and you find you have 600 million bushels of wheat on hand, is that calculated at the current price for that year? If the wheat is not sold for that price, the income would be much less?

Mr. MARSHALL: We value it at the initial price, and when other payments are made they are taken into consideration in the future. I would like Mr. Parker to elaborate on that.

Mr. PARKER: I take it you are talking about making up the cash income statement?

Senator BARBOUR: No, making up the gross national income.

Mr. PARKER: There are two stages to it: First you get your income; and as I explained to Senator Haig the other day, you take your sales from the farm at the initial prices, anything that comes to the farmer that year by way of supplementary payments from the Wheat Board is added en bloc. So, we have whatever the farmer has been able to deliver to the Wheat Board in that particular year as income from wheat, and anything received subsequently by way of Wheat Board payments are added. Of course, from that has to be deducted the farm expenses for operations. Since we do not have the costs for wheat alone, we have to add up all the individual products, hogs and everything else, get the total income, and from that take the total farm expenses. Now we come to the point Senator Haig asked me about. In Western Canada there may be an inventory at the beginning of the year of 300 million bushels, and at the end of the year the farmer may have marketed some, but he has still on hand 400 million bushels. So, we take into consideration the additional 100 million, and value it at the year end price. That is what we put in as change of inventories.

Senator ASELTINE: Take the case of a farmer in Saskatchewan who has some of his 1952 wheat on hand, some of 1953, a good deal of his poor-grade 1954 wheat and all of his 1955 crop. Indeed, that is the general situation in the district I come from; most of the farmers in that area have a portion of their crop for each of those years on hand still unmarketed. In the gross national product for 1955, is all of that grain included?

Mr. MARSHALL: All that is still in storage would not be included. There must be a total inventory estimated for each year, but only the change is taken into consideration.

Senator ASELTINE: But the farmer had not marketed the grain he produced.

Mr. MARSHALL: You were talking about the 1955 crop?

Senator ASELTINE: Yes, I want to know whether you would include in the gross national product in 1955 what I have left over from 1953 and from 1954?

Mr. MARSHALL: Just the changes for each year; if you have an addition, we have to include that, and if you have sold some of the wheat you have on hand, that would be deducted.

Senator ASELTINE: How do you know how much I have sold?

Mr. MARSHALL: That requires an answer in detail.

Mr. PARKER: What was the year in which you were down to a nil inventory position?

Senator ASELTINE: The surplus started to build up in 1952; we got rid of most of our previous grain.

Mr. PARKER: The next year the farmer would sell wheat—and we have those marketings to the Wheat Board—and there would be so much left over at the end of the year. We will say there were 150 million bushels to start with, and 200 million left over at the end of the year; that would mean we would have to add 50 million bushels to that year. In the next year more would be produced, and a quantity would be marketed. At the end of the year the farm inventories would be estimated again and the difference between the inventories of the two years would be entered in the net income statement.

Senator ASELTINE: Do you take into consideration the amount of grain used for seed?

Mr. PARKER: Oh yes.

Senator ASELTINE: And the amount of grain consumed locally?

Mr. PARKER: Yes; these are automatically taken into account by the above procedure.

Senator ASELTINE: How do you get those figures?

Mr. PARKER: The Board of Grain Commissioners marketings are measured at the elevator and published every week; they amount to 250 million or 300 million bushels a year. We have a Bureau survey of stocks. We ask some 10,000 farmers to report the stock on their farms, and from this sample we estimate total farm stocks. We get the stocks for each size of farm in order to reduce the error in estimating.

Senator ASELTINE: In that way you get a pretty good average.

Mr. PARKER: Yes, a pretty good average. With this huge quantity of grain we have in the picture, we may be out 5 million or 10 million bushels one way or the other, but we run a balance sheet year after year and I do not think we are far off. We would of course like to see the farm stocks return to normal levels, because from a statistical standpoint it would be most helpful; we are attempting to measure at present huge quantities, which are

not held equally all over. In District No. 7, for instance, the western part of Saskatchewan, there are hundreds of thousands of bushels, while other districts are cleaned out.

Senator VIEN: How do you distinguish between total production and net income with respect to farm products?

Mr. PARKER: We take away all the expenses for the operation of the farm; we get the value of everything that is sold off the farm.

Senator STAMBAUGH: And you arrive at that conclusion from the returns of these ten thousand you put out?

Mr. PARKER: No, that is just the stocks of grain.

Senator STAMBAUGH: How do you arrive at the amount that is fed?

Mr. PARKER: The same way. And there are other series too. In eastern Canada a lot of feed is bought from dealers.

Senator STAMBAUGH: It would take more than ten thousand farmers to find out the amount that is fed.

Mr. PARKER: We have another 5,000 or 6,000 reporters in other parts of Canada, about 16,000 farm reporters.

Senator ISNOR: Mr. Chairman, I want to support Senator Haig. We do not often agree.

Senator HAIG: I must be wrong sometimes.

Senator ISNOR: And I must be wrong other times.

It strikes me, Mr. Chairman, that item 2, military pay and allowances should either have a cross-entry or it should not be shown under the heading of production. I say that with all due respect to the experts of the United Nations and the policy that is laid down over the years. If there were a cross-entry I could understand it, but if you just have the one item under a credit to production then I fail to understand it for the very reasons outlined by Senator Haig. I think I could stop there, but let us take the matter of insurance. You charge up insurance. It is in the same relation that you charge up military service—protection, if you wish. But insurance is not production, it is just a factor in production, and for the same reason I hesitate to allow my mind to say that that is an appropriate item to include under the heading of production in so far as your figures are concerned. Now, I want to say that that is a layman's point of view, I am not an expert but I am in accord with the thought as expressed and think it should be given serious consideration in the compilation of future records.

Senator ASELTINE: What is the total amount involved, Senator?

Senator ISNOR: I think it is something of the order of 0.1. It sounds very small expressed that way but when you express it in dollars and cents it bulks quite largely.

Mr. MARSHALL: It was \$394 million in 1955, senator.

Senator ISNOR: Yes, and when you think of it in that light it means a big item in our picture of production. I wanted to have my view on this matter before you.

Mr. MARSHALL: I am very much interested to have this point of view. We do not want to get out of step with what the other countries are doing. There is this amount for military pay and allowances. What are we going to do with it if we adopt this concept of adding up all the earnings from various sources? However, we will be very glad when we have more of these discussions on national accounts to bring up this other point of view. Perhaps Mr. Goldberg might have a few words to say on this point.

Mr. S. A. GOLDBERG (*Assistant Dominion Statistician*): Mr. Chairman, first of all I would like to add, if I may, to what Mr. Marshall has said, that when it comes to certain items in our calculation of national production, especially the service area, there is room for differences of opinion, but the statistician must take an objective approach and a standard which he must use is the community's decision as to what is a service or not. Now, so long as a community pays for soldiers services we have no choice, no matter what our personal opinions might be, but to include this with services. This is the first point I would like to make, that we have to be objective. You and I in our private capacities may have certain personal points of view but as statisticians we must take the standards of the community; our guide is the expression of the community through the market—whether the community is willing, to pay a price for it, and in some situations, Senator Haig, it may very well be that there are 100,000 or 1 million more than there are now. As a matter of fact we all can look back 10 or 15 years to a time when we had a larger number of soldiers; in that particular situation the community put a big price on this particular service.

The second point I would like to make is that this \$394 million is a total figure of payments to all people enlisted in the armed services, and I think we should keep in mind that a lot of these people work as repairmen, as technicians and so on, the same as in private industry. Now it seems to me that it would not be logical, if we could do it, on the one hand to take these repairmen and say they are not producing a service, and when it comes to other areas in the economy to say they are producing a service, and so it is for this reason also that I have to defend our present practice.

There is a third point: when it comes to setting up an accounting system, I think this is true in private accounting as well, you have to agree on certain conventions. There is room for disagreement. Some experts will say they like it one way, another group of experts will say we prefer it the other way, but as national statisticians what we have to try to do is to satisfy as many points of view as possible. We try to do this by providing details in our accounting system so that a person who has another point of view can adjust our totals to his particular point of view. That is the reason why we show separately as item number 2, military pay and allowances. If anybody wishes to deduct this item from the total of gross national product and expenditure he can do so. We show other items of detail precisely because we do not want to be rigid about this, but to enable people who have other points of view to adjust the figures to meet their particular requirements or views.

Senator ISNOR: Mr. Chairman, I do not want to pursue this further other than to have a clear picture of it.

The CHAIRMAN: You are getting some results.

Senator ISNOR: Yes.

Senator Haig mentioned about the recent change in policy so far as Russia is concerned. That country has taken, if I remember the figures correctly, 1,500,000 soldiers from their standing force and have returned them to agriculture and industrial life. Now, at the end of a period of say one, three or five years will not those 1,500,000 workers produce more in the real sense of production than if they were still in the armed forces?

Mr. MARSHALL: They will certainly produce material goods.

Mr. GOLDBERG: They will certainly produce material goods, but there are services as well, senator.

Senator HAIG: In regard to the picture for soldiers, sailors and airmen: what does it cover,—salaries and wages?

Mr. GOLDBERG: Wages and salaries of people who are enlisted.

Senator HAIG: It covers the salaries of wives and children?

Mr. GOLDBERG: Yes, it covers allowances.

Senator HAIG: If a soldier is in Germany and his wife and nine children are with him, you include all that under "production"?

Mr. GOLDBERG: Yes, as part of the soldier's salary.

Senator TURGEON: I am just afraid there is going to be a very serious misconception of this department in the minds of the public, particularly with respect to the thought not only as to production of those in the armed services, but as to the service itself. The very fact that one of the questions asked was, "Would not these men, if taken from the armed services' work and put into some other business, produce more than they produced in the army?" needs clarification. I am thinking of the statisticians. That naturally implies production in the army; if the same man can produce more doing some other work, he must be producing something now. As was said a little while ago, there would not be any question during the war as to whether the armed forces were producing or not. There should not be any more question when there is not a war, but simply fear that there may be a war. I am just a little worried over this whole debate on this question of so-called national production, because if it is argued that it is weak in applying to a certain group, it is just as weak in regard to some other group that it must be applied to.

Senator HOWDEN: I do not see any confusion at all, Mr. Chairman. The armed forces are maintained for the purposes of defence. That is what we are paying them for. That is what we are feeding them for. And it appears to be appropriate to the rulers and to the people of the land to have armed forces for this purpose. There is no doubt about it that that is the meaning of an army. The army is to protect us.

The CHAIRMAN: Have you a question, Senator Isnor?

Senator ISNOR: I think I do not wish to follow it further, except to correct any misapprehension as far as Senator Turgeon is concerned. I don't think anybody who has spoken on this item had any thought of taking away the protection we have from the armed services.

Senator TURGEON: I realize that; and I had not that in mind.

Senator ISNOR: The main question is where this item should be placed. I think that is the whole purpose of the discussion.

Senator STAMBAUGH: Does "military pay and allowances" include all civilian employees of the army, or just the enlisted men?

Mr. GOLDBERG: "Military pay and allowances" would not include anything a civilian got. It would only include pay of the people who were actually enlisted in the armed services.

Senator STAMBAUGH: Of course, in all these army camps, there are eight or ten civilians to one soldier.

Mr. GOLDBERG: Frequently they do similar work.

Senator STAMBAUGH: Then the salaries of civilian employees would be in first item?

Mr. GOLDBERG: That is right, sir, with wages and salaries.

Senator HAIG: Let us be sure that is correct. Are not the people who do nothing but work for the soldiers included in the soldier pay?

Mr. GOLDBERG: No. People who work in the Department of National Defence with files—

Senator HAIG: There are about 40,000 persons employed in the armed services as civilians. They do not do anything but work for the armed services,

maybe at books, and different things of that kind. Are they charged to the armed services or charged independently?

Mr. LEACY: They are not included in "military pay and allowances".

Senator HAIG: They are not included in the army pay?

Mr. GOLDBERG: No—in "wages, salaries and supplementary labour income". We include the pay a civilian gets if he works for the army as a civilian with "wages and salaries".

Senator HAIG: All right.

Senator LEONARD: I am interested in ascertaining how far this statement shows an increase of wealth as a result of our national product in the year. Take the figures for 1949 which we have in front of us. Out of this \$16 billion of national income, how much new wealth in the form of either capital goods or consumers goods did we have at the end of the year. I take it that items 3, 4, 5 and 6 of the gross national expenditure showed the new wealth that was created during the year, and that we had on hand at the end of the year. We got \$700 million of new residential construction, \$900 million of new non-residential construction, \$1,300 million of new machinery and equipment, and \$200 million more of inventories. Was that all the new wealth that we had at the end of the year, or is there some other new wealth in the other items?

Mr. GOLDBERG: You are right in large part, senator—that the items you pointed to are the wealth, substantially the wealth that remains from the year's production. But it is not a complete picture. If you want to get at the picture that you are looking for we have a separate table which has not been distributed this time, but which has been distributed before. I can make it available to you. I would like to say a word about that table. It is called "Savings and its Disposition". The total savings is the wealth that remains from the year's production for subsequent periods, for the future. Now this table, on the one hand, gives you the figure of gross domestic investment, precisely the items you have listed. In addition, it shows that, for example, 1954, gross domestic investment—

Senator LEONARD: Take 1949.

Mr. GOLDBERG: I have not got the figures for 1949 here. I would like to take the figures for 1955, if I may. The figure for gross domestic investment was \$5,268 millions. Out of this about \$651 millions was financed by non-Canadians, by non-residents; so the Canadian savings is the \$5,268 millions minus the \$651 millions, adjusted for a small error, and the grand total amounted to \$5,199 millions for 1955. So, as I say, you are substantially correct, but there are certain adjustments which have to be made in order to get a complete picture; and if you are interested I can send you that table.

Senator LEONARD: Does that include the Government expenditures on new tangible wealth left at the end of the year?

Mr. GOLDBERG: No sir. It includes Government business enterprise, but not general Government.

Senator LEONARD: For example, Government expenditure on public buildings?

Mr. GOLDBERG: No, sir.

Senator LEONARD: In these accounts it is still treated as if it was used up?

Mr. GOLDBERG: Yes. May I add something to this, Mr. Chairman? Although in this main table from which I have been reading the Government expenditure on durable assets such as you have mentioned do not appear, we do have the detail of such Government expenditures in another table. Therefore, if someone wants to get at this information he can do so.

Senator LEONARD: Just one further question. You gave us a figure of approximately \$5,200,000,000 for 1955 as the gross investment during that year. Would you give me the comparable figure for your total national income for 1955?

Mr. GOLDBERG: May I suggest, sir, that the gross national product would be the comparable item because the investment is calculated as gross before the deduction of depreciation.

Senator LEONARD: You are correct.

Mr. MARSHALL: The figure is \$26,624,000,000.

Senator LEONARD: So out of the amount of \$26,624,000,000 of gross national product we have a gross investment left at the end of the year of approximately \$5,200,000,000?

Mr. LEACY: Not left but added.

Mr. GOLDBERG: I notice that I have to make an additional correction. The \$5,268,000,000 that I have given applies only to new houses, plants and equipment. In addition there is the increased inventory, amounting to \$450,000,000. This has to be adjusted down with respect to non-residents. The total saving excluding Government expenditure on durable assets during that year was, as you said, \$5,199,000,000.

Senator LEONARD: And the difference between the two, which is roughly, \$20 billion to \$21 billion, represents what has been used up during the year in the form of services and goods consumed?

Mr. GOLDBERG: Substantially that is the idea, but when it comes to measurement we cannot be as precise as this. The only thing we can do is classify certain goods as consumer goods, and certain goods as investment goods. Some of the goods which are classified as consumer goods are durable goods such as refrigerators and stoves, which individuals use. So these durable consumer goods, although they are treated as consumption during the year, in fact remain over a period of time; but the large bulk of the components within the total of personal expenditure and consumer goods and services are goods and services used up during the year. In addition there are the government expenditures on durable assets which remain.

Senator LEONARD: Thank you.

Senator HAIG: I think we can thank the witnesses for having come here, Mr. Chairman.

The CHAIRMAN: Yes. When I asked Mr. Marshall if he would appear before the committee he told me that he could not tell us anything, that he did not know much about it because he was the administrator. But I want to tell him how satisfied we are with his presentation. I am sure that members of the committee, like myself, have a much clearer picture of this whole thing. Mr. Marshall, I want to thank you and your colleagues for having come here today and for having done such a good job.

Mr. MARSHALL: We are very glad to be of any help, and if there is anything further we can do by way of memoranda we will be only too glad to do so.

The meeting was adjourned until the call of the chair.

APPENDIX E

COMPARISON OF CONSUMER PRICES AND AVERAGE WEEKLY WAGES

ANNUAL AVERAGES FOR CANADA, 1952-1955

(Prepared by Labour & Prices Division, Dominion Bureau of Statistics)

	Average Weekly Wages in Manufacturing	The Consumer Price Index (1949=100)
1952	53.62	116.5
1953	56.09	115.5
1954	57.16	116.2
1955	59.25	116.4

Note—Wage averages shown above have been calculated from payroll data for hourly rated employees of manufacturing establishments. These figures represent gross earnings before any deductions, e.g., for taxes or security benefit plans. Both the wage averages and the Consumer Price Index are published in the Dominion Bureau of Statistics' monthly reports "Man-Hours and Hourly Earnings" and "Prices and Price Indexes."

APPENDIX F

TABLE 1. National Income and Gross National Product, 1949

No.	Billions of dollars
1. Wages, Salaries and Supplementary Labour Income	7·8
2. Military Pay and Allowances	·1
3. Investment Income	2·4
Net Income of Unincorporated Business:	
4. Accrued Net Income of Farm Operators from Farm Production	1·5
5. Net Income of Non-farm Unincorporated Business	1·4
6. Net National Income at Factor Cost	13·2
7. Indirect Taxes less Subsidies	1·8
8. Depreciation Allowances and Similar Business Costs	1·4
9. Residual Error of Estimate	—
10. Gross National Product at Market Prices	16·5

Gross National Expenditure, 1949

No.	Billions of dollars
1. Personal Expenditure on Consumer Goods and Services ..	11·0
2. Government Expenditure on Goods and Services	2·1
Gross Domestic Investment:	
3. New Residential Construction	·7
4. New Non-Residential Construction	·9
5. New Machinery and Equipment	1·3
6. Change in Inventories	·2
7. Exports of Goods and Services	4·0
8. Deduct: Imports of Goods and Services	-3·8
9. Residual Error of Estimate	—
10. Gross National Expenditure at Market Prices	16·5

1956

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1957

No. 9

THURSDAY, MAY 24, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESS

Mr. K. R. MacGregor, Superintendent of Insurance.

APPENDICES

- G—Disposition of Saving.
- H—Selected items of Consumer Expenditure.
- I—Comparative Table of Annuity Premiums—Government, Canadian
U.S. and U.K. Companies.
- J—Total Annuity Consideration Received by Life Insurance
Companies in Canada.
- K—Relative Volume of Annuity Business in Canada.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956.

STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly (<i>Halifax</i>	Howden	Smith
<i>North</i>)	Isnor	Stambaugh
Connolly (<i>Ottawa West</i>)	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

* Ex officio member

ORDER OF REFERENCE

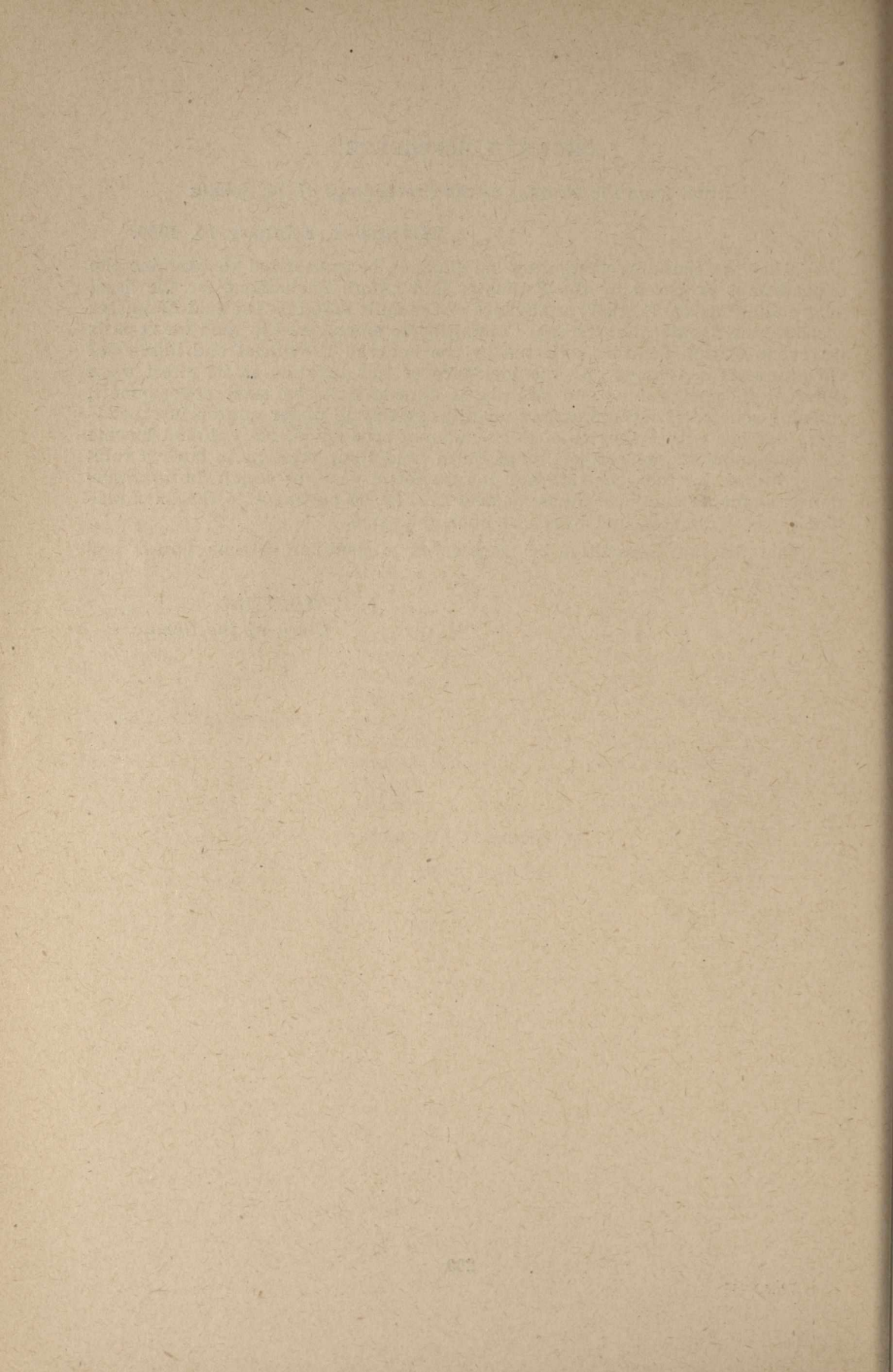
Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, February 15, 1956.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such a total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

J. F. MACNEILL,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

THURSDAY, May 24, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Hawkins, Chairman; Barbour, Beaubien, Burchill, Connolly (*Halifax North*), Crerar, Golding, Haig, Howden, Isnor, Molson, Stambaugh, Taylor, Turgeon and Woodrow—15.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

The following documents, referred to by the Chairman, were ordered to be printed as appendices to these proceedings:—

G—Disposition of Saving.

H—Selected Items of Consumer Expenditure.

Mr. K. R. MacGregor, Superintendent of Insurance, was heard.

The following documents, submitted by Mr. MacGregor, were ordered to be printed as appendices to these proceedings:—

I—Comparative Table of Annuity Premiums—Government, Canadian, U.S. and U.K. Companies.

J—Total Annuity Consideration Received by Life Insurance Companies in Canada.

K—Relative Volume of Annuity Business in Canada.

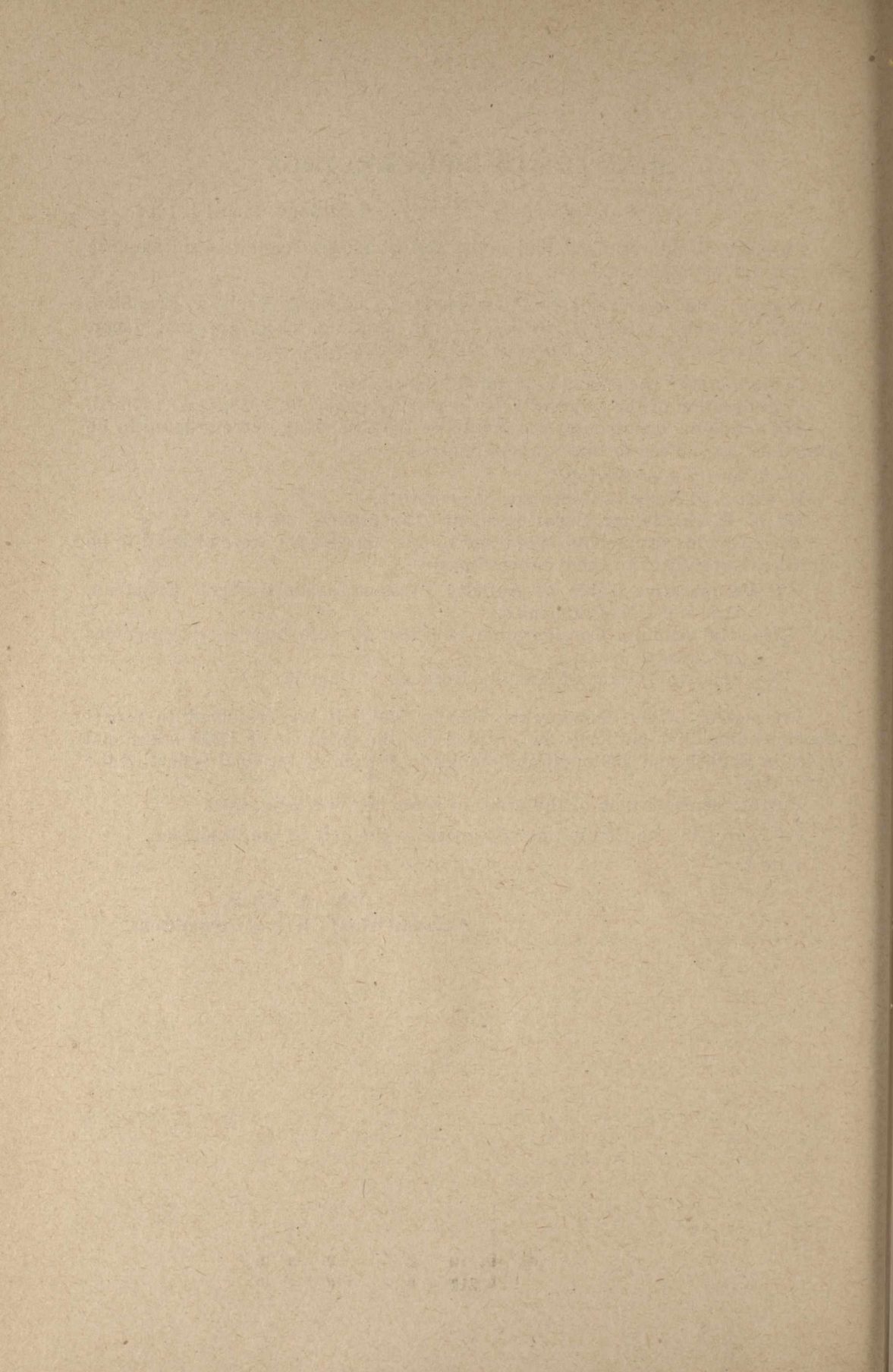
On motion of the Honourable Senator Haig, it was resolved to report recommending that authority be granted for the printing of 1,000 additional copies in English and 200 additional copies in French of the final report of the Committee.

Further consideration of the order of reference was adjourned.

At 12.15 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.



THE SENATE
STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, May 24, 1956.

EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator Hawkins in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum: it is 10.30 a.m.; and I will ask you to come to order.

You will recall that at the last meeting of the committee Senator Leonard asked Mr. Marshall in connection with the gross national product and the net national income, what was the increase in wealth between the two; and he gave a statement "off the cuff", which he has revised a bit and has submitted to us. Perhaps it had better be placed on record as an appendix to the proceedings.

Senator HAIG: Is it very long?

The CHAIRMAN: No, but it is a rather complicated thing to read; I mean, to get any understanding of it.

Senator HAIG: I move that it be printed as an appendix to the minutes today.

Hon. SENATORS: Agreed. (*See Appendix G*)

The CHAIRMAN: Last year there was submitted as an appendix of the report a list of selected items of consumer expenditure, including alcoholic beverages, tobacco in various forms, racetrack betting, soft drink beverages of all kinds, commercial recreation. That was for 1952-53 inclusive. For the purpose of comparison I have a report from the Bureau for 1953-54. It shows exactly the same figures for the two years, namely, \$1,803 millions. You will notice the items I have mentioned are largely luxury and recreational. Would it be the wish of the Committee that it be printed as an appendix to today's proceedings?

Senator HAIG: I have no objections.

The CHAIRMAN: A similar report was included in last year's record of the committee. That is the reason I got the information.

Senator HAIG: From the department?

The CHAIRMAN: Yes.

Senator HAIG: Well, it would be a good idea to put it in.

Senator TURGEON: I so move.

Hon. SENATORS: Agreed. (*See Appendix A*)

Senator CRERAR: Although a lot of people complain how hard up they are, this indicates how much is spent on luxuries. Take Winnipeg, for instance; \$60 thousand to \$70 thousand is spent on tickets at football games any one night, and who are the people who go? A good many who, if they were out of work for two weeks, would be "strapped".

Senator HAIG: Another point is that exaggerated statements are always being made about these things, and here is an official statement which settles the matter.

The CHAIRMAN: Yes, it is an official record, and although it relates to a selected group, it has to do with recreational expenditures.

We have with us this morning Mr. MacGregor, of the Department of Insurance, and Mr. Humphreys. I will ask them to come forward now, please.

You will recall that at our seventh meeting we had before us Mr. Gregg in connection with Government annuities, and he had several witnesses with him. It was the feeling of the steering committee that in order to complete the evidence in connection with Government annuities we should call the Superintendent of Insurance, Mr. K. R. MacGregor. Consequently we have Mr. MacGregor with us here today. I do not know whether he has prepared a statement.

Mr. MACGREGOR: No sir, I have not.

The CHAIRMAN: I think, then, we had better proceed to question Mr. MacGregor. You will recall that one of the things we were very anxious to find out was the relative comparison between the cost of Government annuities and the cost of annuities sold by various insurance companies. We could not get that information from the Department of Labour, or at least we did not get it from them. That was one of the reasons we decided to call Mr. MacGregor. The meeting is open for questions.

Senator HAIG: I think the maximum annuity from the Government service is \$1,200. How does that compare with a similar annuity from a life insurance company, first of all as to the man who is buying the annuity?

Mr. K. R. MACGREGOR (*Superintendent of Insurance*): I think, Senator Haig, we might perhaps consider first what are known as immediate annuities.

Senator HAIG: All right.

Mr. MACGREGOR: That is to say, an annuity paid for by a lump sum beginning one year hence. Taking first a male life at the age of 50, the Government annuity rate for an immediate life annuity of \$100 per annum payable annually, the first payment at the end of the first year, is \$1,579. Compared with that, the rates in four Canadian companies are: for Company "A" \$1,748; for Company "B" \$1,727; for Company "C" \$1,722, and for Company "D" \$1,787. If I might interject, Mr. Chairman, I have five or six copies of these rates which I am quoting. I have not one for each member of the committee but I could pass around the ones I have.

Senator CRERAR: We could have the list put on the record. Would there be any objection?

Mr. MACGREGOR: None whatsoever. (*See Appendix I*)

Senator CRERAR: What do you say the Government annuity costs?

Mr. MACGREGOR: \$1,579. That is at the age of 50.

Senator CRERAR: And the nearest to that?

Mr. MACGREGOR: The rates charged by the four representative companies I have mentioned run in the \$1,700's, the lowest being \$1,722.

Senator TURGEON: What age would the applicant be when making application?

Mr. MACGREGOR: Age 50. It is the lump sum required to purchase an annuity of \$100 per annum at the age of 50.

Senator CRERAR: Have you other similar examples?

Mr. MACGREGOR: United States companies operating in Canada generally charge higher rates than the Canadian companies. I might give examples for two United States companies at the same age, 50. The rate charged by one for a similar annuity is \$2,001, and by the other company it is \$2,017. At the same time, one British company operating in Canada charges a very favourable rate. This company has specialized in life annuities for many years.

Senator CRERAR: The explanation of that, so far as the United States is concerned, is that the interest earned on securities is lower than it is in Canada?

Mr. MACGREGOR: Generally speaking, that is the reason, and they use the same rates as in the United States. It may be tedious to quote all of these rates, but I shall be glad to do so if you wish. I have them for ages 60, 65 and 70, and for females as well. If it is the wish of the committee I will place these specimen rates on record, but perhaps for the present I might simply quote to you the ratio per cent that these company rates bear to the government annuity rates in general; it would give the committee a broader picture of the relative levels of the rates charged by the companies and by the Government. Going back again to the example I mentioned a moment ago, for male lives, age at issue 50, the rates of the Canadian companies vary from 109 to 113 per cent of the government annuity rate. At age 60 they vary from 107 to 112 per cent. At age 65, from 106 to 111 per cent. At 70, from 105 to 110 per cent. In general the U.S. rates vary overall from 117 per cent to 128 per cent, that is to say, over the range between age 50 and 70. The rates charged by the British company vary from 104 per cent to 107 per cent. Broadly speaking the ratios are about the same for female lives as for male lives.

Senator HAIG: What about the person at 45, 50 and up who pays so much a month until his death?

Mr. MACGREGOR: For a deferred annuity, where one begins to purchase at age 30, say, the annuity beginning at, say, age 65 a male, or 60 a female—

Senator WOODROW: Before that, Mr. MacGregor, could you tell me if the benefit derived from an annuity policy at death is the same in the case of an annuity bought from a company as one bought from the government?

Mr. MACGREGOR: So far as the benefits under immediate annuities are concerned they are the same with perhaps this exception, that the annuities bought from a company may be attached, whereas under government annuities they are inalienable, but that does not affect the amount of the benefit—they are comparable.

To answer the question that Senator Haig raised, it might be best to quote the rates for group annuities, since that is one of the most popular forms sold today. Here are the group single premiums for a deferred annuity of \$1 per month guaranteed for five years certain and life thereafter, with return of premium and interest in the event of death during the period of deferment. I quote rates on this basis because that is the particular plan upon which all, or practically all, group annuities are sold by the government Annuities Branch (*See Appendix I*)

Senator HAIG: Thank you.

Mr. MACGREGOR: For male lives, assuming that the annuity vests or begins at age 65, the government annuity rates for ages 20, 30, 40, 50 and 60 are, respectively, \$29.39, \$41.45, \$58.47, \$82.48, and \$116.34.

I think it would be easier if I quoted the relative company rates in percentages rather than in dollars. For one Canadian company, their rate at age 20 is 121 per cent of the government annuity rate; at age 30, 117 per cent; at age 40, 113 per cent; age 50, 109 per cent; and age 60, 105 per cent.

Senator CRERAR: This is for what benefits?

Mr. MACGREGOR: It is the single premium.

Senator CRERAR: What does it buy?

Mr. MACGREGOR: If paid at the ages of purchase which I mentioned it buys a pension or annuity of \$1 per month beginning at age 65.

Senator CRERAR: That is \$12 per year.

Mr. MACGREGOR: Yes, payable monthly.

Senator CRERAR: And I suppose if it were \$5 a month, the rate would be five times that which you have given us?

Mr. MACGREGOR: That is correct.

Senator CRERAR: The unit you take is an effective measuring rod as high as they go?

Mr. MACGREGOR: The rates for the larger annuities would be in direct proportion to the rates I quote. In other words, company rates vary from 5 per cent to 21 per cent more than government annuity rates, in that particular company. In another Canadian company the rates vary from 5 per cent to 22 per cent more, being almost exactly the same.

Senator CRERAR: That is from 105 to 122 per cent.

Mr. MACGREGOR: Yes.

For females, the company rates for a similar annuity beginning at age 60 rather than 65, (females generally retire earlier)—and speaking of these two Canadian companies, which I think are representative—vary from 8 per cent to 24 per cent above government annuity rates.

There are of course many factors to be considered in comparing rates, because company rates must of necessity include a sufficient margin to cover all of their expenses and to provide some hope of a slight profit.

Senator CRERAR: Are there any mutual companies, such as the Mutual Life of Canada, selling annuities?

Mr. MACGREGOR: Yes, they all do.

Senator CRERAR: The element of profit does not come in there, does it?

Mr. MACGREGOR: Not to the same extent.

Senator CRERAR: There would be policy holders to share the profits?

Mr. MACGREGOR: If there were any profits, they would be shared with the policy holders; but most annuities are sold on a non-participating basis. The fact is that the companies over the years have made very slim profits out of their annuity business, and some have from time to time experienced losses. It is a very hazardous kind of business to transact; most of the ingredients in it are weighted against the company.

The three most important ingredients in premium rates for annuities are of course, first, the rate of interest assumed to be earned in the future, second, the rate of mortality likely to be experienced in the future, and third, the expenses that are likely to be experienced.

For a great many years, more particularly between the '30's and the late '40's, interest rates were continually falling with the result that if companies had issued annuities on the assumption of, say, an earning rate of 4 per cent, and they were actually earning only $3\frac{1}{2}$ per cent or less, they were bound to suffer some loss as against their original assumption in computing their premium rate. Looking at mortality, it has in general been improving continuously and of course, in the annuity business that is an unfavourable aspect because if people live longer they receive more.

Senator CRERAR: It is the same with old age pensions.

Mr. MACGREGOR: That is correct.

Moreover, expenses have been tending to rise rather than to decline. On all counts, therefore, the annuity business is a very hazardous business and it has not, by and large, proved to be a money maker or even reasonably profitable to the companies.

Senator CRERAR: Over a long period of time interest rates will probably average up fairly well, will they not?

Mr. MACGREGOR: The degrees of hazard, Senator Crerar, in issuing annuities varies with the kind of annuity. Naturally if these elements tended

to become more favourable as time goes on the element of risk would be less but they have generally combined in an unfavourable way. If one sells an annuity that is payable immediately, the duration of payment is not going to be so long; if one sells immediate annuities at ages 50 or 65, the company may only pay the annuity over the next 15 or 20 years, but if a company or the Government or anyone else sells annuities at ages 20 or 25 or 30, beginning, however, at ages 60 or 65, that is, 30 or 40 years hence, and then payable for a term of perhaps 15 or 20 years, one is taking a very long gamble into the future.

Senator BURCHILL: I quite agree.

Senator CRERAR: Would it not be possible for the company selling annuities to adjust their rates to meet the lengthening span of life?

Mr. MACGREGOR: The companies, Senator Crerar, have in the past 20 years adjusted their rates many times. One of the largest companies began in the late twenties to assign letters to their scale of rates. Their first set of group annuity rates was lettered "A". Then they adopted a new scale, "B". I recall in the 1930's they were up to scale "J", within a relatively short time, and that same company is now at scale "Q". In other words they have nearly gone through the alphabet in adjusting their rates in the last thirty years.

Senator GOLDING: About what year did the companies go into the business of selling annuities?

Mr. MACGREGOR: Life insurance companies have for a very long time, Senator Golding, offered annuities, but back in the days when the Government annuity scheme was started, that is to say in 1908, they were issuing very few. The facilities offered by the companies at that time were not comparable at all with the facilities available in companies today. When the Government annuities scheme was started in 1908 conditions in the insurance field were very different from what they are today. Looking at the companies: there had been an investigation in the United States of America into the conduct of the life insurance business, in 1905—the Armstrong investigation—and that prompted a similar royal commission in Canada in 1906. I think it might be admitted that in 1906 the industry was not providing the facilities or carrying on business in the highly reputable way that they have been almost ever since. There is no question that the royal commission here in 1906 did an immense amount of good.

Senator CRERAR: There is no doubt about that.

Mr. MACGREGOR: There may have been at that time some question in the minds of some people whether they wanted to put their money in the life insurance companies or not. Some persons might have preferred the security of the state. In any event the facilities available for the purchase of annuities were very meagre. There was of course, no old age pension scheme of any kind in force at that time; and if one reads the speeches of Sir Richard Cartwright—who, I think, was the author of the Government annuities scheme—it is pretty clear that his main hope was to encourage thrift amongst the daily wage earners, but all with the hope of heading off any need for old age pensions. The latter was his real objective but it must be very doubtful whether that objective was ever attained even in a small way.

Senator WOODROW: In connection with an application for an annuity, is any medical examination or medical history required that would place a Government annuity on the same basis as that of a private company?

Mr. MACGREGOR: Medical examinations are not usually required, for the simple reason that if a person is not in good health it is he who assumes the

extra hazard rather than the company. It is very rare indeed that companies issue annuities to substantial lives at a more favourable rate. It is very rarely done.

Senátor Ross: Has the Government annuity scheme been carried on at a loss or profit during all these years?

Mr. MACGREGOR: Oh, I think there can be no other answer to that, senator, than, at heavy loss.

The CHAIRMAN: We have had evidence to that effect, from the Department of Labour.

Mr. MACGREGOR: I do not think I answered fully a question that was asked about the extent to which companies have been offering annuities, and the trend of the volume of that kind of business.

The volume of annuities issued by the companies up to the 'twenties was relatively small. I have with me the consideration received year by year since 1935, if it would interest the committee. (*See Appendix J*). One can see from the trend of these figures how the business has grown. In 1935 the consideration—that is, the premiums—received by all companies in Canada, Canadian, British and foreign—but as respects Canadian companies, only with reference to their annuities in Canada, not elsewhere—was \$7,982,574. Since then, year by year, the annual income of the companies has been, in round millions, successively, beginning with 1936: \$9, \$12, \$14, \$14, \$14, \$16, \$15, \$17, \$22, \$28 (in 1945), \$39, \$42, \$46, \$53, \$59 (in 1950); then, \$82, \$72, \$83, \$95, and in 1955 it was \$106 millions.

During the late 'thirties, in particular, when interest rates were falling, Government annuities were still being sold on a 4 per cent basis. So that for several years, beginning about that time, the Government annuity rates were much more favourable than company rates, and most people who wanted to buy annuities went to the Government first. In fact, the difference between the rates was so great that most life insurance agents did not feel justified in attempting to sell their own annuities to prospects until those prospects first bought up to the Government limit of \$1,200 a year. That situation obtained by and large until about 1948. It is true that in 1936 Government annuity rates were increased by a flat arbitrary amount of 15 per cent, but they were still very much below company rates. In 1938 the mortality basis of Government annuities was strengthened but the interest basis was still left at 4 per cent, and the interest basis had more effect than the mortality basis. The interest basis of Government annuities was not reduced from 4 per cent until 1948, when it was cut to 3 per cent, so that until 1948, if anyone wanted to buy an annuity, he looked to the Government first because it was there that he could obtain a bargain in comparison with company rates.

Since 1948 the annuity rates have in general been somewhat below company rates, one reason, of course, being that there is still no margin for expenses in Government annuity rates. The interest and mortality assumptions in Government annuity rates have, since 1948, been a great deal more realistic than they were prior to 1948.

Senator HACKETT: May I ask Mr. MacGregor if there are any insurance companies that sold annuities at a lower rate than the Government before 1948?

Mr. MACGREGOR: There may have been, Senator Hackett. I cannot recall any. I may say this, that there has been one British life insurance company that has issued annuities in Canada at very favourable rates for quite a long time, and even at the present time their rates are not much above Government annuity rates. There are perhaps several reasons underlying the policy of that British company. It started business in Canada a century ago but it became relatively dormant until about twenty-five or thirty years ago. It was interested in the annuity business and it has made investments yielding a very favourable

return, a large proportion being in mortgages and common shares. The company at home is in a very strong position. British income tax is another factor that enters the picture. The system of taxing British insurance companies is such that they may obtain a certain advantage through the sale of annuities at a very narrow margin.

Senator HACKETT: It is my recollection that before the Workmen's Compensation Act came into effect in the province of Quebec there were a few companies that sold annuities for less money than the Government. Witnesses were always introduced by the defence to establish what was the claim in dollars that had to be paid. Now, that has ceased and I did not know whether it was because their authors were actuarially unbiased or unsound or whether the department had investigated the matter for them and had found they were not making strap and buckle meet.

Mr. MACGREGOR: The only company I can recall that might have been issuing annuities at the Government annuity level or perhaps, in isolated instances, slightly below, was the one British company that I mentioned. While that company's rates are still more competitive than other companies' rates, they are now, I would say, on the average 5 to 7 per cent above Government annuity rates, which in the main represents about the expense margin assumed by the companies. Most company rates on the single premium basis are loaded about 5 per cent, but some may be 6 per cent.

Senator HAIG: What you are actually saying to us is that if the Government Annuities Branch had to pay the cost of handling their business, and if they had to pay losses where they sold annuities at too cheap a rate on account of interest, they would have to charge a higher rate in order to balance their budget?

Mr. MACGREGOR: Yes, Senator Haig. I do not think there is any question that in the past Government annuities have been sold at a loss even apart from expenses.

Senator HAIG: We were given the figure of \$30 million.

Mr. MACGREGOR: There are substantial losses yet to be experienced because there is a large volume of business that was sold on a 4 per cent basis and on very favourable mortality assumptions judged by present-day standards. Many of these contracts have not yet matured. Moreover, prior to 1948 all or nearly all Government annuities included a clause that really permitted the holder to pay only a token amount on his annuity contract but guaranteed him the right to buy up to the full maximum years hence.

Senator HAIG: That is correct, and these are still in existence.

Mr. MACGREGOR: Oh yes, there is a large volume of such annuities still on the books.

Senator MOLSON: Would an insurance company not have reserves set up?

Mr. MACGREGOR: An insurance company would never issue a contract with a provision of that kind. It is really less an annuity contract than a contract to issue or enter into an annuity contract years hence but at a guaranteed rate established at the outset.

Senator MOLSON: I was referring to the contracts issued at the higher interest rate. In the case of an insurance company presumably there would have been some liability set up, some reserve, would there not?

Mr. MACGREGOR: Yes.

Senator MOLSON: Whereas here it is only brought in year to year as the contracts mature. Is that correct?

Mr. MACGREGOR: Yes. There is a difference in the valuation procedure followed by the Annuities Branch and by companies generally in that respect.

The Annuities Branch in valuing their deferred annuities, I believe, simply accumulate the amount that has actually been paid year by year at the interest rate assumed when the contract was issued, but they do not make provision for the loss that will be experienced after the annuity vests until such time as the annuity begins. That gives rise to the transfers they are now making annually in respect to annuities that have matured.

Senator HAIG: Let us suppose that in 1924 I took out annuity policies on my children and I made payments for the first two years and then stopped making them. As I understand it I can now pay up the balance owing plus 4 per cent.

Mr. MACGREGOR: That is quite correct.

Senator HAIG: And I can get under the new rate. That is what influences more people than you can imagine to buy annuities in that way.

Mr. MACGREGOR: The holder of a contract of that kind preserves his right to buy at some future date his annuity on a rate basis that was in use years back.

Senator HAIG: The Winnipeg School Board bought pensions for half their teachers in that way. If a teacher had taught two years he had the right to a pension and he paid so much out of his salary to the School Board. When he resigned or was dismissed the School Board handed the annuity contract with the Government over to him. He may have made only two or three payments. These teachers are now starting to pay up on some of these contracts. I happen to know this.

Mr. MACGREGOR: I believe that clause was inserted in the contract until 1948.

Senator WOODROW: Would you discuss some of the so-called loss? For instance, you have been speaking about interest rates on a declining basis. Now, as you know in many cases the interest rates go higher. Now, it will probably be five or ten years before you adjust your 4 per cent rate upward to follow the interest rate trend. During that period you recover some of the so-called loss you had incurred previously.

Mr. MACGREGOR: That is true to a certain extent. In practice companies do have to take a long look forward, of course, and they do from time to time—and these days frequently—revise the rates. Mortality is, of course, the other important element apart from interest.

Senator WOODROW: Oh, yes.

Mr. MACGREGOR: More and more companies now are attempting to forecast what the lower level of mortality will be ten, twenty years hence, and to make some allowance for the secular trend, as it is called.

Senator BURCHILL: On that matter of interest rates I understood you to say that the basis at the present time is 3 per cent on Government annuities?

Mr. MACGREGOR: No, Senator Burchill, it was reduced from 4 per cent to 3 per cent in 1948, but it was increased in 1952 to 3½ per cent at which level it is now.

Senator BURCHILL: As the interest rates go up a company would participate in those by their investments. The Annuities Branch would have to follow that along. I am thinking you would have to follow the trend long in order to credit the fund with current rates, in order to give the fund a break. I mean to say, if your basis is only worked on 3½ per cent, and the current rate today is 4 per cent, the fund does not correctly reflect, and it is just a matter of book-keeping.

Mr. MACGREGOR: That is right. The amount credited to the fund—

Senator BURCHILL: That has to be adjusted to give a true picture?

Mr. MACGREGOR: That is right. The amount credited to the fund, I believe, is the rate assumed in the contract; that is to say, for contracts issued before 1948, 4 per cent; for contracts between 1948 and 1952, 3 per cent; and for contracts since 1952, it is $3\frac{1}{2}$ per cent, regardless of the rate actually prevailing.

Senator BURCHILL: Thank you.

Mr. MACGREGOR: I think it is probably unnecessary to mention that our main function in the Department of Insurance is to supervise the companies, and we have had no official responsibility for the operation of the government annuities scheme, which is administered by the Department of Labour.

Senator CRERAR: What about rates or mortality tables?

Mr. MACGREGOR: We do a great deal of work to assist other departments of the government with their actuarial problems but in the case of government annuities we have perhaps over the years done less than for other departments. Back in 1928, or thereabouts, the then chief actuary, Mr. Watson, made a mortality investigation of government annuities, but since then the investigations have been made either by the actuary in the Annuities Branch or by some actuary outside the government service altogether. Where the government is selling a scheme of annuities really in competition with companies I suppose they prefer what might be thought to be a more independent opinion. Although I must say that our comments or advice would be impartial notwithstanding that we have our own personal views about the justification for the scheme.

Senator BURCHILL: I wanted to discuss the people that the Annuity Branch is serving, that is the wage earner, the individual, and such people who want to save and practise thrift, but I would also like to discuss the other feature of it, that is, the amount or the extent to which corporations and industrial concerns are using it for their pension schemes in competition with the companies now.

Mr. MACGREGOR: I take it, Senator Burchill, you are asking for my personal opinion?

Senator BURCHILL: No, but I want to know the facts. There is quite a participation on the part of industrial concerns and corporations, is there not?

Mr. MACGREGOR: My personal opinion is largely this. I think unquestionably the government annuity scheme was started, as I mentioned earlier, to encourage thrift amongst the daily wage earner, as Sir Richard Cartwright put it, all in the hope of heading off old age pensions. I have some quotations here, if the committee would like to hear them, from Sir Richard Cartwright's speeches when the scheme was first started. Would the committee be interested?

The CHAIRMAN: I think the committee would be interested in your continuing, Mr. MacGregor.

Senator BURCHILL: Perhaps you would kindly answer my question as to the participation of industrial concerns and corporations.

Mr. MACGREGOR: My personal opinion is that the scheme has been largely ineffective in heading off a need for old age pensions. The old age pension scheme, of course, came into being in 1927 on a means test basis, but whatever the justification may have been for the annuities scheme prior to that time, it must surely have been less since old age pensions have been payable on a universal basis without any means test since 1951. My personal opinion again, is that the people Sir Richard Cartwright hoped to interest in the scheme never availed themselves of the scheme to any extent at all, that is to say, the daily wage earner. By and large I think annuities have been sold to middle class or better-off people, or even wealthy people, and to employers. It is certainly a laudable objective to encourage thrift, but I think it is doubtful whether the sale of annuities at a loss has done anything to encourage thrift amongst the persons who have actually purchased them, especially since, say, the depression days. Anyone who lived through the depression thirties, and

then the war, could hardly be other than security minded, and of course it was in the thirties (1936) that the old age security scheme came into existence in the United States. People became more insurance minded and more inclined to make the best possible provision for the future and to improve their economic position as best they were able. Then during the war tax rates were high, with excess profits tax on top of the income tax, and employers were naturally disposed to make provision for pension schemes, because they almost had their choice of spending some money that way or paying it over to the government in tax; so that during the war more and more employers instituted pension plans, and have been doing so ever since. The course of group annuities since then indicates the development in the industrial pension field. I do not have figures showing the trend of group annuities issued by the government but I have data for the insurance companies in Canada. The total consideration received in 1945 for group annuities was \$14 million; in 1950 it was \$38 million; and in 1955 it was \$80 million. I can also give you some figures on the number of group annuity schemes that are in force now in insurance companies as compared with the government annuity scheme. (*See Appendix K*) I understand that the number of group annuity contracts in force in the Government Annuities Branch as at March 31, 1955, was 966. The number of group annuity contracts in force in all insurance companies, in Canada as at December 31st, 1955, was 3,045, somewhat more than three times as many. On the other hand—or perhaps I should say at the same time—the number of group certificates in force, that is, the number of individuals covered by these group contracts, was 190,129 in the government annuity scheme, and it was 285,215 amongst the insurance companies. From those figures it will be seen that the average number of certificates per group annuity contract, or in other words, the average number of employees covered in each group is 197 in the case of government annuities, but only 94 in the case of insurance companies. The insurance companies have a larger number of these group annuity schemes, and a larger number of employees are covered; but the average size of the group is about half that in the Government annuities scheme. On the surface it suggests that at least the larger employers are going to the government first.

Senator MOLSON: Mr. Chairman, I would like to get back to this question of reserve. I am still a little puzzled about it. The insurance companies have to meet certain requirements under your department, Mr. MacGregor; if the Government annuities scheme had to meet similar requirements under your department, what would the reserve position be?

Mr. MACGREGOR: In the first place, Senator Molson, the companies would be required to make provision now for all their future obligations; they would not be permitted to wait until the annuity begins before strengthening the reserve basis to cover the then value of the annuity; they would be asked to make full provision now. How much a change of that kind would increase the present reserves in the Government annuity scheme, I should not care to hazard a guess without making a proper investigation of the data and a valuation.

Concerning the other point mentioned earlier about the peculiar option in contracts, it is really impossible to value it; no one can say to what extent contract holders will exercise it.

Senator MOLSON: I appreciate your answer with respect to the second point. Could we get an estimate of the liability? Would it be possible to get that figure with respect to the first point?

Mr. MACGREGOR: It is possible, but it would involve a valuation of the data in the Government Annuities Branch.

Senator MOLSON: Which would be a very heavy task.

Senator HAIG: It would involve examining every policy.

Senator GOLDING: Mr. MacGregor, evidently the insurance companies think that the annuities field is one which should still be cultivated.

Mr. MACGREGOR: Yes.

Senator GOLDING: In spite of the pensions and such other things that are being paid, the companies still think so?

Mr. MACGREGOR: Yes.

Senator GOLDING: I understood you to express the opinion that you felt the field should be abandoned.

Mr. MACGREGOR: No, sir. I had no thought that the annuities field should be abandoned. I am sorry if I made any comment carrying that implication.

Senator HAIG: You think the actual cost should be charged against the Annuities Branch?

Mr. MACGREGOR: I was speaking of annuities generally; perhaps you are thinking of the sale of annuities by the government.

Senator GOLDING: I am speaking of the field for the sale of annuities, whether it be the Government or by companies. I say that the companies evidently think, notwithstanding all the pension schemes there is still the annuities field which should be covered.

Mr. MACGREGOR: I think it is a field that must be provided with adequate facilities. Whether they are to be provided entirely by life insurance companies or by the Government—that is a matter of policy.

Senator GOLDING: I took your point of view to be that the government should not carry on this scheme, or at least it was not necessary. I should like to get that point clear.

Mr. MACGREGOR: I think that if the Government were not offering annuities, most of those sold by the Government would be sold by the companies; I think the people who are buying annuities from the Government would probably buy them anyhow somewhere else, and of course they would go to the only source, namely, the insurance companies. For the most part I believe they go to the Government now because they get a better rate.

Senator GOLDING: You think this is a field that has need for that service.

Mr. MACGREGOR: By the government?

Senator GOLDING: By somebody, whether it be the government or the companies.

Mr. MACGREGOR: By someone, yes, most certainly.

Senator HAIG: But your idea is that whatever the Government charges for its annuities should include their cost to the government?

Mr. MACGREGOR: I think the first point, Senator Haig, that I should want to have answered in my own mind is the objective of public policy that the sale of Government annuities is intended to serve now. Having settled that, I think one would then be in a better position to express an opinion as to whether they should be sold at cost covering all expenses, or at less than cost, and if at less than cost, how much less.

The CHAIRMAN: It is purely a matter of policy.

Mr. MACGREGOR: It is a matter of policy.

Senator HAIG: Just leaving that question out of it, because we are not fixing Government policy, surely an ordinary businessman would decide that he should not sell annuities below cost.

Mr. MACGREGOR: It is very difficult to see any justification, to my mind at least, for the Government selling annuities at less than cost, having regard for the people who buy them.

Senator BARBOUR: Mr. MacGregor, do you not think that the Government should now, in view of the fact that this field is covered not only by Canadian, but by American and United Kingdom insurance companies, try to sell out the contracts it now has to the insurance companies and get out of the business altogether?

Senator CRERAR: That is not a question that should be asked this witness.

Mr. MACGREGOR: Generally speaking, Senator, I think probably the better procedure where it has been decided to discontinue the making of new contracts, is to allow the old ones to peter out. That has been done in the past. For example, in the Civil Service insurance scheme, which was and still is administered by our department, new policies were discontinued in 1954, but the remaining business is running on; it will take some years before it runs off, but it can be administered quite economically. Another example is Returned Soldiers insurance; new issues were discontinued many years ago, after the First World War, but the scheme has been administered so far as the remaining business is concerned quite economically, and it has since been integrated with the Veterans Insurance scheme following the Second World War.

Senator BURCHILL: Mr. MacGregor, do you know what practice is followed in the United States with respect to the Government of that country offering annuities for sale?

Mr. MACGREGOR: The government in the U.S.A. does not sell annuities to the public, as the Government here does.

Some interest was expressed a little while ago about these industrial pension schemes, so to speak. A large portion of the business transacted by the Annuities Branch is in the group field. Employers as a whole are pretty well informed people, and if they desire to institute a pension scheme they naturally shop around and find the best rate they can. If the Government rate is better they will buy as much as they can from the Government, and go to the companies for any excess they desire. If the Government facilities were not available, I think in most cases the pension schemes would still be put into effect, but the whole would be purchased from the companies. Probably the employers would absorb any little extra cost that would be involved. I doubt very much if in most cases, or if in any cases, the employee would be asked to pay any more than his usual 5 per cent or whatever it may be now.

Senator MOLSON: Mr. Chairman, we were given by the Minister a figure of 1.68 per cent of premiums representing the cost of administration; compared with 5 per cent which Mr. MacGregor mentioned in the ordinary expense loading for companies, that seems very low, does it not?

Mr. MACGREGOR: Yes it does, Senator Molson. Of course the loading of the companies includes a commission element of perhaps 2 to 3 per cent. Two per cent I think is customary for single premium immediate annuities.

Senator MOLSON: Is there not a commission on Government annuities. I think there is.

Mr. MACGREGOR: Yes. That is true. In the Government annuities scheme the commission is included in their expenses.

Senator MOLSON: So that figure does seem very low compared to the companies' cost. Are the same mortality tables used in both the Government Annuities Branch and by the insurance companies?

Mr. MACGREGOR: No, I think there are very few companies using the same mortality basis as is used in the Government Annuities Branch now, but perhaps I should explain that in computing premium rates for annuities, a company will have an eye to each of the ingredients in the premium, that

is to say, one may tend to be a little more conservative on interest, while another company may tend to be a little more conservative on mortality. I am quite sure that if one analysed the premium bases used by the several companies today he would find that the interest rate assumed is not the same in every case, and also likely find that where the interest rate is not the same, the mortality basis is not quite the same either, but the end result is not very different.

Senator MOLSON: In the year ending 1954, you said company premiums amounted to \$95 million, and the figure which was given to the committee on Government annuities for the year ending March 1955, amounted to \$68.5 million. Can you tell me in what year the companies' business passed the Government figure?

Mr. MACGREGOR: I am afraid I could not at the moment, Senator Molson. I have the figures for the companies, but I have not the earlier figures for the Government Annuities Branch. I could give them to you after this meeting. It will take a little time to find.

Senator MOLSON: That will be satisfactory.

Senator ISNOR: Mr. Chairman, I want to ask a direct question of Mr. MacGregor. Why is it that the services and advice of your department are not made use of to the same extent and to the same manner as they are by private companies? To enlarge on that, I know that your department enjoys a very fine reputation. In making inspections of the business of private companies throughout the country your department picks up information which is helpful to them, and your criticism of improper coverage in this case or inadequate investment in bonds in another case, are very much appreciated by these private companies. Now, I want to ask why the same service and advice is not available to the Annuities Branch. If it is available then why is it not made use of?

Mr. MACGREGOR: I doubt, Senator Isnor, whether I can give you a direct and clear answer to that. I can say this, that in recent years, more particularly since the war, and perhaps more particularly still since 1948, or thereabouts, I think our opinion has been requested more frequently than it used to be. I think that at one time it was suggested that our department might even administer the Government annuities scheme, but frankly I think that would have been unsatisfactory because it is very difficult to mix supervision of companies with the administration of an annuities scheme that is in direct competition with the companies that one is supervising.

Senator HAIG: It can be done, though, the Canadian Broadcasting Corporation does that.

Senator ISNOR: Perhaps Mr. MacGregor will go a little further into that, Mr. Chairman.

Mr. MACGREGOR: We have of course, Senator Isnor, our opinions about the Government annuities scheme, and have perhaps, not unnaturally, expressed them gratuitously from time to time to others in the Government service interested in the scheme. We have no axe to grind with the Annuities Branch. We have no desire whatsoever to foster the sale of annuities or to foster business by companies as against Government annuities. Whether there has been a feeling in the Annuities Branch that we might be disposed that way I cannot say, but our relations with that branch now are quite happy. I think we are being consulted, as I mentioned, more often than we used to be. As I mentioned also, whatever the reason, there seems to be a much greater degree of realism in setting rates and settling upon contract terms and so on in the Annuities Branch within the last ten years than formerly.

Senator ISNOR: We are all very pleased to have that last comment, I am sure, that is, your comment about the improvement.

If you had made a thorough examination of the Annuities Branch three years ago, or two years ago, you would have brought to their attention the fact that they were \$350,000 behind, or you would have indicated to them the need of \$350,000 to make their annuity service solvent. Would you have done that?

Mr. MACGREGOR: That, I think, was the amount required to be transferred a year ago to maintain the annuity account according to the procedure that they have been following, but briefly, that system of accounting is on what one might term a current cost basis, that is to say that transfer related in the main to the deferred annuity contracts that matured for payment for the first time in that year. But others are going to keep on maturing from year to year in the future and to be completely realistic about future operations of the annuity fund one might better attempt as best he can now to value all future obligations facing the fund, rather than to wait until the annuities mature before making full provision for them.

Senator ISNOR: Mr. Chairman, I was very interested in the answers given to Senator Molson's questions, and it is really in continuity of his questions that I asked mine. I think Mr. Chairman, it is very important, and the evidence we have had from Mr. MacGregor this morning will have an important bearing on the report that the committee makes. There is much food in it. The questions that have been asked of Mr. MacGregor and his answers are going to be very helpful, I am sure.

However, I am not entirely satisfied yet as to whether you make year in and year out inspections of the Annuities Branch.

Mr. MACGREGOR: No sir, none at all.

Senator ISNOR: You have none?

Mr. MACGREGOR: None at all. We have no official responsibility for the administration of the Government Annuities Act, nor have we made any investigation into their mortality experience since 1928. However, one knows pretty well what mortality is being experienced amongst annuitants in Canada. The volume of business in the annuities branch is substantial, so that, even without making any investigation, we know pretty well from time to time whether they are selling annuities on a bargain basis or on a break-even basis. But we have made no investigation whatsoever, senator, concerning their activities in a supervisory way.

Senator CRRERAR: We had an evaluation, Mr. Chairman, when the officials of the annuities branch were here, as to the amount likely to be required to maintain solvency supposing you stopped selling the annuities, to the expiration of the last contract.

Mr. MACGREGOR: The annuities branch, of course, have their own actuary now, and have had him since the war.

Senator ISNOR: Oh well, all the companies you inspect have the same thing. It is just that I am trying to establish the fact that you do not give the same service to the annuities branch and the Department of Labour that you do to the private companies operating through Canada.

Mr. MACGREGOR: We do not, senator. That is quite right.

Senator MOLSON: Is there any other case in the country where that situation applies? Is that the only case of a major fund where the Department of Insurance does not exercise supervision?

Mr. MACGREGOR: Our connection with the various Government pension and insurance schemes has varied a good deal, Senator Molson. Sometimes our advice has been sought at the very outset before the scheme was instituted.

That was the case with Returned Soldiers' insurance in the first war, with Veterans' insurance in the second war, and with unemployment insurance, also with some of the Government pension schemes. For example, Part 4 of the R.C.M.P. Act, which came in force about 1934, being a scheme providing widows' and children's benefits for the first time for constables and N.C.O.'s,—that scheme was framed in our department at General MacBrien's request. In other pension schemes, as, for example, in the case of the Defence Services' pension scheme, Part 5 of the R.C.M.P. pension scheme, and the superannuation fund of the Civil Service, we did not frame the scheme nor do we take any direct hand in the administration of the scheme, but we do now make an actuarial valuation regularly of each of these funds. In some cases these valuations are required to be made at least once every five years by statute, as in the case of the Defence Services scheme and the Civil Service superannuation scheme.

Senator CRERAR: You have not in recent years been asked to do that for the annuities branch?

Mr. MACGREGOR: We have never been asked to do it, so far as I recall.

Senator MOLSON: To come back to my question: does that leave this the only major fund where you do not value or exert some influence on its operation?

Mr. MACGREGOR: It is the only major one that comes to mind at the moment, senator. We do a great deal of work for other departments.

The CHAIRMAN: Are there any further questions?

Senator HAIG: I move we adjourn.

The CHAIRMAN: No, not at this time. I have something I want to bring up.

Mr. MACGREGOR: Senator Molson, I left unanswered the question you raised a little earlier as to the point of time when the premium income of companies passed that of the annuities branch. From the figures that I have here I can only say that it occurred in some year after 1945. Unfortunately I have not got the Government annuity figures here, but it was somewhere between 1945 and 1955. In 1945 the premium income of the annuities branch was \$33 millions as against \$28 millions for companies.

Senator MOLSON: Thank you. That is close enough.

Mr. MACGREGOR: I should guess it was along about 1947 or 1948.

The CHAIRMAN: Mr. MacGregor and Mr. Humphrys, I know the committee would want me to say a word to you of appreciation for the manner in which you have given your evidence; and I take great pleasure in thanking you very much for your presentation and for coming here; and in that I include you, Mr. Humphrys.

This about concludes the last witness that we had anticipated and planned to call, and it brings up the question of whether we will instigate further inquiries in other branches or whether we are now prepared to go to the report. What is your thought about it? Last year the report was tabled in the house on Thursday, June 16. As you are aware, there is quite a compilation of documents and evidence to go through. It will take some little time to get a report compiled; and I was wondering what your thought was, whether we should now terminate our hearings and proceed to report, or whether we should institute further inquiries.

Senator HAIG: Following last year, Mr. Chairman, I suggest that the steering committee, or any other committee you want to appoint, draft a report and bring it back to this committee within a reasonable time for the committee as a whole to consider.

The CHAIRMAN: Is that the considered wish of the group?

Some Hon. SENATORS: Agreed.

Senator ISNOR: Just before you pass that motion; I am a little disappointed, Mr. Chairman, that you and your steering committee did not see fit to call the Auditor General of Canada, Mr. Watson Sellar. I think he is one authority on the matters that come before this committee who, perhaps, is outstanding. I mentioned this earlier: I hoped you would call him as a witness. Certainly his advice and experience should be worth considering; and I should say, quite frankly, that I am disappointed that you and your steering committee have not seen fit to call him.

The CHAIRMAN: There is still opportunity to call him, if that is the wish of the committee.

Senator ISNOR: Secondly, last year some senator brought in an economist who, I think, was referred to as "Mr. Jackson". Gilbert Jackson, was he?

Senator CRERAR: Oh yes, he was here.

Senator ISNOR: Gilbert Jackson,—from Toronto, if I remember rightly—was very interesting; and the representatives of two or three other organizations who came here also made a real contribution to our deliberations. Certainly the witnesses that you have had before the committee have all given helpful information, but there has not been very much constructive thought given to us in regard to the future. It has just been a rehash of evidence placed before us on previous occasions. As a result of questioning today, Mr. MacGregor gave us some information for the future but apart from that there has not been much new. I offer these thoughts for you and your Steering Committee to consider before you bring in your report.

The CHAIRMAN: First I should make some comment before I put the question to the Steering Committee. It is not sure that your criticism is of the committee or of the chairman.

Senator ISNOR: It is nothing personal at all.

The CHAIRMAN: It is nothing personal at all but I want to make this statement.

Senator ISNOR: All right.

The CHAIRMAN: It is not clear whether your criticism is of the committee or of its chairman. If it is of the chairman I accept it in good grace and I will say that you are probably right. But when I assumed this position as chairman of the committee I thought I clearly stated to the committee that it would be the function of the committee itself to direct what they wanted brought before it. I said that I would facilitate that to the best of my ability. Well, I have done so to the best of my ability, but whether I have done it acceptably or not is for the committee itself to decide. Whether it is my fault or that of the committee the situation can be corrected. These questions were brought up in meetings of the Steering Committee and the Steering Committee decided that we would not call expert testimony. The members of the Steering Committee are here now, I think. I remember, for one thing, that Senator Turgeon said at a meeting of the Steering Committee: "After all, this is supposed to be an economy committee and we are increasing expenditures". That is one comment that was made. Maybe I should not repeat that. If it is the wish of the committee to call Watson Sellar or anybody else I will certainly facilitate getting him. I will ask the committee again. Is it your wish—

Senator ISNOR: Before you put the question I want to correct any misunderstanding that may exist in your mind. I was very careful to refer to the chairman and the Steering Committee. There is no criticism of the chairman. He has done a good job.

Hon. SENATORS: Hear, hear.

Senator ISNOR: I want to make that very clear. There is no criticism of the chairman or of the Steering Committee.

Senator CRERAR: Mr. Chairman, I think there would have been merit in Senator Isnor's suggestion had it been made a few months ago. When we had Mr. Gilbert Jackson, who is recognized as one of the outstanding economists in Canada, before us in relation to the inflationary pressures that were in the economy, he discussed the possibilities of further inflation and the factors that led to inflation in the economy.

Senator ISNOR: At the time.

Senator CRERAR: I do suggest that it is perhaps a little bit late at this juncture in our proceedings to initiate an inquiry into that particular problem. The Steering Committee could consider that but if we do and the house should adjourn, say, next month around the 20th or 25th of June, I think it would be quite impossible to get his views considered by the committee as a whole so that a recommendation could be made, and a report.

There is one other matter I might mention now that I do think is of crucial importance. I have regarded it as crucial, at any rate. I refer to the burden of expenditures. The burden of taxes in the federal authority alone does not reflect the situation so far as the country as a whole is concerned. That is to say, if we are to get an accurate picture of the tax problem we must ascertain what the total amount of taxes are at the provincial, municipal and federal levels. The same applies to expenditures. We had in our previous reports a rather broad analysis of the total taxes paid to all Government authorities, where the tax is derived, and the total of expenditures by all authorities, and what the general lines of expenditures were. That information, of course, is available in the Bureau of Statistics. I had thought of raising this earlier in committee.

The CHAIRMAN: I do not want to interrupt you, Senator Crerar, but we are now in the process of trying to prepare that sort of statement. I do not think it will cover the whole field but we have all the necessary information to prepare that. That has been submitted through the evidence.

Senator CRERAR: Where was that secured?

The CHAIRMAN: From the Bureau of Statistics; and Mr. Deutsch submitted quite a bit, if you will recall. We are now trying to assemble that

Senator CRERAR: The information I am speaking of could be obtained from the submissions to the interprovincial conference of last October.

The CHAIRMAN: We have all that.

Senator CRERAR: That should be included in our report.

The CHAIRMAN: That is one of the things I intend to submit to the Steering Committee and then to this committee for approval, when we get around to it. But it is difficult to do it until we get some assembly. Further to this discussion I might read the minutes of the meeting of Friday, March 16, of the Steering Committee:

"The Steering Committee of the Standing Committee on Finance met this day at 3.00 p.m.

Present: The Honourable Senators Burchill, Crerar, Haig, Hawkins and Turgeon.—5.

Following a general discussion, agreement was reached on the following points:—

That Mr. Deutsch be permitted to conclude his evidence at the next meeting.

That the Committee resume sittings as soon as possible after the Easter recess.

That the Committee inquire into the policy of the government on rented accommodation, and that appropriate witness be called.

That Mr. Watson Sellar, Auditor General, need not be called."

That was the decision of the Steering Committee.

Senator ISNOR: That is the first time you have placed this on record. We did not know this. You never announced this to us before.

The CHAIRMAN: I tried to.

Senator ISNOR: If you tell me that it is in the minutes, it is good enough.

The CHAIRMAN: Perhaps it is not in the minutes. Reading on:

"That the Hon. Milton F. Gregg and the Hon. Walter E. Harris be invited to appear before the Committee and discuss the details of government annuities and the superannuation fund, respectively."

That was when that decision was made.

Senator BURCHILL: I think that the Steering Committee will have to accept the rebuke of my friend from Halifax-Dartmouth (Hon. Mr. Isnor).

Senator ISNOR: It is not a rebuke.

Senator BURCHILL: It is good for us. I think it was the feeling of the Steering Committee that we just had not got to the point where we were in a position to have the Auditor General. We did not have anything to put before the Auditor General at the time, and we felt these other matters were more important and what the members of the general committee wanted. I think that was our feeling on that occasion. Whether it was right or wrong it is too late now in the session to bring the Auditor General here. It will take all our time now to get a report assembled before the session concludes. I would certainly think it is a bit late now. Now, Senator Crerar mentioned what we had in mind last year when we brought Mr. Gilbert Jackson here. What we were after then was the effect of Government spending on inflation. That was always the theme of our discussions last year. This year it is a different story altogether, and there was not the same need for bringing those expert witnesses. Another year perhaps we can chart our course a little better, and have the Auditor General here. On that point, Mr. Chairman, there are all kinds of topics that we can study with profit as a committee to serve the people of Canada. Another matter well worthy of discussion is the question of taxation in this Dominion. That is a subject that could take up the time of a whole session.

The CHAIRMAN: This may be an excuse for not calling Mr. Watson Sellar, and I am never anxious to offer excuses, but in order to call a witness, the request must first come from this committee, and then some idea must be gained of what we are calling the witness for, and in my opinion a prospective witness should be given some idea of what he is to be questioned about. The committee has been meeting once a week, and perhaps it should have been meeting twice a week. I can assure the committee that I do not want to shut anyone off. I have done my best to give everyone an opportunity. The question is still open before the committee. What is the committee's decision about it?

Senator HAIG: I do not agree with my friend from Halifax-Dartmouth (Hon. Mr. Isnor). We do not want to have Watson Sellar here. He is the Auditor General for the Government and their expenditures, and I am not anxious to investigate how the Government spent the money, or why. The minute I do that I enter into the field of politics right off the bat, and it would be said that John T. Haig is trying to show that the Government has spent money here, there, or elsewhere. I do not want to be put to that test. I think we have to have a different policy altogether. As senators we are not supposed to be terribly interested in individual things as a general policy.

I think you are to be congratulated, Mr. Chairman, for the opportunities you have provided to enable us to get information. Two ministers were called here. In my estimation, Mr. Gregg gave a very clear statement of the annuities situation, and did not try to hide anything at all. He admitted they had spent \$30 million up to date, and the estimate will probably be another \$40 million yet. He admitted the cost of management was charged to the Government and not to the annuitants. Mr. Gregg has gone up in my estimation. Then we had the Minister of Finance here, and he is a very busy man, and through your influence, sir, certainly not through mine, he and his key men from the department came and gave us the information. I think our committee, as it did when Senator Crerar was chairman, should try to show the people of Canada the way the Government of this country can conduct its financial affairs. One matter the public should know more about is the matter of taxation, and secondly, it should know more about how annuities are dealt with. They ought to know how much the Government is spending a year, and why annuities are being sold by the Government when they are being offered by other companies.

Now, I can quite understand Senator Isnor making the statements he did, even though I may not agree with him. I have read what Gilbert Jackson has written; he is an able man. I admit that we are threatened with inflation now, but I must admit that the Government, by raising the bank discount rate, have attempted in one regard to head off inflation, and have encouraged the other banks in Canada to follow suit. I do not want to get into an argument between Gilbert Jackson and the Government as to how to head off inflation.

I think the Steering Committee is under a very great obligation to you, Mr. Chairman, because you have helped us very materially in the performance of a very difficult task. When the report comes in it will be a unanimous report of the committee, although there may be some things in it that I do not agree with, but the responsibility will be yours, sir, because you will have to accept or reject the report, and the rest of the members of the committee will take the responsibility, too, everyone of us. The members of the Sterling Committee have had a very happy time together, largely due to you, Mr. Chairman, and the clerk who assisted you. We have to thank you for the good work you have done for us in getting the material and information available. Every decision that has been made was with the unanimous decision of the Committee. I was against Gilbert Jackson being called. I know his ability, but I felt that we did not have time to go into that whole question at the time at our disposal, and I was anxious that our time should be directed to the things we have investigated, and I am highly satisfied with the investigation. I think we have done a real service.

In conclusion, I think it is encouraging that the Government adopted some of the suggestions embodied in our formal report. Take the case of the Department of Public Works. They now do nearly all the building for the Government. There are two exceptions, but I think time will bring both of them under the Department. Our committee is entitled to credit for that forward move. I want to check on that to see that it is being done. We had the Deputy Minister here, a very able man, and he gave us a statement showing exactly how they were trying to catch up with our proposition, and practically told us that they had adopted the proposition. We are going to follow that through, also. They do not accept one or two of our suggestions, because of course, all these things take time.

I think our report will show a fair summary of all the evidence. If you accept it, it is your report, Mr. Chairman, not ours. I wish to remind you of this, because you are the one who will make it, and we are only your secretaries, so to speak.

Next year, I think the committee should meet earlier, if we are to call the experts for information. I am not too keen on that, especially calling the Auditor General, but if these men are to be called, they should be called early in order to have a proper investigation. One day's interview is not enough. Further, if inflation is a more threatening menace a year from now than at present we shall certainly want Gilbert Jackson called to help us to solve that problem.

The CHAIRMAN: Any further comments, gentlemen?

Senator BEAUBIEN: It seems to me, Mr. Chairman, that you have plenty of material from the evidence to submit an intelligent report with some recommendations.

The CHAIRMAN: Is it the opinion of the committee that we should adjourn the hearings now and proceed to the report?

Senator BURCHILL. I so move.

Senator BEAUBIEN: I second the motion.

The CHAIRMAN: It has been moved by Senator Burchill, and seconded by Senator Beaubien, that we now adjourn the hearing of witnesses and proceed to the report. All in favour of that motion, please signify?

Now, before we adjourn and proceed to report, there is the matter of the publication of the report and the preparation of it, which I understand takes some little time for the setting up of the machinery.

The CHAIRMAN: Last year about this time in our proceedings we passed the following motion:

That authority be granted for the printing of 1,000 additional copies in English and 200 additional copies in French of the report of the standing Committee on Finance on the expenditures proposed by the estimates laid before Parliament for the fiscal year ending March 31, 1956, and that rule 100 be suspended thereto.

Senator HAIG: Mr. Chairman, I move a similar motion with respect to the estimates laid before Parliament for the fiscal year ending March 31, 1957.

Senator CRERAR: I would suggest that as this is the final report, the word "final" should be inserted in the motion.

Some SENATORS: Carried.

The committee adjourned to the call of the Chair.

APPENDIX G

DISPOSITION OF SAVING

	1952	1953	1954	Prelim. 1955
	(Millions of Dollars)			
Gross domestic investment—				
Housing, plant and equipment ...	4,256	4,840	4,666	5,268
Change in inventories	310	549	-280	450
Net increase in foreign assets (including foreign exchange) adjusted..	173	-443	-426	-651
Residual error of estimate	-95	19	51	132
Total	4,644	4,965	4,011	5,199

Source: House of Commons Debates, March 20th, 1956, Budget Papers, p. 14.

APPENDIX H

SELECTED ITEMS OF CONSUMER EXPENDITURE

(Millions of dollars)

	1953 (revised)	1954
Alcoholic Beverages	869	867
Tobacco in various forms	453	461
Race track betting	84	86
Soft drink beverages — all kinds	198	195
Commercial recreation	199	194
Total of above items	1,803	1,803

Prepared by Research & Development Division, Dominion Bureau of Statistics.
23 May, 1956.

APPENDIX I

COMPARATIVE TABLE OF ANNUITY PREMIUMS — GOVERNMENT, CANADIAN, U.S. AND U.K. COMPANIES

Ordinary Single Premiums for an Immediate
Life Annuity of \$100 per annum payable annually

Age	Government Annuity	Male Lives						
		Canadian Companies				U.S. Companies		Br. Co.
		A	B	C	D	E	F	G
		(111)	(109)	(109)	(113)	(127)	(128)	(107)
50	\$ 1,579	1748	1727	1722	1787	2001	2017	1688
		(109)	(108)	(107)	(112)	(121)	(125)	(105)
60	1,248	1364	1351	1337	1398	1512	1556	1315
		(108)	(108)	(106)	(111)	(119)	(124)	(104)
65	1,073	1164	1155	1137	1195	1276	1329	1116
		(107)	(107)	(105)	(110)	(117)	(124)	(104)
70	899	960	960	941	988	1053	1111	934

STANDING COMMITTEE

Female Lives

Age	Government Annuity	Canadian Companies				U.S. Companies			Br. Co.
		A	B	C	D	E	F	G	
50	1,721	(114) 1954	(110) 1897	(109) 1882	(112) 1936	(130) 2245	(130) 2241	(108) 1866	
60	1,425	(110) 1574	(108) 1543	(108) 1534	(109) 1557	(123) 1755	(125) 1787	(106) 1516	
65	1,248	(109) 1363	(108) 1351	(107) 1337	(109) 1358	(121) 1512	(125) 1556	(104) 1304	
70	1,057	(108) 1144	(109) 1155	(108) 1137	(109) 1153	(121) 1276	(126) 1329	(104) 1099	

Group Single Premiums for a Deferred Annuity of \$1 per month, guaranteed for 5 years certain and life thereafter, with return of premium and interest in the event of death during the period of deferment.

Male Lives, Annuity Vesting at Age 65

Age at Purchase	Government Annuity	Canadian Companies C	D
20	\$29.39	(121) \$35.48	(122) \$35.88
30	41.45	(117) 48.52	(118) 48.92
40	58.47	(113) 66.24	(114) 66.62
50	82.48	(109) 90.18	(110) 90.45
60	116.34	(105) 121.82	(105) 121.86

Female Lives, Annuity Vesting at Age 60

20	45.14	(119) 53.78	(124) 55.75
30	63.68	(116) 73.59	(118) 75.38
40	89.82	(112) 100.45	(113) 101.84
50	126.70	(108) 136.53	(108) 137.31

N.B.—Figures in parenthesis are the ratios (%) of company premiums to Government Annuity premiums.

APPENDIX J

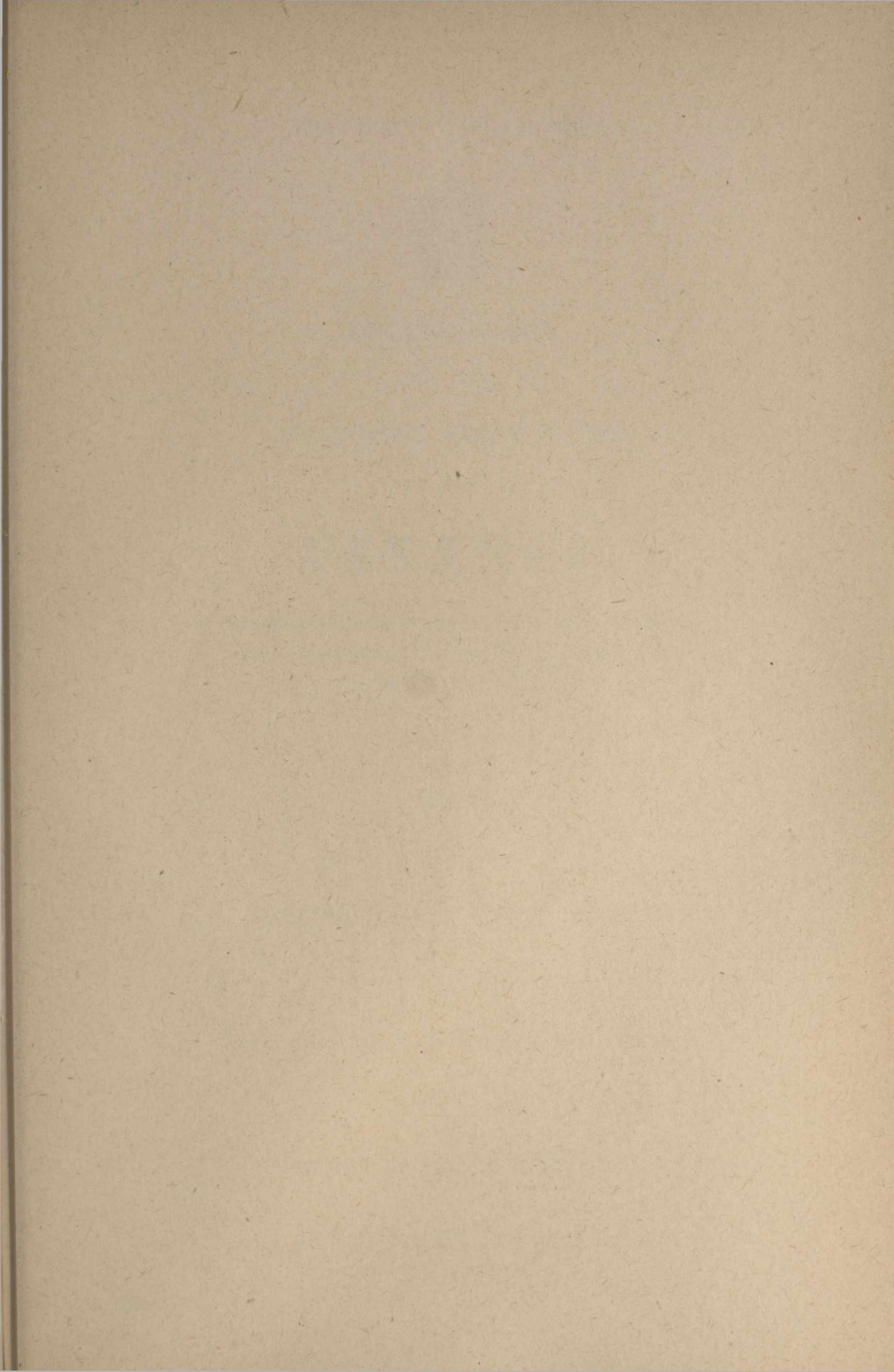
TOTAL ANNUITY CONSIDERATION RECEIVED BY LIFE INSURANCE COMPANIES IN CANADA

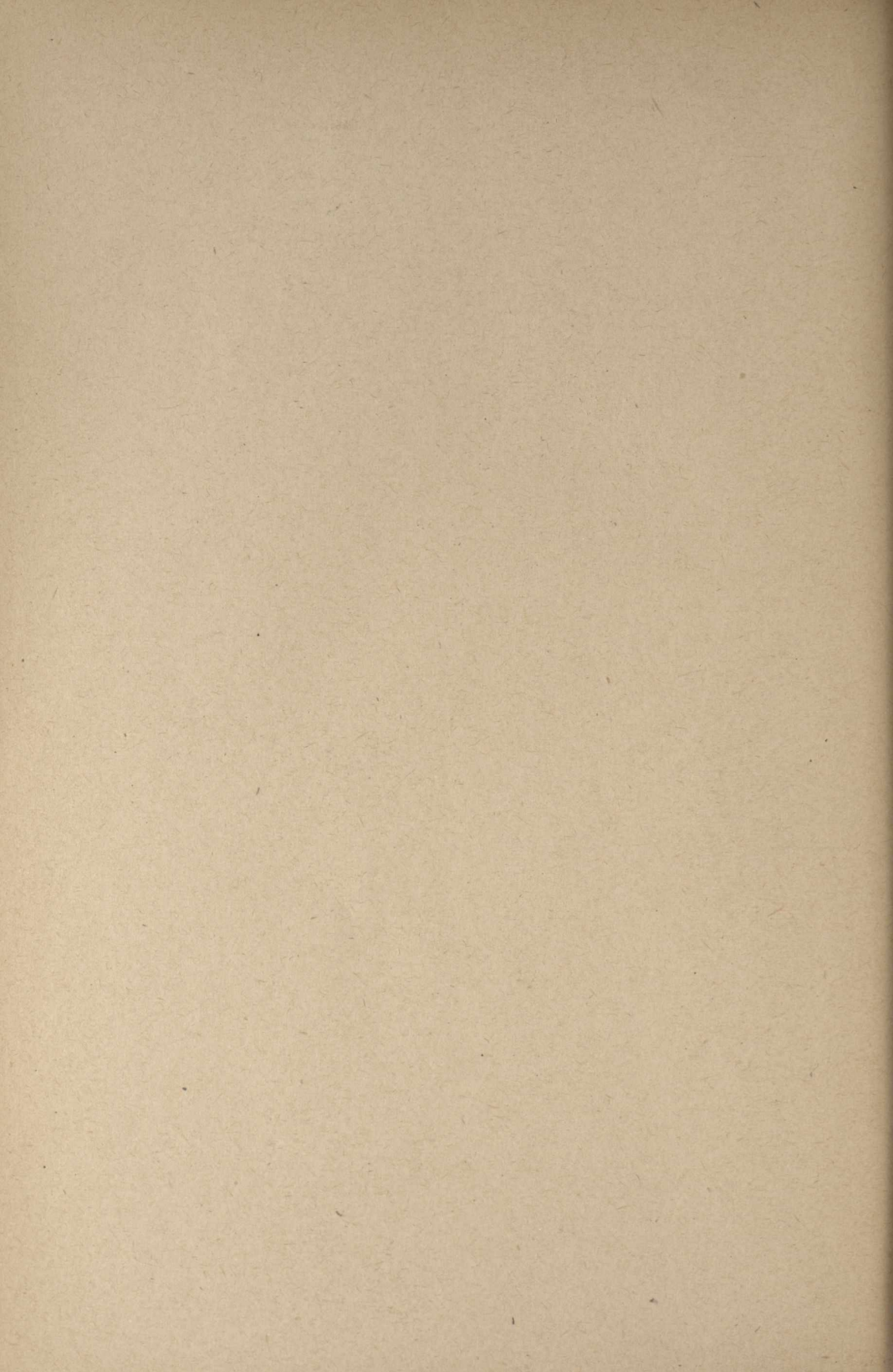
Year	Ordinary	Group	Total
1935	\$ 6,745,878	\$ 1,236,696	\$ 7,982,574
1936	7,709,429	1,425,264	9,134,693
1937	9,812,337	2,314,697	12,127,034
1938	10,932,770	2,849,944	13,782,714
1939	10,508,593	3,261,199	13,769,792
1940	9,768,720	4,162,902	13,931,622
1941	9,730,832	6,298,463	16,029,295
1942	9,623,102	5,354,133	14,977,235
1943	11,107,559	6,113,299	17,220,858
1944	12,884,239	9,220,453	22,104,692
1945	14,296,241	13,608,109	27,904,350
1946	21,080,357	17,879,585	38,959,942
1947	18,429,013	23,241,379	41,670,392
1948	18,040,383	28,352,714	46,393,097
1949	19,254,119	33,399,278	52,653,397
1950	20,677,047	38,402,085	59,079,132
1951	19,532,003	62,178,798	81,710,801
1952	20,143,600	51,703,347	71,846,947
1953	20,915,163	61,642,929	82,558,092
1954	23,854,489	71,103,083	94,957,572
1955	26,228,320	79,679,376	105,907,696

APPENDIX K

RELATIVE VOLUME OF ANNUITY BUSINESS IN CANADA

	<i>Government Annuities</i>	<i>All Insurance Companies</i>
	(year ended Mar. 31, 1955)	(year ended Dec. 31, 1955)
Consideration received during year	\$ 68,594,250	\$ 105,907,696
No. Individual contracts in force at end of year	159,532	112,837
No. Group contracts in force at end of year..	966	3,045
No. Group certificates in force at end of year	190,129	285,215
Average number of certificates per Group contract	197	94
No. of Individual annuities (contracts) vested at end of year	15,374
No. of Group annuities (certificates) vested at end of year	14,703
Total number of Individual and Group annuities being paid at end of year....	68,130	30,077





1956

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1957

No. 10

WEDNESDAY, JUNE 20, 1956

The Honourable C. G. HAWKINS, *Chairman*

REPORT OF THE COMMITTEE

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956.

STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman

The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly (<i>Halifax</i>	Howden	Smith
<i>North</i>)	Isnor	Stambaugh
Connolly (<i>Ottawa West</i>)	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, February 15, 1956.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 20, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Hawkins—Chairman, Aseltine, Beaubien, Burchill, Connolly (*Halifax North*), Crerar, Gershaw, Golding, Haig, Horner, Isnor, Molson, Reid, Smith, Stambaugh, Taylor, Turgeon and Woodrow—18.

Consideration of the order of reference of February 15, 1956, was resumed.

A draft Report, prepared by the Steering Committee and read by the Chairman, was considered clause by clause.

Following discussion and amendment, and on motion of the Honourable Senator Beaubien, seconded by the Honourable Senator Haig, the draft Report was adopted.

The following documents were ordered to be printed as Exhibits to the Report:—

No. 1. Gross National Expenditure, National Income and Gross National Product, 1929, 1939 and 1947-1955.

No. 2. Taxation in Canada, the United States and the United Kingdom, 1954 and 1955.

No. 3. Government Expenditure, Federal, Provincial and Municipal as a Percentage of National Income, 1929, 1939 and 1947-1955.

No. 4. National Income, Gross National Product and Gross National Expenditure, by Quarters, 1953-1955.

No. 5. Summary of Net General Revenue and Expenditure, All Governments in Canada, 1939, 1945 and 1951 to 1955.

No. 6. Reported Numbers of Employees of the Government of Canada, Excluding Members of the Armed Forces, the R.C.M.P., and Statutory Employees.

No. 7. Summary of Annual Estimates of the Government of Canada by Standard Objects of Expenditures and Special Categories.

No. 8. Explanatory Notes Covering the Standard Objects of Expenditure and Special Categories.

No. 9. Comparison of Consumer Prices and Average Weekly Wages. Annual Averages for Canada, 1952-1955.

No. 10. Selected Items of Consumer Expenditure, 1953-1954.

Consideration of the order of reference was adjourned.

At 12.15 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

APPENDIX (A)

WEDNESDAY, June 20th, 1956.

The Standing Committee on Finance, to whom was referred the Estimates laid before Parliament for the fiscal year ending March 31, 1957, report as follows:—

On February 15, 1956, the following order of reference was adopted by the Senate:

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

In obedience to the foregoing, the Committee held a meeting for organization on February 23, 1956, at which the Honourable Senator Turgeon was elected Vice Chairman, and a Steering Committee appointed. The Steering Committee was comprised of the Chairman and the Honourable Senators Beaubien, Burchill, Crerar, Haig and Turgeon.

Subsequently the Committee held nine meetings and heard evidence from a comprehensive group engaged in the public service. The evidence adduced was sufficient, in the opinion of your Committee, to justify the early adoption of the recommendations set forth herein.

1. *Gross National Product and Expenditure.*

Frequently heard in the evidence were such terms as national income, gross national product and gross national expenditure, as set out in Exhibits 1, 2 and 3. Further, evidence was adduced on government expenditures at municipal, provincial and federal levels, expressed in percentage of national income in Exhibits 4 and 5. Your Committee feel that a definition of these terms and the relationship they bear to the national economy would be timely.

National income is the total of the annual earnings of Canadian residents from the production of goods and services. As such, it includes salaries, wages and other forms of employee earnings, in cash or in kind, as well as military pay and allowances. It includes also corporation profits, interest, net rent, and the net income of farmers and others who are in business on their own account. If we add to national income the total of indirect taxes less subsidies and the total of depreciation allowances and similar business costs, we arrive at gross national product or the total value at market prices of the goods and services produced in a year. The difference between the two aggregates, national income and gross national product, can be readily seen by examining the costs which go to make up the market price of a particular good which sells for a price of \$1.00. Let us say that wage and salary costs throughout the many stages of production and distribution of this article amount to 50

cents. In addition, let us suppose that a further 25 cents goes for interest on investment, rent and profit, and here again these are the earnings associated with all the stages of manufacture, transportation and selling through which the article passes. The earnings on the production of this article total 75 cents and this appears as national income. The price which the consumer pays however includes other charges which are not earnings of Canadians: 13 cents for sales, excise, real property and other taxes apart from taxes on net income and 12 cents for depreciation and obsolescence on the plant used to produce the article. These further costs bring the total to \$1.00, the market price which the consumer pays, and this new and larger total appears as the gross national product.

The nation, like the individual, has both an income and an expenditure account and these must balance if allowance is made for saving and investment. Thus, gross national expenditure measures the same aggregate as gross national product but in a different way. As indicated above, the gross national product is estimated by adding up all the costs of production to obtain the total value at market prices of the goods and services produced by Canadians in a year. These goods and services must, of course, either be sold at home or abroad or added to inventories. Hence, we can obtain the same total as gross national product by adding together all final sales and adjusting them for imports and for changes in inventories, and this aggregate is referred to as gross national expenditure. In our example above the article which appeared as \$1.00 in gross national product because that was the total of its costs of production will also appear as \$1.00 in gross national expenditure because that is what the final consumer pays for it. On the one hand, we have the earnings and costs to which Canadian production gives rise or the gross national product and, on the other hand, the disposition that is made of the total Canadian product or the gross national expenditure. Both are useful in a study of the Canadian economy and changes in the totals and in the relationships of their components are worthy of attention.

Exhibit 1 shows national income, gross national product and gross national expenditure for the years 1929, 1939 and 1947-55. The growth in the gross national product was particularly large in 1955 and amounted to 10 per cent over the somewhat reduced output of 1954. This evidence of sharp economic recovery from the hesitation of 1954 is particularly encouraging but we offer only this brief comment on it and turn to the relationship of government taxation and expenditure to the total earnings of Canadians. Exhibit 2 shows the total taxation of all three levels of government in Canada, federal, provincial and municipal, as a percentage of national income for the years 1929, 1939 and 1947 to 1955 with comparable figures for the United Kingdom and United States. Exhibit 3 shows government defence expenditure, non-defence expenditure on goods and services, and transfer payments and subsidies as percentages of national income for the years 1929, 1939 and 1947 to 1955.

It is perhaps necessary to explain why taxes have been expressed as a percentage of national income rather than as a percentage of gross national product. The reason is simple. Since taxes must be paid out of earnings they should be related to earnings and, as shown above, national income is the total of all the earnings of Canadian residents. The percentage of taxes to national income represents in effect the proportion of their earnings which Canadians choose through their governments to spend collectively for certain agreed ends.

In 1955 Canadians paid to their federal, provincial and municipal governments 31·2 cents out of every \$1.00 earned compared with 22·4 cents in 1939 and 17·3 cents in 1929.* This is the total tax take for all levels of government in Canada. In addition, governments have available certain investment income such as profits from government corporations and interest on loans. Thus, quite apart from the effect of surpluses or deficits, the total of expenditures shown below will be somewhat different than the total tax take. Why has the relative importance of government spending and taxation risen in this fashion?

In 1929, out of every dollar of national income about ·5 cents was spent for defence and in 1939 about 1·6 cents. Today 8·4 cents out of every dollar of national income goes for defence. In 1929, out of every dollar of national income 5 cents went for transfer payments such as old age pensions, veterans' benefits, interest on the unproductive debt which had arisen during periods of deficit financing and for subsidies, but by 1939 this had risen to 8·8 cents. Today about 11·1 cents out of every dollar earned by Canadians goes for these same purposes. For all the other broad purposes of government: law and order, education, health and sanitation, roads, fire protection, etc., 13·8 cents were spent out of every dollar of national income in 1929 compared with 15·2 cents in 1939 and 13·7 cents today. This latter is the only category which has remained relatively stable in relation to national income over the past quarter of a century. Since the pre-war year 1939 almost the whole increase has been in defence expenditure. There has been a moderate increase in the relative importance of transfer payments but this is almost offset by the slight decline in the relative importance of other government expenditure on goods and services.

The second question which naturally arises is the extent of burden represented by government taxation of a little more than 31 cents out of every dollar of national income. This percentage cannot of course be taken by itself as a complete indication of burden. In the first place, the burdensomeness of taxation depends to some extent upon what the taxpayer is left with after paying his taxes. A rich nation like a rich man can pay a higher proportion of income and still retain a much higher absolute amount for private expenditure. That mythical figure, the average Canadian, (man, woman and child) after paying 31 cents in taxes out of every dollar of income, has about \$920.00 per annum left today compared with the \$300.00 per annum left in 1939 after payment of smaller taxes. After making allowance for price increases, real income per capita after payment of all taxes has risen almost 50 per cent between 1939 and 1955.

In the second place it is necessary to examine the kind as well as the amount of government expenditure to get some idea of the degree of burden or of the degree of interference with private business. The percentage which taxation bears to national income is high in this country as it is in the United States but not quite so high as in the United Kingdom. The real problem here is how far the percentage of taxes to national income can rise before it interferes with the incentives to produce which are the mainsprings of economic activity and which underlie the growth of income from which taxes are paid. This is a very practical problem of the burden which higher taxation places on our taxing machinery and of the effects it may have, directly and indirectly, on production. But the burden on our tax-collecting machinery is a very

* This is the total tax take for all levels of government in Canada. In addition, governments have available certain investment income such as profits from government corporations and interest on loans. Thus, quite apart from the effect of surpluses or deficits, the total of expenditures shown below will be somewhat different than the total tax take.

different thing than the burden on the Canadian people since many services, such as education, if not performed by government, would have to be paid for directly by private expenditure.

In considering the kind as well as the amount of government expenditure, the wider acceptance of the government's role in social welfare has led to a great increase in direct payments to individuals. These are the transfer payments referred to above, and the largest of them, are of course, the family allowances and old age pensions. While a little more than 11 cents out of every dollar of national income is in the first instance taken away from the Canadian people through taxation for these purposes, this same amount is returned as money payments and spent in accordance with individual preferences. When we say that a little over 31 cents out of every dollar of national income is taken in taxation we should remember, therefore, that about one-third of this amount, or a little more than 11 cents, is returned to the Canadian people in the form of money payments to be spent in accordance with individual preferences.

A further consideration with regard to the burden of taxation is that taxation may be more burdensome if it supports expenditure which however necessary does not contribute in a positive fashion to the standard of living of the average Canadian. In this respect there is a fundamental difference between taxation which is used to finance expenditure for education or welfare and expenditure for defence. On this score we would have to say that the burden of taxation has increased in the post-war period. Defence expenditures are today about 25 per cent of total government expenditure for all levels of government in Canada. They are necessary in that they constitute a sort of insurance premium but they involve a diversion of income to what the average Canadian would regard an unproductive use.

The lesson of the above figures is that without the growth in these defence expenditures in the post-war period we would have been able to carry on the broad purposes of government and even to expand, as we have done, our participation in the field of social welfare without materially affecting the relationship of taxes to national income. The fact that increased expenditures for defence and the greater expenditures for other purposes as well have not led to even higher percentages of taxation to national income is because of our great good fortune in the growth of the income of this country. While we all hope and expect that such growth will continue, it would be unwise to take it for granted or to use it as an excuse for extravagance in public spending or in public demands on government. This is particularly true in a period such as now when the resources of the economy are fully employed.

2. *Preparation of Estimates.*

During the examination of the Estimates your Committee found that, owing to the system followed over the years whereby services supplied to the various departments by Public Works are not charged to the department concerned, the Estimates of the various departments do not reflect the actual departmental costs.

The Post Office Department, for example, enjoys services and facilities valued at approximately thirteen million dollars annually, and no items indicating the cost of such service appear in the Post Office Estimates.

Your Committee therefore recommend that interdepartmental allocations be clearly set out in conjunction with the Estimates of the receiving department, in order that the document may more truly reflect the department's operations.

As a corollary to this recommendation, it is urged that the Post Office Department charge all departments of government for the approximately five million dollars which the Committee was informed it is obliged to spend annually in carrying the government's mail.

3. *Responsibility for Public Works.*

In its 1952 report, your Committee found that while the Public Works Department had the responsibility of providing and maintaining all public buildings and works, many departments of government were spending more for these purposes than the Department of Public Works and it was recommended at that time that the practice be halted.

Under the current order of reference your Committee has endeavoured to ascertain the extent to which the 1952 recommendations had been implemented. Evidence submitted indicated that this practice is being abandoned and the responsibility being returned to its proper place under the Public Works Department. A number of departments have turned over their works staffs to Public Works and this desirable practice is, we were informed, being steadily extended.

While the Committee is gratified by this improved practice and the progress made to date, it is obvious that much remains to be done in this regard. It is again strongly urged, therefore, that efforts be made to accelerate the process.

4. *Government Annuities.*

Your Committee heard evidence with respect to the operation of government annuities, indicating that since its inception, the fund had been subsidized by the government to the extent of thirty-one million dollars, not including administration costs of over eleven millions for the same period. The annual cost to the taxpayers for the current operation of this service was estimated at approximately one million dollars.

Further inquiries revealed that the estimated deficit ultimately to be faced on the old contracts, which were based on inadequate rates, is of the order of forty million dollars. To put the fund on a sound actuarial basis, provision should now be made for this known future liability instead of waiting year by year for the annual deficits to occur.

While the authors of the Government Annuities Act of 1908 were obviously concerned with the laudable aim of providing, for persons of modest means, a source of security not otherwise available at the time, few such persons now avail themselves of the facility. On the contrary, the service would appear now to be used largely by business organizations concerned with setting up pension funds for their employees.

The advent of old age pensions and the entry by most insurance companies into the annuity field, have served to remove the basis on which the Act was established, and your Committee is concerned with the justification of continuing, in deficit, a fund which no longer serves its original purpose.

In the light of these considerations, if Parliament is still desirous of continuing the sale of annuities, your Committee recommend that the tables of rates for future annuities be revised to provide a revenue sufficient to maintain the fund on a self-supporting basis, including the cost of administration.

5. *Land Procurement.*

From the evidence obtained on this subject it appears that the responsibility for purchasing land and buildings for government use is spread over many individuals and departments. It is the view of your Committee that such diversification tends to defeat the application of an overall policy so necessary in a field where large government spending is indicated.

Your Committee therefore recommend the establishment of a Real Estate Procurement Branch, within the Department of Public Works, to be staffed by persons highly qualified in all phases of real estate. This branch would have the responsibility of appraising and purchasing real estate for all departments of government, with the exception of the Departments of Transport and National Defence, which at present have statutory authority in this matter, and would ensure the application of a common policy to all such transactions.

6. *Rented Accommodation.*

Your Committee view with concern the extent to which government-departments are housed in rented accommodation. It is possible that in long-term lease contracts, or renewable short-term contracts, the amount paid in rent could exceed the original cost or value of the accommodation.

This practice, in your Committee's opinion, is uneconomic and should be discouraged.

Where long-term tenancy is indicated, and with regard to the prevailing economic trends in the locality, renting should only be considered when all possibilities of outright purchase or construction have been exhausted.

7. *Financial Accounting.*

Your Committee noted that the cost of capital works such as the construction of new buildings are charged in full to the year in which they are incurred. It is the feeling of some members of your Committee that in such cases a capital asset should be set up and subsequently depreciated as would be the case in commercial or business practice.

The present system, established in 1920, is based on the premise that the assets and liabilities of Canada should be set out so as to disclose the amount of the net debt. Therefore assets which are not readily convertible or interest producing are not considered as a proper offset to the gross liabilities in determining the net debt.

Your Committee regrets that time does not permit a comprehensive study of this question and suggests that the Standing Committee on Finance, at the next Session of Parliament, consider the matter at length, with a view to possible changes in line with modern accounting methods.

8. *Inflation and Export Markets.*

Your Committee gave some consideration to the danger to Canadian export markets inherent in the inflationary trend, with its higher costs of production.

The danger inherent in this trend is immediately obvious. The ability to compete successfully in foreign markets is based, to a large extent, on the domestic cost of production, and increases in the latter cannot help but have damaging effects on the former.

Your Committee feel that a study of all production costs should be made if these inflationary trends are to be curbed and if Canada's valuable export market is to be safeguarded. An exhaustive inquiry into this subject at the next Session of Parliament is strongly recommended.

All which is respectfully submitted.

C. G. HAWKINS,
Chairman.

EXHIBIT No. 1

GROSS NATIONAL EXPENDITURE, 1929, 1939 AND 1947-1955

(millions of dollars)

	1929	1939	1947	1948	1949 ¹	1950 ¹	1951 ¹	1952 ¹	1953 ¹	1954 ¹	1955 ¹
Personal expenditure on consumer goods and services.....	4,393	3,904	9,173	10,112	10,963	12,029	13,273	14,366	15,125	15,776	16,811
Government expenditure on goods and services ²	682	735	1,570	1,798	2,128	2,326	3,243	4,245	4,359	4,361	4,614
Gross domestic investment— ³											
New residential construction.....	247	185	506	637	742	801	781	786	1,061	1,166	1,476
New non-residential construction.....	486	166	599	818	903	1,026	1,260	1,554	1,706	1,659	1,775
New machinery and equipment.....	597	254	1,016	1,230	1,323	1,389	1,769	1,916	2,073	1,841	2,017
Change in inventories.....	61	331	947	605	231	960	1,620	310	549	-280	450
Exports of goods and services.....	1,632	1,451	3,638	4,054	4,011	4,183	5,089	5,573	5,400	5,136	5,696
Deduct: Imports of goods and services.....	1,945	-1,328	-3,621	-3,636	-3,837	-4,513	-5,613	-5,400	-5,843	-5,562	-6,347
Residual error on estimate.....	13	9	-60	-5	-2	2	52	-95	19	51	132
GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	6,166	5,707	13,768	15,613	16,462	18,203	21,474	23,255	24,449	24,148	26,624

¹ Includes Newfoundland.² Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also, includes the changes in inventories of government commodity agencies.³ Include capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

EXHIBIT No. 1—Concluded

NATIONAL INCOME AND GROSS NATIONAL PRODUCT, 1929, 1939 AND 1947-55

(millions of dollars)

	1929	1939	1947	1948	1949 ¹	1950 ¹	1951 ¹	1952 ¹	1953 ¹	1954 ¹	1955 ¹
Wages, salaries and supplementary labour income.....	2,929	2,575	6,221	7,170	7,761	8,311	9,716	10,868	11,706	11,989	12,861
Military pay and allowances.....	8	32	83	82	115	137	201	270	309	367	394
Investment income.....	836	917	2,269	2,464	2,445	3,155	3,642	3,763	3,800	3,715	4,471
Net income of unincorporated business—											
Accrued net income of farm operators from farm production ²	408	385	1,223	1,518	1,504	1,503	2,072	1,851	1,653	1,058	1,421
Net income of non-farm unincorporated business ³	608	464	1,189	1,326	1,369	1,444	1,507	1,574	1,688	1,645	1,753
NET NATIONAL INCOME AT FACTOR COST.....	4,789	4,373	10,985	12,560	13,194	14,550	17,138	18,326	19,156	18,774	20,900
Indirect taxes less subsidies.....	681	733	1,604	1,772	1,830	2,018	2,478	2,714	2,901	2,914	3,177
Depreciation allowances and similar business costs.....	709	610	1,118	1,276	1,437	1,636	1,910	2,120	2,411	2,511	2,679
Residual error of estimate.....	-13	-9	61	5	1	-1	-52	95	-19	-51	-132
GROSS NATIONAL PRODUCT AT MARKET PRICES.	6,166	5,707	13,768	15,613	16,462	18,203	21,474	23,255	24,449	24,148	26,624

¹ Includes Newfoundland.

² This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation of adjustment for grain in Wheat Board Channels.

³ Includes net income of independent professional practitioners.

EXHIBIT No. 2

TAXATION IN CANADA, THE UNITED STATES AND THE UNITED KINGDOM,
1954 AND 1955
(all levels of government)

	Canada Canadian \$ million		United States U.S. \$ million		United Kingdom U.K. \$ million	
	1954	1955	1954	1955	1954	1955
Net National Income at factor cost....	18,774	20,900	299,900	322,500	14,940	n.a.
Taxes as a percentage of Net National Income at factor cost—						
Direct personal taxes.....	7.6	7.1	10.9	10.5	9.3	
Direct corporation taxes.....	6.2	6.5	5.7	6.8	6.7	
Indirect taxes.....	16.0	15.6	10.1	10.0	16.6	
Social insurance contributions.....	2.1	2.0	3.2	3.4	3.6	
Total taxes.....	31.9	31.2	29.9	30.7	36.2	

TOTAL TAXES (DIRECT AND INDIRECT) AS A PERCENT OF NET NATIONAL INCOME
AT FACTOR COST
(all levels of government)

	Canada Percent	United States Percent	United Kingdom Percent
1929.....	17.3	12.9	n.a.
1939.....	22.4	20.9	n.a.
1945.....	28.5	29.3	n.a.
1946.....	31.6	27.5	40.6
1947.....	31.5	27.9	40.9
1948.....	28.5	26.4	42.3
1949.....	27.8	26.4	41.3
1950.....	27.9	28.2	39.3
1951.....	31.5	30.7	41.3
1952.....	32.0	31.4	38.8
1953.....	31.6	31.5	37.1
1954.....	31.9	29.9	36.2
1955.....	31.2	30.7	n.a.

EXHIBIT No. 3

GOVERNMENT EXPENDITURE, FEDERAL, PROVINCIAL AND MUNICIPAL AS A
 PERCENTAGE OF NATIONAL INCOME
 1929, 1939, 1947-55

Government expenditure on goods and services	1929	1939	1947	1948	1949	1950	1951	1952	1953	1954	1955
Defence.....	0.5	1.6	2.1	1.9	2.7	3.4	6.8	9.8	10.0	9.2	8.4
Non-defence.....	13.8	15.2	12.2	12.4	13.4	12.6	12.2	13.3	12.8	14.0	13.7
Transfer payments and sub- sidies.....	5.0	8.8	13.5	11.2	11.4	10.6	9.4	10.5	10.8	11.9	11.1

EXHIBIT No. 4

NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1953-1955

(millions of dollars)

	1953					1954					1955				
	I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
1. Wages, Salaries and Supplementary Labour Income....	2,792	2,902	3,003	3,009	11,706	2,855	2,947	3,074	3,113	11,989	2,984	3,153	3,327	3,397	12,861
2. Military Pay and Allowances.....	70	77	79	183	309	83	92	95	97	367	93	100	101	100	394
3. Investment Income	885	1,024	1,18	873	3,800	843	965	1,002	905	3,715	907	1,184	1,267	1,113	4,471
Net Income of Unincorporated Business:															
4. Accrued Net Income of Farm Operators from Farm Production ¹	18	83	1,386	166	1,653	42	119	734	163	1,058	21	146	1,076	178	1,421
5. Net Income of Non-Farm Unincorporated Business ²	348	453	447	440	1,688	334	426	445	440	1,645	346	450	479	478	1,753
6. NET NATIONAL INCOME AT FACTOR COST.....	4,113	4,539	5,933	4,571	19,156	4,157	4,549	5,350	4,718	18,774	4,351	5,033	6,250	5,266	20,900
7. Indirect Taxes less Subsidies.....	691	732	742	736	2,901	716	734	728	736	2,914	750	778	816	833	3,177
8. Depreciation Allowances and Similar Business Costs...	543	601	603	664	2,411	575	639	630	667	2,511	609	672	674	724	2,679
9. Residual Error of Estimate.....	-8	-88	10	67	-19	-17	-72	-20	58	-51	-37	-38	-44	-13	-13
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,339	5,784	7,288	6,038	24,449	5,431	5,850	6,688	6,179	24,148	5,673	6,445	7,606	6,810	26,624
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,321)	(5,701)	(5,902)	(5,872)	(22,796)	(5,389)	(5,731)	(5,954)	(6,016)	(23,090)	(5,652)	(6,299)	(6,620)	(6,632)	(25,203)

¹ This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

² Includes net income of independent professional practitioners.

EXHIBIT No. 4—Concluded

GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1953-1955

(millions of dollars)

	1953					1954					1955				
	I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	3,475	3,786	3,659	4,205	15,125	3,615	3,949	3,825	4,387	15,776	3,749	4,230	4,123	4,709	16,811
2. Government Expenditure on Goods and Services ^{1,4}	1,162	879	1,186	1,132	4,359	1,121	874	1,183	1,183	4,361	1,167	950	1,260	1,237	4,614
Gross Domestic Investment: ²															
3. New Residential Construction ⁵	190	273	302	296	1,061	206	283	334	343	1,166	245	377	422	432	1,476
4. New Non-Residential Construction.....	311	412	523	460	1,706	332	410	486	431	1,659	327	419	534	495	1,775
5. New Machinery and Equipment ⁶	522	592	520	439	2,073	460	544	434	403	1,841	417	568	525	507	2,017
6. Change in Inventories.....	-149	-48	1,126	-380	549	-136	-118	394	-420	-280	-120	29	871	-330	450
7. (Business Inventories only) ³	(96)	(215)	(132)	(-90)	(353)	(104)	(-1)	(-75)	(-148)	(-120)	(141)	(97)	(51)	(-32)	(257)
8. Exports of Goods and Services.....	1,154	1,399	1,478	1,369	5,400	-1,089	1,278	1,397	1,372	5,136	1,212	1,417	1,560	1,507	5,696
9. Deduct: Imports of Goods and Services.....	-1,335	-1,597	-1,496	-1,415	-5,843	-1,272	-1,442	-1,386	-1,462	-5,562	-1,361	-1,584	-1,643	-1,759	-6,347
10. Residual Error of Estimate.....	9	88	-10	-68	19	16	72	21	-58	51	37	39	44	12	132
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,339	5,784	7,288	6,038	24,449	5,431	5,850	6,688	6,179	24,148	5,673	6,445	7,696	6,810	26,624

¹ Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

² Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

³ Excluding grain in commercial channels and change in farm inventories.

⁴ Includes defense expenditures of:
1953

I	II	III	IV	Year
590	401	452	464	1,907

1954

I	II	III	IV	Year
528	360	399	440	1,727

1955

I	II	III	IV	Year
520	391	414	435	1,760

⁵ In 1955 data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

⁶ See footnote 5, Table 15.

EXHIBIT No. 5

SUMMARY OF NET GENERAL REVENUE AND EXPENDITURE

ALL GOVERNMENTS IN CANADA

EXCLUDING INTER-GOVERNMENT TRANSFERS

Fiscal Years Ended Nearest December 31, 1939, 1945 and 1951 to 1955

	Government of Canada	Provincial Governments	Municipal Governments	All Governments
Revenue				
Millions of Dollars				
1939.....	480	236	317	1,033
1945.....	2,382	322	345	3,049
1951.....	3,787	949	660	5,396
1952.....	4,392	924	738	6,054
1953.....	4,479	993	811	6,283
1954 ¹	4,202	1,021	883	6,106
1955 ²	4,493	1,008	949	6,450
Percentage				
1939.....	46.47	22.84	30.69	100.00
1945.....	78.12	10.56	11.32	100.00
1951.....	70.18	17.59	12.23	100.00
1952.....	72.55	15.26	12.19	100.00
1953.....	71.29	15.80	12.91	100.00
1954 ¹	68.82	16.72	14.46	100.00
1955 ²	69.66	15.63	14.71	100.00
Expenditure ³				
Millions of Dollars				
1939.....	571	355	305	1,231
1945.....	4,414	376	343	5,133
1951.....	3,305	1,052	786	5,143
1952.....	3,981	1,183	907	6,071
1953.....	4,047	1,230	1,010	6,287
1954 ¹	4,092	1,370	1,225	6,687
1955 ²	4,416	1,469	1,292	7,177

EXHIBIT No. 5—*Concluded*

	Government of Canada	Provincial Governments	Municipal Governments	All Governments
	Percentage			
1939.....	46.39	28.84	24.77	100.00
1945.....	85.99	7.33	6.68	100.00
1951.....	64.26	20.46	15.28	100.00
1952.....	65.57	19.49	14.94	100.00
1953.....	64.37	19.56	16.07	100.00
1954 ¹	61.19	20.49	18.32	100.00
1955 ²	61.53	20.47	18.00	100.00

¹ Preliminary in the case of Federal and Provincial; estimated for Municipal.

² Estimated.

³ Excluding debt retirement.

NOTE: Revised to agree with statistics prepared for Federal-Provincial Conference held in October 1955.

Prepared in Dominion Bureau of Statistics, Public Finance and Transportation Division
March 1956.

EXHIBIT No. 6

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA
EXCLUDING MEMBERS OF THE ARMED FORCES, THE R.C.M.P., AND
STATUTORY EMPLOYEES

Year	Government Departments	Crown Corporations
March 31, 1939.....	46,106	67,752
March 31, 1945.....	115,908	161,464
March 31, 1948.....	118,370	119,566
March 31, 1951.....	124,866	115,942
March 31, 1952.....	137,037	136,400
March 31, 1953.....	159,654	143,438
March 31, 1954.....	165,454	139,473
February 28, 1955.....	174,860	138,094
February 29, 1956.....	177,556(d)	146,404(d)

NOTES

1. The statistics for the last four years were prepared on a slightly different basis from that of the previous years given. The latter, however, can be accepted as approximately correct in comparison with the last four years.

2. Crown Corporations. Figures for all years were supplied by the Bureau of Statistics based on data gathered by them from the Corporations.

EXHIBIT No. 6—Continued

Department (a)	March 31, 1953	March 31, 1954	February 28, 1955	February 29, 1956
Agriculture.....	7,320	7,544	7,712	7,413
Auditor General.....	145	140	139	125
Chief Electoral Officer.....	22	19	17	17
Citizenship and Immigration.....	3,435	3,462	3,854	3,902
Civil Service Commission.....	578	570	598	583
Defence Production.....	1,678	1,522	1,446	1,453
External Affairs.....	1,375	1,454	1,527	1,552
Finance.....	784	801	789	736
Comptroller of the Treasury.....	4,130	4,145	4,107	3,987
Royal Canadian Mint.....	226	215	222	190
Tariff Board.....	17	15	16	13
Fisheries.....	1,875	1,847	1,845	1,903
Governor General's Secretary.....	16	12	13	13
House of Commons.....	676	687	667	664
Insurance.....	94	94	90	92
International Joint Commission.....	20	20	21	22
Justice.....	230	246	254	236
Penitentiaries Branch.....	1,615	1,705	1,728	1,644
Labour.....	633	650	596	590
Unemployment Insurance Commission...	8,330	8,881	8,845	8,923
Library of Parliament.....	45	49	61	61
Mines and Technical Surveys.....	1,703	1,919	1,991	2,372
National Defence—				
Administration.....	5,126	5,601	5,858	5,750
Army Services.....	18,257	18,832	22,097	22,837
Naval Services.....	9,514	9,648	11,393	12,063
Air Services.....	9,923	11,637	14,212	15,428
National Film Board.....	558	553	581	603
National Health and Welfare—				
Departmental Administration.....	331	438	523	456
Health Branch.....	890	906	885	1,018
Welfare Branch.....	924	867	869	843
Indian Health Services.....	1,582	1,526	1,654	1,699
National Library.....	14	19	23	28
National Research Council and Atomic Energy Control Board.....	2,268	2,415	2,541	2,575
National Revenue—				
Customs and Excise.....	6,654	6,790	7,219	7,232
Income Tax.....	6,785	7,264	6,725	6,480
Post Office (b).....	19,298	19,789	21,321	21,745
Prime Minister's Office and Privy Council Office.....	107	103	103	90
Public Archives.....	65	59	62	71
Public Printing and Stationery.....	1,199	1,295	1,382	1,468
Public Works.....	7,595	7,797	7,842	7,590
Northern Affairs and National Resources.	2,402	2,335	2,610	2,669
Royal Canadian Mounted Police.....	849	903	933	932
Secretary of State.....	522	554	578	596

EXHIBIT No. 6—Continued

Department (a)	March 31, 1953	March 31, 1954	February 28, 1955	February 29, 1956
Senate.....	156	161	160	158
Trade and Commerce (including Dominion Bureau of Statistics).....	2,853	2,649	2,649	2,627
Board of Grain Commissioners.....	833	826	836	831
Canadian Government Elevators.....	238	224	206	199
Transport	11,336	12,074	11,211	11,955
Air Transport Board.....	52	53	50	46
Board of Transport Commissioners.....	158	167	165	138
Veterans Affairs.....	13,042	12,847	12,519	12,031
Soldier Settlement and Veterans' Land Act.....	1,176	1,125	1,115	907
Sub Total, Government Departments....	159,654	165,454	174,860	177,556(d)
Revenue Postmasters.....	9,355	9,213	9,068	8,890
Total.....	169,009	174,667	183,928	186,446(d)
Crown Corporations (c).....	143,438	139,473	138,094	146,404
Grand Total.....	312,447	314,140	322,022	332,850

NOTES:

- (a) The statistics for regular Government Departments include Classified Employees, Prevailing Rate Employees, Casual Employees and Ships' Officers and Crews.

Classified employees comprise those paid on the basis of stated annual salaries, the vast majority being under certificate of the Civil Service Commission, the balance being employed under the authority of other statutes (e.g. staffs of the National Research Council, the National Film Board, and the Canadian Government Elevators).

Prevailing Rate Employees are those whose remuneration is based on the prevailing hourly, daily or monthly rate for similar type of work in the area of employment and who occupy a continuing year round position on the establishment of a Department. Casual Employees are those whose remuneration is based on the prevailing hourly, daily or monthly rate for a similar type of work in the area of employment and who are employed for short periods of time in connection with specific projects. Ships' Officers and Crews are employed on Canadian Government Vessels.

- (b) Excludes revenue postmasters, figures for which are shown separately immediately below the sub-total.

- (c) The Crown Corporations for which staff strengths are included in this total are—

Atomic Energy of Canada, Ltd.
Bank of Canada
Canadian Arsenals Ltd.
Canadian Broadcasting Corporation
Canadian Commercial Corporation
Canadian National Railways
Canadian National (West Indies) Steamships, Ltd.
Canadian Overseas Telecommunication

EXHIBIT No. 6—Concluded

Canadian Wheat Board
 Central Mortgage and Housing Corporation
 Crown Assets Disposal Corporation
 Defence Construction, Ltd.
 Eldorado Mining and Refining, Ltd.
 Export Credits Insurance Corporation
 Hudson Bay Railway
 Industrial Development Bank
 National Harbours Board
 Northern Transportation Co. Ltd.
 Northwest Territories Power Comm.
 Polymer Corporation, Ltd.
 Prince Edward Island Car Ferry
 St. Lawrence Seaway Authority
 Trans-Canada Air Lines

- (d) For stricter comparability of February 1956 figures with those for the three previous years, 579 employees representing total staffs of the following:

Canadian Farm Loan Board
 Canadian Patents and Development Ltd
 Federal District Commission
 Halifax Relief Commission
 International Pacific Salmon Fisheries Commission
 International Pacific Halibut Commission
 National Battlefields Commission
 The Office of the Custodian

should be deducted from the total of Crown Corporations (146,404) and be added to Sub-Total Government Departments (177,556).

EXHIBIT No. 7

SUMMARY OF ANNUAL ESTIMATES OF THE GOVERNMENT OF CANADA BY STANDARD OBJECTS
OF EXPENDITURES AND SPECIAL CATEGORIES

Total, all Departments

	1938-39	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
	(in millions of dollars)						
(1) Civil Salaries and Wages.....	76.9	367.5	413.9	450.6	515.9	554.4	580.6
(2) Civilian Allowances.....	1.2	7.7	8.3	8.8	9.2	9.8	9.8
(3) Pay and Allowances, Defence Forces and R.C.M. Police.....	15.1	223.3	266.5	297.5	339.2	380.3	402.2
(4) Professional and Special Services....	4.3	36.1	39.1	43.7	48.6	52.9	67.9
(5) Travelling and Removal Expenses..	4.6	36.5	48.1	53.7	59.4	61.9	62.2
(6) Freight, Express and Cartage.....	0.7	13.4	19.3	18.8	17.9	22.0	30.6
(7) Postage.....	0.4	3.7	3.7	3.9	5.1	5.5	5.6
(8) Telephones, Telegrams and Other Communication Services.....	0.7	8.5	10.9	13.0	12.9	14.2	15.2
(9) Publication of Departmental Reports and Other Material.....		6.7	7.3	7.7	7.2	6.8	7.1
(10) Films, Displays, Advertising and Other Information Publicity.....	1.8	10.8	10.6	10.0	11.2	10.2	11.3
(11) Office Stationery, Supplies, Equip- ment and Furnishings.....	2.7	18.3	18.4	19.4	19.6	19.6	20.0
(12) Materials and Supplies	6.1	263.3	379.6	228.9	213.2	196.6	191.5

EXHIBIT No. 7—Concluded

	1938-39	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
(in millions of dollars)							
BUILDINGS AND WORKS, INCLUDING LAND							
(13) Construction or Acquisition.....	34.9	442.5	507.5	449.4	382.9	337.9	384.8
(14) Repairs and Upkeep.....	4.0	46.5	59.0	42.0	37.9	40.6	48.0
(15) Rentals.....	1.8	9.3	10.4	11.5	13.8	15.3	15.9
EQUIPMENT							
(16) Construction or Acquisition.....	14.3	697.9	797.6	919.2	850.8	684.5	583.1
(17) Repairs and Upkeep.....	1.2	104.1	155.9	142.1	164.7	157.2	163.7
(18) Rentals.....		1.1	1.2	1.2	1.7	2.0	1.9
(19) Municipal or Public Utility Services	0.9	9.7	13.6	16.8	18.3	20.4	25.3
(20) Contributions, Grants, Subsidies, etc., not included elsewhere.....	50.7	117.3	193.8	518.3	479.2	326.5	309.6
(21) Pensions, Superannuation and Other Benefits.....	5.5	152.5†	79.6	102.1	88.2	79.1	91.0
(22) All other Expenditures (other than Special Categories).....	14.0	35.6	39.9	42.5	41.6	43.1	50.8
Total Standard Objects.....	241.8	2,612.3	3,074.2	3,401.1	3,338.5	3,040.8	3,079.1
SPECIAL CATEGORIES							
(23) Interest on Public Debt and Other Debt Charges.....	132.4	437.7	435.5	469.0	511.5	487.1	524.6
(24) Subsidies and Special Payments to the Provinces.....	21.2	115.1	32.3 (317.1)	328.4	350.8	350.5	384.2
(25) Family Allowances Payments.....		320.0	332.2	348.8	366.0	383.6	399.2
(26) Old Age Pensions, including Allowances to the Blind and the Disabled.....	30.5	187.4	23.0	25.1	24.6	31.1	32.2
(27) Veterans Disability Pensions and Other Payments under the Pension Act.....	40.9	103.8	127.2	127.7	128.9	129.8	132.7
(28) Other Payments to Veterans and Dependents.....	9.4	56.8	46.8	46.2	43.3	41.0	49.8
(29) Government's Contribution to the Unemployment Insurance Fund.....		30.2	32.0	32.0	33.7	32.5	25.6
(30) General Health Grants.....		25.0	27.5	30.0	31.8	31.8	33.7
(31) Trans-Canada Highway Contributions.....		15.2	15.0	15.0	20.0	20.0	20.0
(32) Movement of Mail by Land, Air and Water (Post Office).....	15.6	38.2	41.4	45.6	48.0	46.6	45.8
(33) Deficits—Government Owned Enterprises.....	57.2	17.9	4.9	5.5	34.1‡	4.7
Total Special Categories.....	307.2	1,347.3	1,117.8 (1,402.6)	1,473.2	1,592.7	1,558.7	1,663.7
Total Standard Objects and Special Categories.....	549.0	3,959.6	4,192.0 (4,476.8)	4,874.4	4,931.2	4,599.5	4,742.8
(34) Less—Estimated Savings and Recoverable Items.....	0.1	27.3	27.0	344.5	366.6	239.2	214.7
Net Total Estimated Expenditures (Budgetary).....	548.9	3,932.3	4,165.0	4,529.9	4,564.6	4,360.3	4,528.1
(26) Old Age Pension Payments.....			322.0	344.9	355.9	367.6	379.5

(Figures in brackets include amounts payable in 1952-53 under the 1952 Tax Rental Agreements but which were not shown in the printed Estimates for 1952-53).

NOTES

†Includes \$75 million in 1951-52, being a special Government Contribution to the Civil Service Superannuation Account, designed to reduce the deficit in the Account.

‡Includes \$28.7 million in 1954-55, being the Canadian National Railways Deficit for 1954.

EXHIBIT No. 8

EXPLANATORY NOTES COVERING THE STANDARD OBJECTS OF
EXPENDITURE AND SPECIAL CATEGORIES

STANDARD OBJECTS (Items 1 to 22)

1. *Civil Salaries and Wages*

Includes salaries and wages, overtime and other special pay of all civilian full time, part time, seasonal and casual personnel normally considered as "Government Employees" (but does not include employees of agency and proprietary Crown corporations) whether paid at hourly, daily, weekly, monthly or annual rates of pay. It also includes Judges' salaries, those of the Governor General and Lieutenant-Governors and the indemnities to Members of both Houses of Parliament but does not include persons engaged for a specific project where pay and other costs would normally enter into the total cost of the project.

2. *Civilian Allowances*

Includes all types of allowances paid to or in respect of personnel normally considered as "Government Employees", such as Living, Terminable, Officer-in-Charge, Living and Representation Abroad, Special Service, Northern, Isolation, and Board and Subsistence Allowances, Mileage Allowances to Railway Mail Service Staffs, Allowances for Assistants, and other such allowances. Also includes Ministers' Motor Car Allowances, and the Expense Allowances to Senators and Members of the House of Commons.

3. *Pay and Allowances—Defence Forces and R.C.M. Police*

Includes pay and all types of allowances (except travel allowances included in Item No. 5 below) payable to members of the Defence Forces and the Royal Canadian Mounted Police, including Subsistence Allowances and other perquisites common to such Services.

4. *Professional and Special Services*

Includes provision for services performed by individuals or organizations outside a particular departmental service, other than such services identified with specific works projects or with projects and programs for which provision is made under Items 9 and 10; payments in the nature of fees, commissions, etc. for legal services, architects', engineers', analysts', accountants', reporters', translators' and writers' services; medical and dental services, doctors and nurses for Veterans Treatment and examination of pension applicants, hospital treatment and care and other outside technical, professional and other expert assistance; annuities and other agents paid on a fee or commission basis, payments to church organizations for Indian education, and Corps of Commissioners services. It includes armoured car service and other operational and maintenance services performed under contract other than those more properly classified under other Items, such as the Marconi-operated Radio Stations of the Department of Transport which are included in Item No. 8.

5. *Travelling and Removal Expenses*

Includes travelling and transportation expenses of Government Employees, Members of the Defence Forces and the Royal Canadian Mounted Police, removal expenses of those persons and their dependents, and living and other expenses of such persons on travel status; Judges' travelling expenses and travelling expenses and allowances payable to Senators and Members of the House of Commons. It also includes transportation of persons by contract and chartered facilities or by other means, automobile mileage, aeroplane fares, local transportation, etc., travelling expenses of persons engaged in field survey work, inspections and investigations. Does not include travelling and transportation of other than Government Employees such as travel costs for deports, applicants for treatment or pensions (veterans), etc., which are classified under Item No. 22.

6. *Freight, Express and Cartage*

Includes the cost of transportation of goods other than initial delivery cost on a purchase which is included in the Object covering the cost of the purchase itself. These costs range from the movement of mails from city Post Offices to the various Government Departments, to the movement of heavy equipment between camps and other establishments of the Defence Services.

7. *Postage*

Includes ordinary postage, air mail, registered mail, special delivery mail, post office box rentals and any other postal charges. Does not, of course, include provision for mail enjoying the "frank" privilege.

8. *Telephones, Telegrams and Other Communication Services*

Includes all costs of communication services by telephone, telegram, cable, teletype, radio and wireless communication (tolls, rates, rentals, etc.) and other communication costs such as Courier Services provided by outside agencies and communication services performed under contract or agreement such as the Marconi-operated Radio Stations of the Department of Transport.

9. *Publication of Departmental Reports and Other Material*

Includes provision for the publication, through the Queen's Printer, of Departmental Reports and other material, including informational and educational bulletins and pamphlets; publications on scientific and technical matters, natural resources, statistics and other such material; Hansard and other Parliamentary Papers; maps, charts, etc. The costs of printing, binding, engraving, lithographing, artwork, mats, writers' fees, and other costs attributable to specific publication projects and programs are included hereunder, with the exception of those belonging under Items 1, 2 and 5. The costs of publications and material produced wholly within a Service are distributed throughout other Items. The printing of forms and other stationery is included under Item No. 11.

10. *Exhibits, Advertising, Films, Broadcasting and Displays*

Includes provision for exhibits, films, displays and other visual materials; advertising for publicity and general purposes, including advertising for tenders (except that charges directly arising from specific construction projects or purchases are included under such headings). It includes publication of proclamations, announcements, notices, etc., and various forms of educational and

informational publicity, by broadcasting, poster, press and other means. The costs of artwork, writers' fees, casual employees hired for a specific project, and other costs attributable to the foregoing are included hereunder with the exception of those belonging under Items Nos. 1, 2 and 5, and the costs of projects or programs produced wholly within a Service where the costs are distributed throughout other Objects. Total provision for the operation of the National Film Board and the International Service of the Canadian Broadcasting Corporation is included under this Item.

11. Office Stationery, Supplies, Equipment and Furnishings

Includes stationery, envelopes, blotting paper and other office supplies such as pens, pencils, erasers, ink, etc.; printed forms, including tax return, statistical and like forms; letterheads, ledgers and ledger sheets, carbon paper, stencils and other paper supplies; the purchase, repair and rentals of office machines and appliances, including typewriters, adding machines, calculators, recording machines; tabulating machines, microfilming equipment and supplies, inter-office communication equipment, postal meter machines, machine records and all other office equipment; also includes desks, chairs, filing cabinets and such office furnishings; books, newspapers and periodicals for office or library use.

12. Materials and Supplies

Includes provision for materials and supplies required for normal operation and maintenance of Government Services (other than Office Stationery, Supplies and Furnishings). It includes gasoline and oil purchased in bulk; fuel for ships, planes, transport, heating, etc. feed for live stock; food and other supplies for ships and other establishments; live stock purchased for ultimate consumption or resale; seed for farming operations; food, clothing and other supplies for sick and indigent Indians; text books and school supplies purchased for Indian schools; books and other publications purchased for outside distribution; uniforms and kits; coining and refining supplies for the Mint; photographs, maps and charts purchased for administrative and operational purposes; laboratory and scientific supplies, including samples for testing; drafting, blue-printing and artists' supplies; supplies for surveys, investigations, etc.; chemicals, hospital, surgical and medical supplies; mail bags for transportation of the mails; char service supplies; coal, wood and electrical supplies; and all other materials and supplies other than those purchased for construction or repair projects which would normally be charged to such projects.

13. Construction or Acquisition of Buildings and Works, including Acquisition of Land

Includes provision for all expenditures on new construction of buildings, roads, irrigation works, canals, airports, wharfs, bridges and other such type of fixed assets, and reconstruction of such type of assets, improvements involving additions or changes of a structural nature, and also the installed cost of fixed equipment which is essentially a part of the work or structure such as elevators, heating and ventilating equipment, etc. It includes all such projects performed under contract or agreement or undertaken by a Department directly. The purchase of land is also included. The cost of casual employees hired for specific projects is included but not the cost of continuing employees assigned to work full or part time on such projects.

14. *Repairs and Upkeep of Buildings and Works*

Includes materials, supplies and other charges entering directly into the cost of repair and upkeep of the type of durable physical assets indicated under Item No. 13 above. It includes repair and upkeep projects performed under contract or agreement or undertaken by a Department directly.

15. *Rentals of Land, Buildings and Works*

Includes provision for rentals of properties required for special purposes by the various Departments and for the accommodation of Government Offices and Services by the Department of Public Works. Also includes rentals of space for storage of motor cars and other equipment and supplies.

16. *Construction or Acquisition of Equipment*

Includes provision for all machinery, equipment and furnishings (other than office equipment and office furnishings), and includes motor vehicles aeroplanes, tractors, road equipment, laboratory and other scientific equipment, vessels, icebreakers and other aids to navigation and all other types of light and heavy equipment, and includes various types of such equipment for National Defence, such as ships, aircraft, mechanical equipment, fighting vehicles, weapons, engines, and such spare parts as are normally acquired with that equipment; workmen's tools, farm implements, furniture and furnishings required for other than normal office purposes. Also includes live stock, horses and dogs purchased for employment as such rather than for ultimate consumption or resale (see Item No. 12 above).

17. *Repairs and Upkeep of Equipment*

Includes all materials, repair and replacement parts and other costs entering directly into the cost of repair and upkeep of the type of equipment indicated in Item No. 16 above.

18. *Rentals of Equipment*

Includes provision for hire and charter—with or without crew—of vessels, aircraft, motor vehicles and other equipment (but excluding hire of such vehicles primarily for travel or cartage covered in other items, or hire of vehicles or other equipment for works projects where the rental would normally be included in the costs of the projects).

19. *Municipal or Public Utility Services*

Includes provision for all payments for services of a type normally provided by a Municipality, School Board, or Public Utility Service such as the supply of water, electricity, gas, etc., and includes water rates, light, power and gas services, school fees, and payment for such services whether obtained from the Municipality or elsewhere; taxes and water rates on diplomatic properties. Also includes payments to Municipalities in lieu of Taxes and local improvement charges.

20. *Contributions, Grants, Subsidies, etc., Not Included Elsewhere*

Includes contributions to international and other organizations; contributions toward the cost of joint undertakings and programs not directly the responsibility of the Federal Government; contributions or grants to governments outside Canada, whether in money or in kind; grants to national

organizations such as the Boy Scouts Association and agricultural, health, welfare and similar organizations; subsidies to primary and other industries; contributions under agreements with the Provinces for vocational training and other purposes, unless otherwise provided for in special categories; payments under the Maritime Freight Rates Act; grants to various exhibitions, etc.; research grants and other assistance toward research carried on by non-governmental organizations; scholarships and similar payments. Does not include Grants to Municipalities in lieu of Taxes (Item No. 19), Subsidies and Special Payments to the Provinces (Item No. 24), Government's contribution to the Unemployment Insurance Fund (Item No. 29), General Health Grants paid to Provinces (Item No. 30), contributions to the Provinces for the Trans-Canada Highway (Item No. 31), nor the Deficits on Government Owned Enterprises (Item No. 33).

21. Pensions, Superannuation and Other Benefits in Consideration of Personal Services

Includes pensions, superannuation and other benefits to former civilian Government employees and ex-members of the Royal Canadian Mounted Police, or their dependents. It also includes payment of compensation under the Government Employees Compensation Act, the Government's contribution to the Superannuation Account and the Members of Parliament Retiring Allowances Account, Sick Mariners Dues, Judges' Pensions, Gratuities in lieu of Retiring Leave, Gratuities to Families of Deceased Employees, the Government's contribution to the Public Service and Regular Forces Death Benefit Accounts, payments under the Defence Services Pension Act and the Government's contribution, as an employer, to the Unemployment Insurance Fund. It does not, however, include the Government's contribution to the Unemployment Insurance Fund which represents one-fifth of the net amount contributed by employers and employees combined (Item No. 29), Disability Pensions in respect of World Wars I and II (Item No. 27), nor Other Payments to Veterans and Dependents (Item No. 28).

22. All Other Expenditures (Other than Special Categories)

Includes minor residual items shown as "Sundries" in practically all votes. These include such costs as towel service, laundering and dry cleaning, loss of personal effects, bonding of Government employees, and other small miscellaneous articles and services. It includes licences, permits, dockage, towage, wharfage and mooring privileges; works of art for exhibits, and historical material for galleries, museums and archives. It includes travel costs incurred for other than Government employees, e.g., immigrants, veteran patients and migrant labour. Also included is provision for many items and services detailed throughout the Estimates which do not lend themselves to distribution under the specific headings detailed in this Summary.

SPECIAL CATEGORIES (Items 23 to 33)

23. Interest on Public Debt and Other Debt Charges

Includes interest on the Funded Debt of Canada (including Treasury Bills) and on other liabilities such as Trust and Other Special Funds. It also includes costs of issuing new loans, Annual Amortization of Bond Discount, Premiums and Commissions, and the costs of servicing the Public Debt.

24. *Subsidies and Special Payments to the Provinces*

Includes Provincial Subsidies payable under the British North America Act and subsequent arrangements; Special Compensation to the Provinces in lieu of certain taxes as provided in the Tax-Rental Agreements. It also includes certain payments to Newfoundland under the Terms of Union. In general, it does not include payments made to Provinces for expenditures for specific purposes, some of which are included in Items Nos. 20, 26, 30 and 31.

25. *Family Allowances Payments*

Payments of monthly allowances authorized by the Family Allowances Act—Chap. 109, Revised Statutes.

26. *Old Age Pensions, including Allowances to the Blind and the Disabled*

Includes pensions authorized by the Old Age Security Act, payment of the federal Government's 50% share of old age assistance authorized by the Old Age Assistance Act, payment of the Federal Government's 75% share of allowances paid to blind persons under the Blind Persons Act, and payment of the Federal Government's 50% share of allowances paid to disabled persons under the Disabled Persons Act.

27. *Veterans' Disability Pensions and Other Payments under the Pension Act*

Includes pensions and other payments authorized under the Pension Act, the Civilian War Pensions and Allowances Act and the Civilian Government Employees (War) Compensation Order. Most of these payments arise from service during World Wars I and II.

28. *Other Payments to Veterans and Dependents*

Includes provision for War Veterans Allowances, including the Assistance Fund, Veterans Treatment and Other Allowances, Unemployment Assistance for Veterans, Rehabilitation Benefits, War Service Gratuities, Re-establishment Credits and other Sundry Items.

29. *Government's Contribution to the Unemployment Insurance Fund*

Provides for the Government's contribution to the Unemployment Insurance Fund and represents one-fifth of the net amount contributed by employers and employees combined.

30. *General Health Grants*

Provides for General Health Grants to the Provinces, the Northwest Territories and the Yukon Territory under terms and conditions approved by the Governor in Council to assist in hospital construction, extending and improving health services, prevention of tuberculosis, prevention of mental illness, control of venereal diseases, prevention and treatment of crippling conditions in children, training of health and hospital personnel, programs for the detection and treatment of cancer, public health research, provision of laboratory and radiological diagnostic facilities and services, medical rehabilitation and the improvement of maternity, infant and child care.

31. *Trans-Canada Highway Contributions*

Covers payments to those Provinces which have entered into agreements with the Federal Government under the Trans-Canada Highway Act, Chap. 269, Revised Statutes, in respect of the construction of the Trans-Canada Highway.

32. *Movement of Mail by Land, Air and Water (Post Office)*

Includes provision under the Post Office Department for Mail Service by Air, Water and Ordinary Land Conveyance, including Rural Mail Delivery.

33. *Deficits—Government Owned Enterprises*

Includes provision for the deficits incurred in the operation of Government Owned Enterprises such as the Hudson Bay Railway, the Canadian National (West Indies) Steamships, Limited, the Prince Edward Island Car Ferry and Terminals, the North Sydney, N.S.—Port aux Basques, Nfld., Ferry and Terminals, and Churchill Harbour.

34. *Less—Estimated Savings and Recoverable Items*

In certain special instances it is necessary for commitment and control purposes to detail total requirements of services but, in order that the actual amount of cash requirement only may be voted, deductions are made of estimated savings or recoverable amounts. Since the Standard Objects are made up of gross requirements, the total of those Objects must be reduced by these deductions in order to arrive at the total amount provided in the Estimates.

EXHIBIT No. 9

COMPARISON OF CONSUMER PRICES AND AVERAGE WEEKLY WAGES
ANNUAL AVERAGES FOR CANADA, 1952-1955

(Prepared by Labour & Prices Division, Dominion Bureau of Statistics)

	Average Weekly Wages in Manufacturing	The Consumer Price Index (1949=100)
1952	53.62	116.5
1953	56.09	115.5
1954	57.16	116.2
1955	59.25	116.4

Note—Wage averages shown above have been calculated from payroll data for hourly rated employees of manufacturing establishments. These figures represent gross earnings before any deductions, e.g., for taxes or security benefit plans. Both the wage averages and the Consumer Price Index are published in the Dominion Bureau of Statistics' monthly reports "Man-Hours and Hourly Earnings" and "Prices and Price Indexes."

EXHIBIT No. 10

SELECTED ITEMS OF CONSUMER EXPENDITURE
(Millions of dollars)

	1953 (Revised)	1954
Alcoholic Beverages	869	867
Tobacco in various forms	453	461
Race Track Betting	84	86
Soft Drink Beverages—all kinds	198	195
Commercial Recreation	199	194
Total of above items	<u>1803</u>	<u>1803</u>

Prepared by Research & Development Division, Dominion Bureau of Statistics. May 23, 1956.

